

*FFEL Program Lender Compliance
Attestation Engagement Reporting Package*

**OKLAHOMA STUDENT
LOAN AUTHORITY**

June 30, 2012

OKLAHOMA STUDENT LOAN AUTHORITY

June 30, 2012

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Independent Accountant's Report

Board of Trustees
Oklahoma Student Loan Authority

We have examined management's assertions that Oklahoma Student Loan Authority ("OSLA") complied with the specified compliance requirements regarding LaRS Reporting; Loan Records; Interest Benefits; Special Allowance Payments; Loan Sales, Purchases, and Transfers; Enrollment Reports; Payment Processing; Due Diligence in Collection of Delinquent Loans; Timely Claim Filings; Curing Due Diligence and Timely Filing Violations; and Holding Loans as a Trustee for an Institution of Higher Education or an Affiliated Organization; listed in Section 3 of the *Lender Compliance Attestation Engagement Guide*, during the year ended June 30, 2012. OSLA's management is responsible for OSLA's compliance with those requirements. Our responsibility is to express an opinion on the assertions based on our examination.

Our examination was conducted in accordance with the attestation standards applicable to attestation engagements established by the American Institute of Certified Public Accountants; standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements contained in the *Lender Compliance Attestation Engagement Guide* issued by the U.S. Department of Education, Office of Inspector General; and accordingly, included examining, on a test basis, evidence supporting management's assertions and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, management's assertions referred to above are fairly stated, in all material respects, based on the requirements of the *Lender Compliance Attestation Engagement Guide*. Our examination does not provide a legal determination on OSLA's compliance with the specified requirements. In accordance with *Government Auditing Standards*, we are required to report significant deficiencies in internal control, identifying those considered to be material weaknesses, violations of provisions of contracts or grant agreements, and abuse that could have a material effect on OSLA's compliance with the specified requirements regarding LaRS Reporting; Loan Records; Interest Benefits; Special Allowance Payments; Loan Sales, Purchases, and Transfers; Enrollment Reports; Payment Processing; Due Diligence in Collection of Delinquent Loans; Timely Claim Filings; Curing Due Diligence and Timely Filing Violations; and Holding Loans as a Trustee for an Institution of Higher Education or an Affiliated Organization; listed in Section 3 of the *Lender Compliance Attestation Engagement Guide* and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether management's assertions referred to above are fairly stated, in all material respects, and not for the purpose of expressing an opinion on internal control over the compliance requirements referred to above or on other compliance and other matters; accordingly, we express no such opinions. Our examination disclosed certain findings that are required to be reported under *Government Auditing Standards* and those findings, along with the views of management are described in the attached Schedule of Findings.

This report is intended solely for the information and use of the U.S. Department of Education and the management of OSLA and is not intended to be and should not be used by anyone other than these specified parties.

Cole & Reed P.C.

Oklahoma City, Oklahoma
February 27, 2013

SCHEDULE OF FINDINGS

OKLAHOMA STUDENT LOAN AUTHORITY

June 30, 2012

FINDING 2012-01

Condition:

During our testing of loan sales, purchases, and transfers between eligible lenders, we noted three loans for one borrower that were entered into the Authority's loan servicing system for incorrect amounts upon being repurchased from the guarantor. The total amount added to the loan servicing system for the three loans was \$12,703 which was \$173 larger than the total amount that should have been added of \$12,530. We tested a sample of 60 loans which is the required sample size prescribed by Section 3 of the *Lender Compliance Attestation Engagement Guide*. Our sample of 60 was randomly selected from the universe of 1,457 loans included in seven sales, purchases, and transfers during the fiscal year ended June 30, 2012 that were selected using monetary sampling.

Criteria:

A lender must exercise due care to ensure that loan sales, purchases, and transfers are handled appropriately and accurately.

Effect of the Condition:

The three loans that were added to the Authority's loan servicing system for incorrect amounts upon being repurchased from the guarantor resulted in approximately \$174 erroneously being added to the outstanding balances of the borrower's loans and an overpayment to the guarantor for the same amount.

Cause of the Condition:

When loans are identified to be repurchased from a guarantor, the guarantor sends a repurchase worksheet to the Authority detailing the loans to be repurchased. This worksheet includes the outstanding balance for each loan and accrued interest through a specified repurchase date. In many situations, the Authority actually completes the repurchase before the specified repurchase date. This results in accrued interest amounts to be added to the Authority's loan servicing system and paid to the guarantor that are lower than the accrued interest amounts shown on the repurchase worksheet. In these situations, the Authority calculates the actual accrued interest on the repurchase worksheet to determine the actual amounts to be added to the loan servicing system and paid to the guarantor. The determination of the actual accrued interest amounts and addition to the loan servicing system is performed by one individual and not reviewed in sufficient detail by a second individual to ensure that the correct amounts are added to the loan servicing system and paid to the guarantor. A summary of the loans added to the loan servicing system is sent to the accounting department to make the payment to the guarantor and make the appropriate entries to record the repurchase. However, this summary only shows subtotals of principal and interest added to the loan servicing system by loan type for each borrower. A separate comparison of the amounts added to the loan servicing system to the amounts paid and recorded by the accounting department is performed.

