

*Schedule of Expenditures of Federal
Awards and Report of Independent Auditors*

OKLAHOMA STUDENT LOAN AUTHORITY

June 30, 2011

OKLAHOMA STUDENT LOAN AUTHORITY

June 30, 2011

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Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program and
on Internal Control Over Compliance in Accordance With OMB Circular
A-133 and on the Schedule of Expenditures of Federal Awards

Board of Trustees
Oklahoma Student Loan Authority

Compliance

We have audited the compliance of Oklahoma Student Loan Authority (the "Authority") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2011. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Authority as of and for the year ended June 30, 2011, and have issued our report thereon dated October 18, 2011. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of the Board of Trustees, management and federal awarding agencies 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 18, 2011

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

OKLAHOMA STUDENT LOAN AUTHORITY

Year Ended June 30, 2011

<u>Federal Agency/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education Federal Family Education Loan Program - interest subsidies and special allowance payments, net of negative special allowance payments	84.032	<u>\$ 11,101,297</u>

See notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

OKLAHOMA STUDENT LOAN AUTHORITY

June 30, 2011

NOTE A--NATURE OF PROGRAM

The Oklahoma Student Loan Authority (the Authority) was created as an express trust under applicable Oklahoma Statutes and a Trust Indenture dated August 2, 1972 with the State of Oklahoma (the State) accepting the beneficial interest therein. The Authority is a component unit of the State and is included in the financial statements of the State as a part of the Enterprise Fund. Enterprise funds are used to account for the operations and financial position of governmental entities that are financed and operated in a manner similar to private enterprise.

The purpose of the Authority is to provide loan funds to qualified persons at participating postsecondary educational institutions. The Authority also performs originations and servicing for other Federal Family Education Loan (FFEL) Program lenders in addition to providing a secondary market for FFEL Program loans for participating financial institutions. The student loans held by the Authority under the Federal Higher Education Act of 1965, as amended, include Federal Stafford (Stafford) Loans, Unsubsidized Stafford Loans for Middle Income Borrowers (Unsubsidized Stafford), Federal Supplemental Loans for Students (SLS), Federal PLUS Loans for Parents (PLUS), Federal PLUS Loans for Graduate or Professional Students (GRAD) and Federal Consolidation Loans (Consolidation).

The FFEL Program loans are guaranteed at 98% or 97% (97% for loans first disbursed on or after July 1, 2006) by the Oklahoma State Regents for Higher Education Guaranteed Student Loan Program (State Guarantee Agency), which is reinsured by the United States Department of Education (the USDE), or guaranteed by other guarantors approved by the USDE (Guarantee Agencies).

The accompanying schedule of expenditures of federal awards presents the interest subsidies and special allowance payments, net of any negative special allowance payments to the USDE, related to the FFEL Program for the year ended June 30, 2011 as follows:

Interest subsidies	\$ 6,907,232
Negative special allowance payments, net	<u>(18,008,529)</u>
	<u>\$ (11,101,297)</u>

All federal awards received directly from federal agencies are included on the schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

OKLAHOMA STUDENT LOAN AUTHORITY

June 30, 2011

NOTE B--BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. It is the Authority's policy that receipts of interest subsidies and special allowance payments are expended for debt service on a first-in, first-out basis.

NOTE C--RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule may differ from amounts requested by the Authority for the FFEL Program due to the U.S. Government agency's discretionary authority to reduce interest subsidies, special allowance payments or a combination of both by an amount equal to loan origination fees or lender's fees. Additionally, the amount of special allowance payments is determined by a U.S. Government agency using information provided by the Authority; consequently, the amounts are not calculated by the Authority.

NOTE D--FEDERAL EXPENDITURES

Due to the nature of the federal awards for the fiscal year ended June 30, 2011, no specific expenditures were made by the FFEL Program; receipts represent subsidies from a U.S. Government agency. Such programs are described in the notes to the basic financial statements. The federal awards received in the major program are interest subsidies and special allowance payments. During the fiscal year ended June 30, 2011, negative special allowance payments (approximately \$18,009,000, net) were paid to the USDE as a result of quarterly special allowance rates being less than stated interest rates for certain loans.

As of June 30, 2011, approximately \$916,720,000 of the Authority's outstanding loans were guaranteed.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OKLAHOMA STUDENT LOAN AUTHORITY

Year Ended June 30, 2011

Section I--Summary of Auditors' Results

Financial statements

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditors' report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs:

<u>Program</u>	<u>CFDA Number</u>
Federal Family Education Loans	84.032

Dollar threshold used to distinguish between type A and type B programs: \$333,039

Auditee qualified as low-risk auditee? yes no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

OKLAHOMA STUDENT LOAN AUTHORITY

Year Ended June 30, 2011

Section II--Findings Required to be Reported in Accordance with *Government Auditing Standards*:

None to report for the June 30, 2011 period.

Section III--Finding Required to be Reported in Accordance with OMB Circular A-133:

None to report for the June 30, 2011 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

OKLAHOMA STUDENT LOAN AUTHORITY

Year Ended June 30, 2011

There were no prior year findings or questioned costs.