COMMONWEALTH OF PENNSYLVANIA
TREASURY DEPARTMENT
TUITION ACCOUNT GUARANTEED SAVINGS PROGRAM

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2005
COMMONWEALTH OF PENNSYLVANIA

TREASURY DEPARTMENT

TUITION ACCOUNT GUARANTEED SAVINGS PROGRAM

HARRISBURG, PENNSYLVANIA

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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The Tuition Account Program and College Savings Bond Act of 1992 established Pennsylvania’s Tuition Account Program (TAP). The 1992 Act was amended by Act 2000-58 effective August 22, 2000. Act 2000-58 changed the original TAP program from a prepaid tuition plan to a guaranteed savings plan, referred to as the TAP 529 Guaranteed Savings Plan, and authorized the creation of a second program, referred to as the TAP 529 Investment Plan, which is similar to a mutual fund. The TAP 529 Investment Plan was implemented on July 17, 2002 and is accounted for as a separate fund. The TAP 529 Investment Program is not included in this report.

The TAP 529 Guaranteed Savings Plan (GSP) is administered by the Tuition Account Programs Bureau (Bureau), an office within the Pennsylvania Treasury Department (Treasury). The GSP provides Commonwealth residents the opportunity to save for future higher education expenses at eligible educational institutions with growth on their savings being based on tuition inflation. An eligible educational institution is defined as a college, university, vocational or other post-secondary educational institution as defined by the Internal Revenue Code. Eligible educational institutions include the 34 Commonwealth-owned and state-related universities and community colleges, nearly all private and out-of-state public colleges, many career schools, and some foreign colleges and universities.

Additionally, the Act established a 19-member advisory board to “consider, study and review the work of the Tuition Account Programs Bureau.” The board also advises Treasury upon request and makes recommendations as it deems necessary. Five members are assigned to the board by virtue of their positions - the State Treasurer, the Chairman of the Board of Directors of the Pennsylvania Higher Education Assistance Agency, the Commissioner of Higher Education within the Department of Education, the Chairman of the Council of Higher Education, and the Chancellor of the State System of Higher Education. Of the remaining 14 positions, 4 members are appointed by the President Pro Tempore of the Senate, 4 members are appointed by the Speaker of the House of Representatives and 6 members are appointed by the Governor. The board reports annually to the Governor and to the General Assembly on the status of the Program and the Bureau.

Program assets are maintained in an Enterprise Fund independent from other state monies and cannot be used by the state for other purposes. The fund is not guaranteed by the full faith and credit of the Commonwealth.

As of June 30, 2005, there were 86,531 accounts in the GSP. During the current audit period, Treasury retained VTL Associates, LLC as investment and financial advisor and Actuarial Resources Corporation as the actuary to prepare pricing models and provide an assessment of the adequacy of the fund.
The enactment of the federal Economic Growth and Tax Relief Act of 2001 amended Section 529 of the Internal Revenue Code to exempt from federal income tax earnings on savings placed in Section 529 plans, such as the GSP, when those earnings are used for qualified higher education expenses at eligible education institutions. This Act is to sunset on December 31, 2010.
Independent Auditor’s Report

The Honorable Robert P. Casey, Jr.
State Treasurer
129 Finance Building
Harrisburg, Pennsylvania 17120

Dear Treasurer Casey:

We have audited the accompanying statement of net assets of the Commonwealth of Pennsylvania State Treasury’s Tuition Account Guaranteed Savings Program as of June 30, 2005, and the related statements of revenues, expenses, and changes in net assets and cash flows for the fiscal year then ended. These financial statements are the responsibility of the Treasury Department’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Commonwealth’s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commonwealth’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Tuition Account Guaranteed Savings Program and do not purport to, and do not, present fairly the financial position of the Commonwealth of Pennsylvania as of June 30, 2005, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Treasury Department's Tuition Account Guaranteed Savings Program as of June 30, 2005, and the revenues, expenses, and changes in net assets and its cash flows for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the financial statements, the Commonwealth has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*.

Treasury Management’s Discussion and Analysis on page 5 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2005, on our consideration of the Tuition Account Guaranteed Savings Program’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

November 30, 2005

RICHARD J. JORDAN, CPA
Department of the Auditor General
This discussion and analysis of the Tuition Account Program Guarantee Savings Plan (Plan) financial performance provides an overview of the Plan’s financial activities for fiscal year ended June 30, 2005. Please read it in conjunction with the Plan’s financial statements.

The financial statements consist of the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and a Statement of Cash Flows. Together these statements provide information about the activities of the Plan as a whole and present a longer term view of the Plan’s assets. These Statements include all assets and liabilities using the accrual basis of accounting. All of the current year’s revenues and expenses are taken into account regardless of when the cash is received or paid.

Net assets of the Plan increased by $4.0 million during the fiscal year resulting in total net assets of negative $43.8 million at June 30, 2005 from a negative $47.8 million at June 30, 2004. The Plan is 95.75 percent funded at June 30, 2005, compared to 94.79 percent funded at June 30, 2004.

Net income of $4.0 million for fiscal year 2004-2005 was down from a net income of $4.5 million in fiscal year 2003-2004. Total revenues of the Plan for fiscal year 2004-2005 were $101.4 million less than the Plan’s total revenues for fiscal year 2003 – 2004. Reductions in investment income and tuition credit purchases of $36.5 million and $64.8 million, respectively, accounted for the majority of the decreased revenues between the two fiscal years. The reduction in total revenue was offset by a $101.1 decrease in the Plan’s tuition benefit expense between fiscal year 2003-2004 and fiscal year 2004-2005.

