



**UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL**

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February 2, 2006

Control Number ED-OIG/A07F0025

Raymond Bayer, Jr.
Interim Executive Officer and CEO
Missouri Higher Education Loan Authority
633 Spirit Drive
Chesterfield, MO 63005

Dear Mr. Bayer:

The purpose of this letter is to notify you that we are terminating our audit of the Missouri Higher Education Loan Authority's (MOHELA's) compliance with requirements for the Federal Family Education Loan Programs (FFELP). The objective of our audit was to determine if MOHELA complied with 34 C.F.R. §§ 682.209 and 682.411, for conversion of a FFELP loan to repayment status and due diligence in the collection of FFELP loans. Our survey covered the period April 1, 2005, through June 30, 2005. We have terminated our audit because we did not identify any reportable instances of noncompliance with 34 C.F.R. §§ 682.209 or 682.411.

Methodology

Before terminating our audit, we performed the following procedures:

1. Reviewed the OMB Circular A-133 audit reports for MOHELA prepared by an independent public accountant for the years ended June 30, 2002, 2003, 2004, and 2005.
2. Reviewed the Exceptional Performance audit report prepared by an independent public accountant for the year ended June 30, 2005, and the supporting audit documentation.
3. Reviewed written policies and procedures and interviewed MOHELA officials to obtain an understanding of the process MOHELA used to provide reasonable assurance of compliance with the FFELP loan conversion and collection due diligence requirements, and used this review to identify data we needed to test compliance with the program requirements.

4. Identified the universe of defaulted FFELP loan claims (1,399) for which MOHELA received reimbursement from guaranty agencies during the period April 1, 2005, to June 30, 2005.
5. Assessed the reliability of computer-processed data by (a) gaining a limited understanding of MOHELA's computer system controls; (b) reviewing an American Education Systems SAS 70 report, titled *COMPASS Loan Servicing System*, for the year ended September 30, 2004; (c) reviewing a National Student Clearinghouse audit report for the year ended June 30, 2005;¹ and (d) testing selected loan data for missing data, the relationship of one data element to another, and values outside of designated ranges.
6. Tested a randomly selected sample of 30 defaulted FFELP loan claims from the universe of 1,399 claims to determine if MOHELA converted the loans to repayment in accordance with 34 C.F.R. § 682.209 and performed at least the minimum loan collection due diligence activities set forth in 34 C.F.R. § 682.411.
7. Observed MOHELA personnel performing their loan collection due diligence activities.
8. Discussed staffing levels and workload with MOHELA managers, supervisors, and employees and analyzed their responses to determine if staffing was sufficient given the size of MOHELA's portfolio.

We conducted our fieldwork between October 24, 2005, and December 8, 2005, at MOHELA's office in Chesterfield, Missouri. We performed our work in accordance with generally accepted government auditing standards appropriate to the scope of our audit.

Administrative Matters

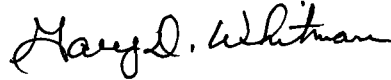
Our audit was limited to the work described above and would not necessarily disclose all material weaknesses in MOHELA's administration of the FFELP. Accordingly, the contents of this letter should not be construed as acceptance or approval of MOHELA's administration of the FFELP. The termination of this audit does not preclude further reviews and audits of this or similar areas by the Office of Inspector General, and it does not preclude the U.S. Department of Education from taking further action concerning MOHELA's administration of the FFELP. The work we performed is not a substitute for any other reviews or audits required by law, license, or accreditation.

In accordance with the Freedom of Information Act (5 U.S.C. § 552), reports and other documents issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

¹ We did not review the supporting audit documentation or determine the quality of the work performed for these reports.

We wish to express appreciation for the cooperation and assistance extended by your staff during the audit. Should you have any further questions regarding our work, please contact Darryl Meador at (816) 268-0513 or Tom Sample at (715) 235-3648. No response to this letter is required.

Sincerely,



Richard J. Dowd
Richard J. Dowd
Regional Inspector General
for Audit

cc: Matteo Fontana, General Manager for Financial Partners, FSA
Mirek Halaska, Regional Director, Financial Partners -- Southern Region, FSA
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