

*FFEL Program Lender Compliance
Attestation Engagement Reporting Package*

OKLAHOMA STUDENT LOAN AUTHORITY

June 30, 2014

OKLAHOMA STUDENT LOAN AUTHORITY

June 30, 2014

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Independent Accountant's Report

To the Board of Trustees
Oklahoma Student Loan Authority
Oklahoma City, OK

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, 2014. 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
October 28, 2014

SCHEDULE OF FINDINGS

OKLAHOMA STUDENT LOAN AUTHORITY

June 30, 2014

FINDING 2014-01

Condition: During our testing of loan sales, purchases, and transfers between eligible lenders, we noted two consolidation loans for one borrower that were entered into the Authority's loan servicing system as having been repurchased fifteen days prior to the date the repurchase actually occurred. These two loans were identified from the testing of our sample of 60 loans which is the required sample size prescribed by Section 3.6 of the *Lender Compliance Attestation Engagement Guide*. Our sample of 60 was randomly selected from the universe of 434 sales, purchases, and transfers occurring during the fiscal year ended June 30, 2014.

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 two loans that were entered into the Authority's loan servicing system as having been repurchased fifteen days prior to the date the repurchase actually occurred resulted in approximately \$38 of interest accruing for the fifteen days that the loans were not actually held by the Authority to be paid by the borrower. Also, the principal balance of these loans of \$12,918 was reported on Part III of the Lender's Interest and Special Allowance Request and Report (LaRS) for fifteen days that the Authority did not hold the loans. Because the specific loans were Federal consolidation loans, the additional interest charged to the borrower will also have an ongoing negligible effect on the consolidation loan rebate fees paid each month by the Authority. This would result in less than \$1 per month of additional consolidation loan rebate fees paid by the Authority related to these two loans.

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. The Authority uses this worksheet to calculate the final amount of accrued interest included in the repurchase if the repurchase actually takes place on a date other than that which was specified by the guarantor. The worksheet with this calculation is then used to determine the amount to be remitted to the guarantor and to enter the repurchase into the Authority's loan servicing system. The Authority properly calculated the amount of accrued interest for the two loans using the date the repurchase actually occurred. However, the date of the repurchase was entered into the system fifteen days earlier than the date on the repurchase worksheet and the Authority's review process did not detect the erroneous date for this one repurchase loan add.

Recommendation: We recommend that the Authority ensure that sufficient review procedures are in place to verify that all aspects of repurchases are accurately entered into the system. If the incorrect date is entered for a repurchase, it can result in either too much or too little interest accruing related to the repurchased loan which can also affect amounts reported on the quarterly LaRS.

SCHEDULE OF FINDINGS--Continued

OKLAHOMA STUDENT LOAN AUTHORITY

June 30, 2014

FINDING 2014-02

Condition: We noted two loans for which default claims were filed and subsequently returned but not refiled within the required time frame resulting in timely filing violations. One of the loans was identified in our due diligence testing where we randomly selected a sample of 60 loans which is the required sample size prescribed by Section 3.9 of the *Lender Compliance Attestation Engagement Guide* from the universe of 22,479 delinquent loans at June 30, 2014. The other loan was identified in our timely claim filing testing where we randomly selected a sample of 60 loans which is the required sample size prescribed by Section 3.10 of the *Lender Compliance Attestation Engagement Guide* from the universe of 1,240 loans for which a claim had been filed as of June 30, 2014.

Criteria: Default claims must be submitted to the guaranty agency within 90 days of default. Claims that are returned to the lender must be refiled within 60 days after the receipt of the returned claim with certain restrictions on claims refiled on the 31st through 60th day.

Effect of the Condition: The timely filing violations will result in a loss of guarantee on the two loans with outstanding balances of \$1,797 and \$2,053. Unless the Authority can perform required cure procedures for these loans, the Authority will be responsible for any uncollectible portion of the outstanding balance of these loans.

Cause of the Condition: While the Authority has procedures in place to ensure default claims are originally filed timely, there are not sufficient procedures in place to ensure that all rejected claims are refiled timely.

Recommendation: We recommend that the Authority develop a process to ensure that all returned claims are timely communicated to those responsible for filing the claims so that all returned claims can be refiled within the required time frame.

SUMMARY SCHEDULE ON THE RESOLUTION OF PRIOR ENGAGEMENT FINDINGS

OKLAHOMA STUDENT LOAN AUTHORITY

June 30, 2014

FINDING 2013-01: This finding was fully corrected in the current year.