SCHEDULE OF FINDINGS--Continued

OKLAHOMA STUDENT LOAN AUTHORITY

June 30, 2012

FINDING 2012-01--Continued

Cause of the Condition--Continued:

However, no comparison or review is performed to ensure that the calculations on the repurchase worksheet are accurately performed and summarized on the schedule sent to accounting.

Recommendation:

We recommend that the Authority ensure that procedures are in place to verify that the outstanding balances of loans repurchased from the guarantor are accurately calculated, added to the loan servicing system, and sent to the accounting department for payment and entry into the accounting system. A reconciliation of the outstanding balances added to the system, the amounts calculated on the original repurchase agreement, and the amount paid to the guarantor and recorded in the accounting system performed by someone other than the individual calculating the actual outstanding balance of loans to be repurchased would be an effective procedure.

SCHEDULE OF FINDINGS--Continued

OKLAHOMA STUDENT LOAN AUTHORITY

June 30, 2012

FINDING 2012-02

Condition:

For several separate lender identification numbers, it was noted that the quarterly Lender's Interest and Special Allowance Request and Report (LaRS) was not filed within the required 90 days after the end of the quarter for the second, third, and fourth quarters of the fiscal year ended June 30, 2012. Specifically, the quarterly LaRS was not filed within the required time limit as follows:

OSLA Lender Held Loans - one lender identification number for the quarter ending December 31, 2011, two lender identification numbers for the quarter ending March 31, 2012, and one lender identification number for the quarter ending June 30, 2012 was not filed timely.

Criteria:

To be considered timely the quarterly LaRS must be submitted to the Department of Education within 90 days after the end of each quarter to be considered timely.

Effect of the Condition:

Not timely filing the quarterly LaRS may result in fees or other penalties assessed by the Department of Education. The Department of Education did not assess any fees or other penalties for any of the late filings during the fiscal year ended June 30, 2012.

Cause of the Condition:

During the fiscal year ended June 30, 2012, the Authority was in the process of obtaining a contract with the Department of Education to become a Not-for-Profit (NFP) Servicer to service federally held student loans. The number of personnel employed by the Authority during the year was not sufficient to meet all required deadlines associated with obtaining the NFP Servicer contract and timely submit each of its quarterly LaRS.

Recommendation:

We recommend that the Authority regularly assess the sufficiency of its staff. A more in depth assessment should be performed when situations arise that will involve labor intensive procedures and strict deadlines such as the process of obtaining the contract to become a NFP Servicer.

SUMMARY SCHEDULE ON THE RESOLUTION OF PRIOR ENGAGEMENT FINDINGS

OKLAHOMA STUDENT LOAN AUTHORITY

June 30, 2012

There were no prior year findings.

LENDER AND AUDITOR INFORMATION SHEET

OKLAHOMA STUDENT LOAN AUTHORITY

June 30, 2012

<u>Lender Information:</u>	
Lender Name:	Oklahoma Student Loan Authority
Lender ID Number(s):	834467, 834511, 833059, 825659
Telephone Number:	(405) 556-9200
Fax Number:	(405) 556-9255
President:	Jim Farha
Name of Contact Person and Title:	Andy Rogers, Vice President and Controller
<u>Lender Servicer Information:</u>	
Lender Servicers:	Oklahoma Student Loan Authority
Lender Servicer ID Numbers:	700155
<u>Audit Firm Information:</u>	
Type Of Engagement: (Standard, Alternative, or Combined)	Standard
Name of Partner In Charge:	Mike Gibson
Email Address:	mgibson@coleandreed.com
State in Which Licensed and CPA License Number (Home State):	Oklahoma Permit # 906223
If Engagement Performed Outside of Home State, Name of Other State and CPA License Number in That State:	N/A
Firm's Name:	Cole & Reed, P.C.
Street:	531 Couch Drive
City, State, Zip:	Oklahoma City, OK 73102
Telephone and Fax Numbers:	P (405) 239-7961 F (405) 235-0042

Exhibit A

Corrective Action Plan



525 Central Park Dr., Suite 600
Oklahoma City, OK 73105-1706
P.O. Box 18145
Oklahoma City, OK 73154-0145
405-556-9210
Fax 405-556-9255
www.osla.org

CORRECTIVE ACTION PLAN

FFEL Program Lender Compliance Attestation Report

June 30, 2012

Finding 2012-01:

Three loans that OSLA re-purchased from a guarantor were loan added to OSLA's servicing system in an amount \$173.51 greater than the actual value of the loans on that re-purchase date.

Background / Comments –

OSLA was performing manual calculations on borrower accrued interest on loans re-purchased from guarantors. This finding is related to human error in the calculations of borrower accrued interest on these loans.

Actions Taken –

OSLA corrected the overstatement of borrower accrued interest on the three loans in this finding and made arrangements to have the guarantor reimburse this overpayment of accrued interest.