The market value of the Plan’s net investments (net of securities lending investments) increased to $990.2 million at June 30, 2005, from $855.4 million at June 30, 2004. Tuition benefits payable increased to $1,028.5 million at June 30, 2005 from $904.2 million at June 30, 2004.

Actual payments to educational institutions increased to $56.6 million in fiscal year 2004-2005 from $35.8 million in fiscal year 2003-2004 as 6,869 beneficiaries used 163,743 credits in fiscal year 2004-2005 compared to 5,052 beneficiaries using 114,882, credits in fiscal year 2003-2004.

The Plan’s management maintains its responsibility over internal accounting and administrative controls to ensure that transactions are executed in accordance with budgetary and financial requirements and that performance measurement information is adequately supported.
TREASURY DEPARTMENT
TUITION ACCOUNT GUARANTEED SAVINGS PROGRAM
STATEMENT OF NET ASSETS
JUNE 30, 2005
(AMOUNTS IN THOUSANDS)

**ASSETS**

Current Assets:
- Cash $517
- Interest receivable 2,690
- Dividends receivable 723
- Investments (Notes 2 and 3) 443,550
  
  **Total Current Assets** $447,480

Noncurrent Assets:
- Investments (Notes 2 and 3) 769,653
  
  **TOTAL ASSETS** $1,217,133

**LIABILITIES**

Current Liabilities:
- Accounts payable and accrued liabilities $9,462
- Current tuition benefits payable (Notes 2 and 4) 104,063
- Securities lending obligations 222,968
  
  **Total Current Liabilities** $336,493

Long-Term Liabilities:
- Compensated absences $55
- Tuition benefits payable (Notes 2 and 4) 924,397
  
  **Total Long-Term Liabilities** $924,452

  **TOTAL LIABILITIES** $1,260,945

**NET ASSETS**

- Unrestricted $(43,812)

  **TOTAL NET ASSETS** $(43,812)

- The notes to the financial statements are an integral part of this statement. -
TREASURY DEPARTMENT  
TUITION ACCOUNT GUARANTEED SAVINGS PROGRAM  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(AMOUNTS IN THOUSANDS)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition credit purchases</td>
<td>$141,695</td>
</tr>
<tr>
<td>Investment income</td>
<td>$55,023</td>
</tr>
<tr>
<td>Application fees</td>
<td>$119</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td><strong>$196,837</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition benefit expense</td>
<td>$180,827</td>
</tr>
<tr>
<td>Salaries and other administration expenses</td>
<td>$5,011</td>
</tr>
<tr>
<td>Tuition credit refunds</td>
<td>$6,965</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td><strong>$192,803</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCREASE IN NET ASSETS</strong></td>
<td><strong>4,034</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL NET ASSETS, JULY 1, 2004</strong></td>
<td><strong>(47,846)</strong></td>
</tr>
<tr>
<td><strong>TOTAL NET ASSETS, JUNE 30, 2005</strong></td>
<td><strong>$ (43,812)</strong></td>
</tr>
</tbody>
</table>

- The notes to the financial statements are an integral part of this statement. -
TREASURY DEPARTMENT  
TUITION ACCOUNT GUARANTEED SAVINGS PROGRAM  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(AMOUNTS IN THOUSANDS)

<table>
<thead>
<tr>
<th>CASH FLOWS FROM OPERATING ACTIVITIES:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts from customers</td>
<td>$141,404</td>
</tr>
<tr>
<td>Payments to participants</td>
<td>(61,795)</td>
</tr>
</tbody>
</table>

**NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES** $79,609

<table>
<thead>
<tr>
<th>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net borrowings (repayments) under advances from other funds</td>
</tr>
</tbody>
</table>

**NET CASH USED FOR NON-CAPITAL FINANCING ACTIVITIES** 0

<table>
<thead>
<tr>
<th>CASH FLOWS FROM INVESTING ACTIVITIES:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of investments</td>
<td>$(17,125,227)</td>
</tr>
<tr>
<td>Proceeds from sale and maturities of investments</td>
<td>16,961,301</td>
</tr>
<tr>
<td>Investment income</td>
<td>24,683</td>
</tr>
<tr>
<td>Change in securities lending obligations</td>
<td>59,386</td>
</tr>
</tbody>
</table>

**NET CASH USED FOR INVESTING ACTIVITIES** $79,857

**NET INCREASE (DECREASE) IN CASH** $248

<table>
<thead>
<tr>
<th>CASH AT JULY 1, 2004</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH AT JUNE 30, 2005</td>
<td></td>
</tr>
<tr>
<td>$765</td>
<td></td>
</tr>
<tr>
<td>$517</td>
<td></td>
</tr>
</tbody>
</table>

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES**

<table>
<thead>
<tr>
<th>Operating income</th>
<th>$4,034</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reclassification of investment income</td>
<td>(55,023)</td>
</tr>
</tbody>
</table>

**Change in assets and liabilities:**

<table>
<thead>
<tr>
<th>Interest receivable</th>
<th>$230</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends receivable</td>
<td>180</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>6,776</td>
</tr>
<tr>
<td>Tuition benefits payable</td>
<td>124,226</td>
</tr>
<tr>
<td>Compensating absences</td>
<td>6</td>
</tr>
</tbody>
</table>

**Total adjustments** $75,575

**NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES** $79,609

- The notes to the financial statements are an integral part of this statement. -
NOTE 1 – PROGRAM DESCRIPTION

The TAP Guaranteed Savings Plan (GSP) is a prepaid college tuition program designed to provide for the advance purchase of college tuition credits in order to assist Commonwealth residents to fund for future educational expenses. A tuition credit is defined as one-twenty-fourth (1/24) of the tuition for an academic year of tuition at the participating institution. Once enrolled in the GSP, participants purchase tuition credits as often as they wish. Tuition credit prices are set annually based on an actuarial assessment of current tuition rates, projected tuition inflation, and the earnings of the GSP.