LENDER AND AUDITOR INFORMATION SHEET

OKLAHOMA STUDENT LOAN AUTHORITY

June 30, 2014

<u>Lender Information:</u>	
Lender Name:	Oklahoma Student Loan Authority
Lender ID Number(s):	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

Single Audit Report

June 30, 2014

Finding 2014-01:

Two consolidation loans were noted for one borrower that were entered into the Authority's loan servicing system as having been repurchased fifteen days prior to the date the repurchase actually occurred.

Background/Comments

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. The Authority uses this worksheet to calculate the final amount of accrued interest included in the repurchase if the repurchase actually takes place on a date other than that which was specified by the guarantor. The worksheet with this calculation is then used to determine the amount to be remitted to the guarantor and to enter the repurchase into the Authority's loan servicing system. The Authority properly calculated the amount of accrued interest for the two loans using the date the repurchase actually occurred. However, the date of the repurchase was entered into the system fifteen days earlier than the date on the repurchase worksheet and the Authority's review process did not detect the erroneous date for this one repurchase loan add.

Actions Taken

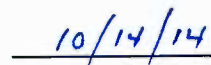
This isolated incident was a human error, not a systemic issue, and has been corrected. The Authority corrected the issue by cancelling the repurchase loan add effective the same date that they were originally added to the system. The Authority then added both repurchase loans with the correct effective date. Since the Authority used the correct effective dates throughout the correction process, all adjustments to interest and special allowance calculations are correct.

Actions Planned

To help prevent similar incidences in the future, the Authority will enhance internal departmental quality control procedures to verify the accuracy of loan add dates. These enhanced quality control procedures will be implemented by October 31, 2014.



Gary Walcher
OSLA – Director of Quality Assurance



Date



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

Single Audit Report

June 30, 2014

Finding 2014-02:

We noted two loans for which default claims were filed and subsequently returned but were not refiled within the required time frame resulting in timely filing violations.

Background/Comments

Default claims must be submitted to the guaranty agency within 90 days of default. Claims that are returned to the lender must be refiled within 60 days after the receipt of the returned claim with certain restrictions on claims refiled on the 31st through 60th day. The timely filing violations will result in a loss of guarantee on the two loans with outstanding balances of \$1,797 and \$2,053. Unless the Authority can perform required cure procedures for these loans, the Authority will be responsible for any uncollectible portion of the outstanding balance of these loans.


Actions Taken

There were two separate issues that resulted in timely filing violations of these two loans. For the first loan, the guarantor's system reflected a date of return. OSLA's system reflects no record of a returned claim. The Authority has in place a process where loans that have been physically returned to the Authority are tracked via a system query that is run once a week. These loans are added to a spreadsheet and the spreadsheet is handed out to staff so that they will have time to refile these loans that have been returned. The Authority accepted the timely filing violation based on the guarantor's date of return which was 9/25/2013. The loss of guarantee was on the 61st day of the return date which was 11/26/2013. The Authority received a signed disclosure from the borrower on 7/29/2014 indicating this account has been cured.

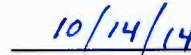
The second loan had been default claim filed and then was voluntarily recalled by the Authority due to total permanent disability information received. The Authority placed a forbearance on the account for 120 days in accordance with the Common Manual. The Authority has in place a procedure that tracks via a spreadsheet loans that are in a total permanent disability process. If no action is taken on the loan within 120 days, the loan is returned to the same level of delinquency as prior to total permanent disability notification. In this one instance, a human error occurred in that the Authority did not communicate to refile the claim to our claim review specialists, which resulted in a timely filing violation.

Actions Planned

To help prevent similar incidences in the future, the Authority will enhance internal departmental quality control procedures to ensure that all returned claims are timely communicated to those responsible for filing the claims so that all returned claims can be refiled within the required time frame. These enhanced quality control procedures will be implemented by October 31, 2014.

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Gary Walcher
OSLA – Director of Quality Assurance

 _____

Date

Exhibit B

**Management Representations
and Management Assertions**



525 Central Park Drive, 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

October 28, 2014

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

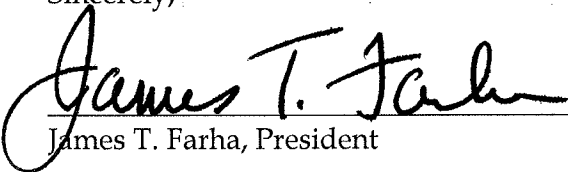
We also represent that the management of OSLA:

- 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, 2014); 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

10/27/2014
Date


W.A. Rogers, Vice President/Controller

10/27/2014
Date


Larry Hollingsworth,
Vice President, Loan Management

10/27/14
Date

Exhibit C

Management Letter

MANAGEMENT LETTER

OKLAHOMA STUDENT LOAN AUTHORITY

June 30, 2014

None.