Actions Planned –

OSLA will be automating the calculation of borrower accrued interest on re-purchases of loans using worksheet templates for these calculations. Additionally, OSLA will perform Quality Assurance procedures on these calculations related loan re-purchases.

Finding 2012-02:

Certain quarterly Lender's Interest and Special Allowance Request and Reports (LARS) for OSLA owned loans and for loans owned by lender customers and serviced by OSLA were not filed within the required 90 day period after close of the calendar quarters.

Background / Comments –

OSLA did not assign adequate staff to prepare and submit these LARS reports during the periods noted. Additionally, OSLA encountered problems installing the new version of EdConnect which is the secured process for submitting the LARS reports.

Actions Taken –

OSLA staff worked with Department of Education personnel to identify un-filed LARS reports and to install the new version of EdConnect. All delinquent LARS reports were filed and all LARS for the quarter ending September 30, 2012 were filed by November 2, 2012.

Actions Planned –

OSLA will assign additional staff to the preparation and submission of quarterly LARS reports and properly monitor this work to ensure reports are filed in a timely manner.

Exhibit B

**Management Representations
and Management Assertions**



525 Central Park Dr., Suite 600
Oklahoma City, OK 73105-1706
P.O. Box 18145
Oklahoma City, OK 73154-0145
405-556-9210
Fax 405-556-9255
www.osla.org

To: Cole & Reed, P.C.

Assertions

The management of Oklahoma Student Loan Authority ("OSLA") provides these assertions to the auditor because it is conducting an engagement of OSLA's compliance with the U.S. Department of Education's Lender Compliance Attestation Engagement Guide ("Guide"). The purpose of the compliance engagement is to express an opinion about whether OSLA has complied with the requirements, described in the following subsections of Section 3 of the Guide:

- §3.2 LaRS Reporting
- §3.3 Loan Records
- §3.4 Interest Benefits;
- §3.5 Special Allowance Payments;
- §3.6 Loan Sales, Purchases, and Transfers;
- §3.7 Enrollment Reports;
- §3.8 Payment Processing;
- §3.9 Due Diligence by Lenders in Collection of Delinquent Loans;
- §3.10 Timely Claim Filings;
- §3.11 Curing Due Diligence and Timely Claim Filing Violations; and
- §3.12 Holding Loans as a Trustee for an Institution of Higher Education or an Affiliated Organization

Representations

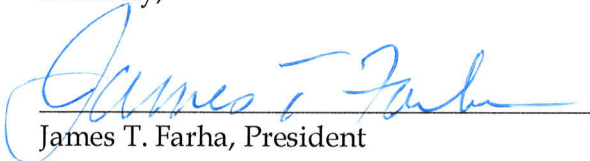
We also represent that the management of OSLA:

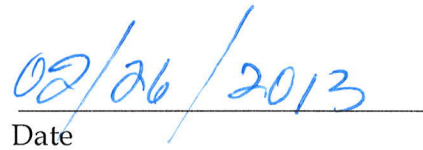
- Acknowledges and accepts responsibility for its compliance with the specified requirements;
- Acknowledges and accepts responsibility for establishing an effective internal control structure over compliance;
- Has evaluated its compliance with the specified requirements or its controls for ensuring compliance and detecting noncompliance with requirements, as applicable;
- Asserts that, based on its evaluation of the requirements identified in Section 3 of the U.S. Department of Education's Lender Compliance Attestation Engagement Guide, that OSLA is in compliance with those requirements and the internal controls relating to those requirements are effective;
- Has disclosed to you, the auditor, all known noncompliance;
- Has made available to you, the auditor, all documentation related to compliance with the specified requirements;

- Has disclosed any communications from regulatory agencies, internal auditors, and other auditors concerning possible noncompliance with the specified requirements, including communications received between the end of the period addressed in the written assertion and the date of the auditor's report;
- Has disclosed any known noncompliance occurring subsequent to the period for which we are making these assertions, (June 30, 2012); and
- Has not provided any interpretations to you, the auditor, of compliance requirements that have varying interpretations.

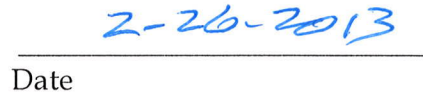
The management of OSLA confirms that the assertions and representations provided in this document are true and accurate, to the best of its knowledge and belief.

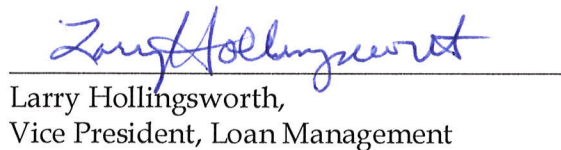
Sincerely,


James T. Farha, President


Date


W.A. Rogers, Vice President - Operations/ Controller


Date


Larry Hollingsworth,
Vice President, Loan Management

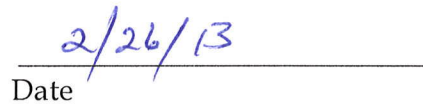

Date

Exhibit C

Management Letter

MANAGEMENT LETTER

OKLAHOMA STUDENT LOAN AUTHORITY

June 30, 2012

None.