The GSP, accounted for in the TAP Guaranteed Savings Plan Fund, is part of the Commonwealth of Pennsylvania’s financial reporting entity and is reported as an enterprise fund in the Commonwealth’s June 30, 2005 Comprehensive Annual Financial Report.

The TAP advisory board was established by The Tuition Account Program and College Savings Bond Act of 1992, and monitors the activity of the GSP. In addition, the GSP retains VTL Associates, LLC as investment and financial advisor and Actuarial Resources Corporation as the actuary.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting and Presentation – The financial statements are prepared on the accrual basis of accounting. Under this basis, revenues are recognized when earned, and expenses are recognized when services and benefits are received.

b. Current Investments - Investments expected to be realized in cash within twelve months are reported as current investments. These investments are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, which would result from changes in interest rates. Current investments other than repurchase agreements are stated at fair value.

c. Repurchase Agreements - Repurchase agreements are reported at cost because they are non-participating interest earning investment contracts whose fair value is not significantly affected by the impairment of the credit standing of the issuer or any other factors.

d. Noncurrent Investments – Investments expected to be realized in cash after twelve months are reported as noncurrent investments. Investment debt and equity securities are reported at fair value.

e. Tuition Benefit Payable – Tuition benefits payable represents the current and long-term portions of the actuarially determined present value of future tuition obligations.
f. Investment Income - Investment income includes interest, dividends, realized gains and losses and the change in the fair value of investments during the fiscal year.

g. Effective July 1, 2004 Treasury adopted the Governmental Accounting Standards Board’s (GASB’s) Statement No. 40, “Deposits and Investment Risk Disclosures.” GASB Statement No. 40 amends GASB Statement No. 3 and requires additional disclosures related to credit risks (including custodial, concentration and quality), interest rate risk and foreign currency risk.

NOTE 3 – DEPOSITS AND INVESTMENTS

GASB Statement No. 40 requires certain disclosures regarding policies and practices with respect to deposits and investments and the risks associated with them. (Amounts in thousands.)

Deposits

TAP GSP deposits at June 30, 2005 of $517 thousand were not exposed to either custodial credit risk or foreign currency risk.

Investments

The Treasury Department, other agencies in the primary government and discretely presented component units (Commonwealth) categorize investments according to the level of investment risk assumed by the Commonwealth. The Treasury Department has formally adopted a written investment policy. Provisions of the written investment policy and current management of the investments consider custodial credit risk, concentration of credit risk, credit risk, interest rate risk, and foreign currency risk. The identified risks are discussed in detail below.

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of the failure of the counter-party to a transaction, Treasury would not be able to recover the value of investment or collateral securities that are in the possession of an outside party. In accordance with a contractual relationship between the State Treasury Department and its custodial agents, substantially all investments, where securities are used as evidence of the investment, are held by the Custodians in book entry form in the name of the Commonwealth or the Custodian. These investments are defined as insured or registered investments for which the securities are held by Treasury or its agent.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the government’s investment in a single issuer. The State Treasury places a 10% limit on the concentration of investments in any one fixed income issuer and a 5% limit on the concentration of stock by issuer. This limitation excludes government-sponsored enterprises,
direct obligations of the US government or its agencies, and repurchase agreements. These disclosures include:

<table>
<thead>
<tr>
<th>TYPE OF INVESTMENT</th>
<th>FAIR VALUE</th>
<th>% HOLDINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury Investment Group</td>
<td>190,437</td>
<td>19.23%</td>
</tr>
<tr>
<td>United States Treasury Obligations</td>
<td>61,524</td>
<td>6.21%</td>
</tr>
</tbody>
</table>

**Credit Risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody’s Investors Services (Moody’s). The State Treasury Department requires purchases of TAP assets to be investment grade (BBB or better) at the time of purchase. Approximately 74% of our fixed income portfolio is not rated by Moody’s and includes money market investments, U.S. Government obligations and U.S. Agency securities. The entire fixed income portfolio is rated investment grade. The following table discloses aggregate fair value, by major Moody’s credit quality rating category at June 30, 2005.

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Amount</th>
<th>Moody's Rating</th>
<th>% Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Obligations</td>
<td>$19,235</td>
<td>AAA</td>
<td>1.94%</td>
</tr>
<tr>
<td>Corporate Obligations</td>
<td>13,099</td>
<td>AA3</td>
<td>1.32%</td>
</tr>
<tr>
<td>Corporate Obligations</td>
<td>4,973</td>
<td>AA2</td>
<td>0.50%</td>
</tr>
<tr>
<td>Corporate Obligations</td>
<td>2,742</td>
<td>AA1</td>
<td>0.28%</td>
</tr>
<tr>
<td>Corporate Obligations</td>
<td>8,470</td>
<td>A3</td>
<td>0.86%</td>
</tr>
<tr>
<td>Corporate Obligations</td>
<td>17,240</td>
<td>A2</td>
<td>1.74%</td>
</tr>
<tr>
<td>Corporate Obligations</td>
<td>13,605</td>
<td>A1</td>
<td>1.37%</td>
</tr>
<tr>
<td>Corporate Obligations</td>
<td>4,713</td>
<td>BAA3</td>
<td>0.48%</td>
</tr>
<tr>
<td>Corporate Obligations</td>
<td>11,731</td>
<td>BAA2</td>
<td>1.19%</td>
</tr>
<tr>
<td>Corporate Obligations</td>
<td>5,717</td>
<td>BAA1</td>
<td>0.58%</td>
</tr>
<tr>
<td>Corporate Obligations</td>
<td>73</td>
<td>BA1</td>
<td>0.01%</td>
</tr>
<tr>
<td>Federal Agency Obligations</td>
<td>6,742</td>
<td>AA2</td>
<td>0.68%</td>
</tr>
<tr>
<td>Municipal Bonds</td>
<td>289</td>
<td>AAA</td>
<td>0.03%</td>
</tr>
<tr>
<td>Municipal Bonds</td>
<td>96</td>
<td>AA3</td>
<td>0.01%</td>
</tr>
</tbody>
</table>

**Total Rated Fixed Income Securities** $108,725
U.S. Government Obligations 61,524 N/R 6.21%
Federal Agency Obligations 51,789 N/R 5.23%
Corporate Obligations 5,289 N/R 0.53%
Money Market Funds 190,437 N/R 19.23%
Mortgage Backed Securities 9,742 N/R 0.98%
Total Unrated Fixed Income Securities 318,781

Total Fixed Income Securities 427,506

Equity Securities 562,727 N/R 56.83%

Total Portfolio $ 990,233 100.00%

**Interest Rate Risk** - Interest rate risk is the risk that changes in interest will adversely affect the fair value of an investment. Treasury measures interest rate risk using duration. As means for limiting Treasury’s exposure to fair value losses arising from rising interest rates, Treasury’s long-term asset allocation diversifies its fixed income core segment between intermediate duration and longer duration strategies. Duration is a measure of an investment’s sensitivity to changes in interest rates. The higher the duration, the greater the changes in fair value when interest rates change. For reporting purposes, Treasury elects to use option-adjusted duration, which takes into account embedded options effecting cash flows. At June 30, 2005, Treasury’s fixed income portfolio had the following option-adjusted durations by fixed income sector:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Amount</th>
<th>Duration (in years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Obligations</td>
<td>$106,886</td>
<td>3.40</td>
</tr>
<tr>
<td>Federal Agency Obligations</td>
<td>58,531</td>
<td>2.35</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>190,437</td>
<td>0.08</td>
</tr>
<tr>
<td>Municipal Bonds</td>
<td>385</td>
<td>6.63</td>
</tr>
<tr>
<td>U.S. Government Obligations</td>
<td>61,524</td>
<td>3.39</td>
</tr>
<tr>
<td>Mortgage Backed Securities</td>
<td>9,743</td>
<td>1.94</td>
</tr>
</tbody>
</table>

Total Fixed Income Securities $ 427,506

Equity Securities 562,727 N/A

Total Portfolio Securities $ 990,233
**Foreign Currency Risk**  Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Treasury Department’s policy requires and all investments are denominated in US dollars, issued under US laws and regulations, designed for US investors, and traded in US markets.

**Securities Lending Program**

The fiscal code provides the Treasury Department with numerous custodial responsibilities; the securities lending program (SLP) is an integral part of the custodial function. A contract between the Treasury Department and its custodian, acting as lending agent, provides that the custodian lends securities owned by the GSP to independent brokers, dealers and banks, acting as borrowers.

Lending agreements between the custodian and the borrowers require that the custodian receive collateral from the borrowers in exchange for the securities lent. For collateral received which is not denominated in United States dollars or whose primary trading market is located outside the United States, the fair value of the collateral received must be at least 105 percent of the fair value of the securities lent. The fair value of all other collateral received must be at least 102 percent of the fair value of the securities lent. Securities lent consist of both domestic and foreign equity securities and United States Treasury and foreign debt obligations. Almost all collateral received consists of cash; a very small portion of collateral received consists of letters of credit, United States Treasury, corporate and/or foreign debt obligations. Collateral is marked to market daily. Additional collateral from borrowers is required if the fair value of the collateral received declines below lending agreement requirements. The lending agent cannot pledge or sell collateral securities received unless the borrower defaults. Accordingly, neither collateral securities received from borrowers nor the related obligations to borrowers are reported.

To the extent collateral received consists of cash, the lending agent may use or invest the cash in accordance with reinvestment guidelines approved by the Treasury Department. Either the GSP or the borrower may terminate lending agreements on demand. Lending agreements are typically of very short duration – usually overnight. Therefore, the duration of lending agreements does not generally match the maturities of the investments made with cash collateral. The resulting interest rate risk is mitigated by the lending agent’s ability to reallocate lending agreements among SLP participants.

The SLP requires that the lending agent indemnify the Treasury Department for all claims, liabilities and costs resulting from the lending agent’s negligence or intentional misconduct. During the fiscal year ended June 30, 2005, there were no failures by any borrower to return securities lent or pay distributions thereon. Also, there were no losses resulting from a lending agent or borrower default and there were no Treasury Department restriction on the amount of the loans that could be made.
At June 30, 2005, there was no Treasury Department credit risk to the borrowers because the fair value of collateral received was greater than the fair value of the securities lent, consistent with the lending agreements outstanding. The carrying amount and fair value (in thousands) of the securities lent was $228,438.

NOTE 4 – TUITION BENEFITS PAYABLE

Tuition benefits payable represents the actuarially determined present value of future tuition obligations. The recognition of current period expenses resulted from the tuition benefits payable increase of $124.2 million from the prior year.

Presented below is the total tuition benefits obligation (in thousands) of the GSP from the actuary’s report. The standardized measurement is the actuarial present value (APV) of the future tuition obligation. This valuation method reflects the present value of estimated tuition benefits that will be paid in future years and is adjusted for the effects of projected tuition increases and termination of GSP contracts.

<table>
<thead>
<tr>
<th>APV of Future Obligations</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Tuition Benefits Payable</td>
<td>$ 104,063</td>
</tr>
<tr>
<td>Long-Term Tuition Benefit Payable</td>
<td>896,320</td>
</tr>
<tr>
<td>Total Tuition Benefits Payable</td>
<td>1,000,383</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Present Value of Expenses</th>
<th>28,077</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total APV of Future Obligations</td>
<td>$ 1,028,460</td>
</tr>
<tr>
<td>Assets Available</td>
<td>$ 984,741</td>
</tr>
</tbody>
</table>

Net Assets as a Percentage of Total:

- Tuition Benefits Payable: 98.44%
- Net Assets as a Percentage of Total APV of Future Obligations: 95.75%
Important assumptions used in the actuarial evaluations include the following:

Yield on Investments  
7.5% for 3 years, and 8.5% thereafter

Asset Allocation  
40% cash & fixed income and 60% equities

**Tuition Increases:**

<table>
<thead>
<tr>
<th>School</th>
<th>Annual Inflation Assumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pennsylvania Community Colleges</td>
<td>6.75%</td>
</tr>
<tr>
<td>Universities of the State System of Higher Education</td>
<td>7.00%</td>
</tr>
<tr>
<td>The Pennsylvania State University – All Campuses</td>
<td>2006/07 – 2007/08 @ 9.75 %,</td>
</tr>
<tr>
<td></td>
<td>2008/09 – 2012/13 @ 5.0%</td>
</tr>
<tr>
<td></td>
<td>2013/14 – 2022/23 @ 8.1%</td>
</tr>
<tr>
<td></td>
<td>2023/04 &amp; later @ 7.75%</td>
</tr>
<tr>
<td>University of Pittsburgh</td>
<td>2006/07 – 2022/23 @ 7.1%</td>
</tr>
<tr>
<td></td>
<td>2023/24 &amp; later @ 7.25%</td>
</tr>
<tr>
<td>Lincoln University</td>
<td>5.00%</td>
</tr>
<tr>
<td>Pennsylvania College of Technology</td>
<td>7.00%</td>
</tr>
<tr>
<td>Temple University</td>
<td>7.25%</td>
</tr>
<tr>
<td>State Related Average</td>
<td>8.28%</td>
</tr>
<tr>
<td>Thaddeus Stevens College</td>
<td>7.00%</td>
</tr>
<tr>
<td>PA Private Colleges &amp; Universities</td>
<td>7.00%</td>
</tr>
<tr>
<td>Ivy League Universities</td>
<td>7.00%</td>
</tr>
</tbody>
</table>
The Honorable Robert P. Casey, Jr.
State Treasurer
129 Finance Building
Harrisburg, Pennsylvania 17120

We have audited the accompanying statement of net assets of the Commonwealth of Pennsylvania Treasury Department’s Tuition Account Guaranteed Savings Program (GSP) as of June 30, 2005, and the related statement of revenues, expenses, and changes in net assets, and statement of cash flows for the fiscal year then ended and have issued our report thereon dated November 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the GSP financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Treasury’s internal control over GSP financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over
financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Treasury’s ability to record, process, summarize, and report financial data consistent with the assertions of management in the GSP financial statements. A reportable condition is described in the accompanying Finding Section as Finding No. 1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

We also noted another matter related to financial reporting which we have reported to management as Observation No. 1 in the accompanying Observation Section.

This report is intended solely for the information and use of the Treasury Department as manager of the Tuition Account Guaranteed Savings Program and is not intended to be and should not be used by anyone other than this specified party.

November 30, 2005                     RICHARD J. JORDAN, CPA
                                          Department of the Auditor General
FINDING
JUNE 30, 2005

TREASURY DEPARTMENT
TUITION ACCOUNT GUARANTEED SAVINGS PROGRAM

FINDING No. 1 – Internal Control Weakness Over Financial Reporting in the TAP Guaranteed Savings Program Fund

**Condition:** Each year, Treasury includes TAP Guaranteed Savings Program (TAP GSP) Fund financial statements, presented in accordance with Generally Accepted Accounting Principles (GAAP), in both the Commonwealth’s Statewide Comprehensive Annual Financial Report (CAFR), which includes all Commonwealth funds, and as an individual, stand-alone fund in a separately issued fund report. In the preparation of each year’s CAFR amounts for TAP GSP, Treasury works in conjunction with the Governor’s Office of the Budget – Bureau of Financial Management (BFM); Treasury prepares the stand-alone TAP GSP financial statements on its own, making sure the GAAP amounts for TAP GSP in both reports are in agreement.

We noted several errors and control weaknesses in our audit of both the CAFR and stand-alone financial statements for the TAP GSP Fund mandating auditor adjustments as follows:

- Treasury overstated investment income by $3.1 million in preparing the TAP GSP financial statements for both the CAFR and the stand-alone report. Treasury added investment income earned on temporary investments to investment income reported by the custodian bank. The income from temporary investments was already included in the bank’s reported interest income.

- Securities lending income of $448,000 was double-counted since it was reported once by Treasury from the SAP accounting system and a second time by BFM when accruing and adjusting investment income in the CAFR TAP GSP financial statements. Therefore, an additional $448,000 in investment income was counted in the CAFR financial statements, which did not agree to the stand-alone statements.

- Treasury overstated accrued TAP GSP investment interest by $424,000 from the Global Investment Pool (Pool 124) for both the CAFR and the stand-alone report. Treasury added accrued investment income for Pool 124 to the accrued investment income reported by the bank. The accrued investment income reported by the bank included Pool 124 income.

- Without Treasury’s proper review, BFM erroneously recorded $723,000 in accrued dividends in the temporary investment account, rather than in the accrued investment income account in the CAFR. This resulted in a $723,000 misclassification in the CAFR, which did not agree to the stand-alone statements.
Finding
June 30, 2005

Treasury Department
Tuition Account Guaranteed Savings Program

Criteria: Strong internal controls should ensure that financial statement balances are fairly stated. A prime element in such a system must include an appropriate management review and approval process. Furthermore, these controls should also include procedures to ensure that there exists adequate knowledge/training required to understand how investment income is recorded by the Commonwealth (including both Treasury and BFM) versus how it is recorded and reported by the bank.

Cause: In calculating investment income, Treasury added short-term investment income of $3.1 million that was already recorded by Treasury during the year to the total investment income for the year reported by the bank. No reconciliations were performed to determine whether the bank also reported the income for short-term investments, although all of the TAP GSP investments are held at the same institution. In determining the amount of Pool 124 accrued investment income, Treasury did not properly review the detail in the bank’s accrued income report. A more thorough review would have detected these errors.

In addition, there was no proper Treasury review of BFM’s accrued dividend and securities lending adjustments to the CAFR financial statements to ensure their appropriateness and agreement to the stand-alone TAP GSP financial statements, which resulted in additional errors in investment balances.

Effect: Investment income, temporary investments, and accrued investment income accounts were materially misstated in the CAFR and stand-alone TAP GSP financial statements, and required auditor adjustments. If the errors had not been corrected, these financial statements would not have fairly presented the position of the TAP GSP Fund.

Recommendation: We recommend that procedures be established to ensure that TAP GSP investment income recorded by Treasury during the year is reconciled regularly to the custodian bank, and differences noted should be resolved by Treasury on a timely basis. These reconciliations should be reviewed by a supervisor on a timely basis, and the review documented to ensure proper reporting in TAP GSP financial statements. In addition, those responsible for reporting the fund’s investments should be properly informed about the composition of investment income recorded by Treasury and by the bank.

Treasury, in conjunction with BFM, should implement a procedure to ensure Treasury properly reviews all TAP GSP adjustments and resulting balances in the CAFR to ensure that the TAP GSP financial statements in both the CAFR and stand alone reports are fairly stated and in agreement.
Agency Response

We concur with the recommendations that the Treasury Department should establish procedures to ensure TAP GSP investment income is reconciled to the custodian bank and properly recorded to the financial statements. The Treasury Department, Comptroller’s Office will establish review procedures to better ensure that all financial information provided to BFM is complete and accurate. The Bureau of Cash Management and Investments will reconcile the income to the custodial account on a monthly basis. A supervisory review will be performed of the reconciliation and the review documented. The Comptroller’s Office will verify that the accounts have been reconciled prior to preparation of the financial statements and related information. After being prepared, a supervisory review of the financial statements for completeness and accuracy will also be performed in the Comptroller Office.

A recommendation was also made that the Treasury Department, in conjunction with the Governor’s Office of the Budget – Bureau of Financial Management (BFM), implement procedures to have the Treasury Department review prior to issuance the TAP financial statements presented in the Commonwealth’s Comprehensive Annual Financial Report (CAFR) to ensure that those statements are fairly stated and in agreement with the stand alone TAP financial statements issued by the Treasury Department. Historically, BFM has not requested the Treasury Department to perform such a function. However, we will advise BFM that we are willing to participate in a process to review all auditor recommended and/or BFM prepared TAP GSP adjustments to Treasury Department submitted GSP financial statements to ensure that the TAP GSP financial statements in both the CAFR and stand alone reports are fairly stated and in agreement. It should be noted that Treasury’s ability to perform this function is dependent on timely notification from BFM and the auditors of the adjustments being made to the Treasury Department’s original submission.

Auditors’ Conclusion

We concur with Treasury management’s planned corrective actions described above. We will review Treasury’s implementation of these corrective actions in our subsequent audit.
OBSERVATION
JUNE 30, 2005

TREASURY DEPARTMENT
TUITION ACCOUNT GUARANTEED SAVINGS PROGRAM

OBSERVATION – Treasury Should Continually Re-Examine Its Methodology for Evaluating the Actuarial Soundness of the TAP Guaranteed Savings Program Fund

Comment

Prior Year Observation:

Our audit of TAP in prior fiscal years included observations which expressed concerns about the actuarial status of the TAP Guaranteed Savings Program (“TAP GSP” or the “Program”) and recommended that Treasury re-examine its methodology for evaluating the actuarial soundness of the TAP GSP Fund (the “Fund”). We also recommended that Treasury continue to evaluate its enrollment policies, program purchase options, and its pricing structure for tuition credits and take necessary steps to ensure that the deficit is eliminated rather than being allowed to persist or grow to levels that threaten the Program’s ability to maintain a competitive fee structure in the future.

It should be noted that, although the Program provides a “guarantee” to account holders that tuition credits purchased at today’s prices will cover actual per-credit tuition costs at the time a child is ready to attend college, this “guarantee” is not backed by the full faith and credit of the Commonwealth but rather by the assets of the TAP GSP Fund.

Specifically, we observed that for the last three years, the Fund’s assets were $47.8 million, $52.4 million, and $26.5 million less than the present value of related liabilities as of June 30, 2004, 2003, and 2002, respectively. While the Program’s actuary concluded that the Fund was still actuarially sound notwithstanding these shortfalls, we noted that his conclusion rested on a changed definition of “actuarial soundness” from that which had been used in earlier years. In those earlier years, the Program’s actuary had evaluated actuarial soundness based on a current point-in-time comparison of assets to liabilities. With deficits in the last three years, however, the actuary projected that future business at existing rates would generate annual increases in net assets to move the Program from its deficit position to a position where its assets would begin to exceed the present value of its liabilities by June 30, 2006 (based on the actuary’s projection as of June 30, 2002) and, as the deficit continued to grow, by June 30, 2010 (based on the actuary’s projections as of June 30, 2003 and 2004).

In addition to questioning the appropriateness of this definitional change, we also expressed concern that the Program actuary’s projections appeared optimistic in light of the Program’s actual experience. As an example in prior years, we noted that the actuary’s state fiscal year
TREASURY DEPARTMENT
TUITION ACCOUNT GUARANTEED SAVINGS PROGRAM

2001-02 projections – that new business in state fiscal year 2002-03 and the three succeeding years would generate increases in net assets of $8.6 million annually – departed significantly from the Program’s most recent actual performance in the 2001-02 year, during which it experienced a decrease in net assets of $8 million from new business.

The Fund also experienced a loss of $10.1 million on new business during 2002-03, exceeding even the $8 million loss it had experienced on new business in the prior year. While the Fund’s total assets continued to grow with new business during state fiscal year 2002-03, its liabilities grew at an even faster rate. Thus, the increase in the Fund’s overall size, rather than helping to narrow the deficit, was accompanied by a doubling of the deficit from June 30, 2002 to June 30, 2003. Moreover, not only did the actuarial deficit substantially increase in absolute terms, it also increased in relative terms from 7 percent of total assets at June 30, 2002, to 8.7 percent of total assets at June 30, 2003.

We also pointed out that, if the Program actuary’s projections did not materialize, the Program could remain in a position where its liabilities continued to exceed its assets significantly beyond actuarial projections, thus raising concerns about the basis for the actuary’s claim that the Program remained actuarially sound.

In its formal management response to our prior-year observations, Treasury stood by its actuarial methodology and its conclusion that the Fund remained actuarially sound. Also, in response to this prior-year experience, TAP management reinstituted “surcharges” or “premiums” for contributions made toward the purchase of tuition credits on or after September 1, 2003. These premiums represent charges to participants over and above actual current tuition rates that would otherwise be applicable to the purchase of future tuition credits. According to TAP management, these premiums were helping to reduce an actuarial deficit that persisted through the fiscal year that ended June 30, 2004.

Treasury also mentioned in its June 30, 2004 prior-year response that, in May of 2005, Treasury engaged Moody’s Investors Service to analyze the TAP GSP in the future. Management would determine what remedial actions, if any, would be taken to strengthen the TAP GSP once Moody’s rating opinion and related report was issued.

**FYE June 30, 2005 Update:**

The most recent experience of the TAP GSP Program shows that an actuarial fund deficit has persisted throughout the fiscal year ended June 30, 2005, and in fact up through December 31, 2005, as follows:
TREASURY DEPARTMENT
TUITION ACCOUNT GUARANTEED SAVINGS PROGRAM

<table>
<thead>
<tr>
<th></th>
<th>As of</th>
<th>TAP GSP Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2005</td>
<td>$43.8 million</td>
<td></td>
</tr>
<tr>
<td>September 30, 2005</td>
<td>$30.7 million</td>
<td></td>
</tr>
<tr>
<td>December 31, 2005</td>
<td>$36.8 million</td>
<td></td>
</tr>
</tbody>
</table>

In its response to our current audit inquiries up through December of 2005, Treasury management continues to concur with our recommendations that it continually reassess the actuarial soundness of the GSP and evaluate the program’s enrollment policies, program options and its methodology for setting TAP credit rates in order to eliminate the deficit that currently exists.

Moody’s Report:

Consistent with its response to our June 30, 2004 audit observation, the Treasury Department engaged Moody’s Investors Service to analyze the Guaranteed Savings Plan on an annual basis. On November 15, 2005, Moody’s Investors Services assigned the first rating of this kind, an “A3” on its corporate rating scale to the TAP GSP. Obligations rated “A” are considered upper medium grade and are subject to low credit risk.

The rating assigned to the plan expresses Moody’s opinion that, over a 25-year time horizon, a participant will receive an expected payout equal to the tuition inflation-adjusted Program credit value at the participant’s designated tuition level for each Program credit redeemed under the terms of the Program. Moody’s rating conclusion did not rely on a single set of assumptions, but rather a variety of scenarios and varying factors. Treasury stated that it is in the process of developing a plan by June 30, 2006 that strives to deal with the deficit in a systematic, rational and effective manner.

In reviewing the Moody’s November 2005 report, we noted that a critical factor in Moody’s “A3” rating of TAP GSP was the likelihood and degree to which the Commonwealth of Pennsylvania might offer outside financial assistance to the Program in the event that the GSP Fund did not generate an adequate return on its own. As stated above and elsewhere in this audit report, the TAP GSP is not guaranteed by the full faith and credit of the Commonwealth of Pennsylvania, but it is Moody’s opinion that the Program benefits from its linkage to, and support among, the legislative and executive branches of Pennsylvania state government. Although not a legal obligation, there is an “implied support structure” whereby, in Moody’s view, “the likelihood of efforts by the state to support the Plan in a time of crisis causes the credit quality of the GSP and its obligations to be higher than that of the TAP GSP when evaluated on a state-alone basis.”
Moody’s report further states: “On a stand alone basis the GSP Fund exhibits some speculative characteristics, recording actuarial deficits for four straight years. While total assets in the GSP Fund now exceeds $1.0 billion, as of June 30, 2005 the GSP Fund is under-funded with an actuarial deficit of 4.25% of actuarial liabilities, given the current actuarial assumptions. Moody’s view is that the plan faces structural challenges given the sweeping nature of its tuition inflation objective. Moody’s notes that the persistent volatility of higher education prices in Pennsylvania creates challenges for asset allocation that must produce returns that keep pace with inflation in order to provide future payouts. In modeling quantitatively a number of possible scenarios, Moody’s cites the need for sustained contributions, sufficient premium income and the need to achieve more efficient asset allocation to mitigate the negative effects of current and potential future actuarial deficits.”

We are concerned that the TAP GSP Program has been operating in a persistent deficit condition since the 2001-02 fiscal year, and this shortfall has now continued into the 2005-06 fiscal year. Either the Program may not be able to fulfill all its future obligations to its current participants, or the Fund may need new or additional sources of support to accomplish this task. Although progress has been made toward reducing the deficit, we continue to question the actuarial soundness of the stand-alone GSP Fund. This issue must be properly addressed, as thousands of Pennsylvania families are depending on the health of the Fund in order to provide college educations for their children. Furthermore, other families are evaluating the Fund in order to decide whether to participate in the Program as well.

**Recommendations**

- The Treasury Department, working with its actuary, should routinely reassess the viability and appropriateness of its actuarial assumptions and methodology for evaluating the actuarial soundness of the GSP Fund.

- It is extremely important that the Fund’s deficit not continue indefinitely. Accordingly, Treasury should evaluate its enrollment policies, program purchase options, and pricing structure for tuition credits and take necessary steps to ensure that the deficit is eliminated as soon as possible, rather than being allowed to persist or grow even further. For the sake of both current and prospective participants in the GSP Program, Treasury should devise a plan by the end of 2006 that includes specific actions to eliminate the deficit or at least make significant progress towards that goal.
Agency Response

We concur with your recommendations that the Treasury Department should continue to reassess the actuarial soundness of the Guaranteed Savings Plan and evaluate the program’s enrollment policies, program options and its methodology for setting TAP Credit Rates in order to eliminate the deficit that currently exists.

Consistent with our response to the June 30, 2004 audit comment, the Treasury Department has engaged Moody’s Investors Service to analyze the Guaranteed Savings Plan on an annual basis.

On November 15, 2005, Moody’s Investors Services assigned the first rating of this kind, an A3 on its corporate rating scale to the Tuition Account Program 529 Guaranteed Savings Plan (Plan). Obligations rated “A” are considered upper medium grade and are subject to low credit risk.

The rating assigned to the Plan expresses Moody’s opinion that over a 25-year time horizon, a participant will receive an expected payout equal to the tuition inflation-adjusted Plan credit value at the participant’s designated tuition level for each Plan credit redeemed under the terms of the Plan. Moody’s rating conclusion did not rely on a single set of assumptions, but rather a variety of scenarios and varying factors.

We will continue to monitor the soundness of the Plan and as indicated in our response to the June 30, 2004 audit, we are in the process of developing a plan by June 30, 2006 that strives to deal with the deficit in a systematic, rational and effective manner.

Auditors’ Conclusion

Our observation and recommendations remain as previously stated. We will review Treasury’s corrective action to deal with the deficit as part of our subsequent audit for the fiscal year ended June 30, 2006.
This report was initially distributed to the following:

Commonwealth of Pennsylvania

The Honorable Edward G. Rendell
Governor

Governor’s Office of the Budget

Harvey C. Eckert, Deputy Secretary
Comptroller Operations

Herbert A. Maguire, Director
Bureau of Financial Management

State Treasury

The Honorable Robert P. Casey, Jr.
State Treasurer

J. Terry Kostoff, CPA, CGFM
Deputy State Treasurer for Fiscal Operations

Richard D. Spiegelman, Esq.
Chief of Staff

Anthony E. Wagner
Deputy State Treasurer for Investments and Programs

Peter J. Smith, Esq.
Deputy State Treasurer for Audits & Investigations

Senate of Pennsylvania

The Honorable James Rhoades
Majority Chair
Senate Education Committee

The Honorable David Brightbill
Majority Leader

The Honorable Robert Mellow
Minority Leader

House of Representatives

The Honorable Jess Stairs
Majority Chair
House Education Committee

The Honorable James Roebuck
Minority Chair
House Education Committee

The Honorable John Perzel
Speaker of the House of Representatives

The Honorable Samuel Smith
Majority Leader

The Honorable William H. DeWeese
Minority Leader
TAP Advisory Board

The Honorable Robert C. Jubelirer
President Pro Tempore
Senate of Pennsylvania

The Honorable Elinor Z. Taylor
Chairman
Pennsylvania House of Representatives

The Honorable Raphael J. Musto
Senate of Pennsylvania

Dr. Angelo Armenti, Jr.
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California University of Pennsylvania

Mr. James L. Haddock
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State Workers Insurance Fund

Ms. Emily Long
Former Business Owner

Dr. Francis J. Michelini
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Council of Higher Education

Victor N. Tucci, M.D.
Three Rivers Health and Safety

Dr. Edna V. Baehre
President
Harrisburg Area Community College

The Honorable Scott W. Boyd
Pennsylvania House of Representatives

The Honorable Robert P. Casey, Jr.
State Treasurer

The Honorable John R. Evans
Pennsylvania House of Representatives

The Honorable Daylin Leach
Pennsylvania House of Representatives

William V. Larkin
Deputy Secretary of Education for Postsecondary and Higher Education

Dr. Judy G. Hample
Chancellor
State System of Higher Education

Dr. Edward A. Vollbrecht
State Director
Pennsylvania Department of Education

Mr. Mark A. Nordenberg
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University of Pittsburgh

Laura Jan Kuller, Esquire
Klett Rooney Lieber & Schorling

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