

*FFEL Program Lender Compliance  
Attestation Engagement Reporting Package*

# **OKLAHOMA STUDENT LOAN AUTHORITY**

**June 30, 2013**

OKLAHOMA STUDENT LOAN AUTHORITY

June 30, 2013

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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, 2013. 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  
November 27, 2013

## SCHEDULE OF FINDINGS

### OKLAHOMA STUDENT LOAN AUTHORITY

June 30, 2013

#### **FINDING 2013-01**

##### Condition:

During our testing to verify that the required cure procedures were properly performed and documented for loans cured during the fiscal year ended June 30, 2013, we noted one instance where a loan was indicated as cured and the guarantee reinstated, but required cure procedures were not properly performed and documented. We tested the entire population of four cured loans during the fiscal year ended June 30, 2013, as the entire population was less than the required sample size of sixty prescribed by Section 3 of the *Lender Compliance Attestation Engagement Guide*.

##### Criteria:

To cure a loan for which a timely filing or due-diligence violation has occurred, a lender must perform specific procedures required by federal regulations. It is also required that documentation to support the curing of a loan be retained in the lender's records.

##### Effect of the Condition:

Incorrectly determining that a loan is cured could result in a longer period for which the loan is actually uninsured as OSLA will no longer attempt to perform cure procedures once the loan is indicated as cured and the guarantee reinstated.

##### Cause of the Condition:

The loan indicated as cured for which required cure procedures were not properly performed and documented was previously included in a consolidation. A bankruptcy claim was properly filed on the consolidation loan and payment for the claim was received from the guarantor. However, the entire balance of the original loan was not properly consolidated which resulted in a timely filing violation related to the portion that was not consolidated. OSLA did not perform proper procedures to verify that the loan was properly cured before reinstating the guarantee on the loan.

##### Recommendation:

We recommend that OSLA ensure that processes are in place to verify that all required procedures have been performed and all documentation has been retained for all loans indicated as cured for which the guarantee has been reinstated. A thorough secondary review of the loan history and documentation related to all cured loans by an individual knowledgeable of the federal regulations governing the cure process would help ensure that required procedures have been performed for all loans indicated as cured. Developing a checklist containing required procedures and documentation necessary to properly cure all types of violations could be beneficial to facilitate a thorough review.

SUMMARY SCHEDULE ON THE RESOLUTION OF PRIOR ENGAGEMENT FINDINGS

OKLAHOMA STUDENT LOAN AUTHORITY

June 30, 2013

**FINDING 2012-01:** This finding was fully corrected in the current year.

**FINDING 2012-02:** This finding was fully corrected in the current year.

LENDER AND AUDITOR INFORMATION SHEET

OKLAHOMA STUDENT LOAN AUTHORITY

June 30, 2013

<b><u>Lender Information:</u></b>	
Lender Name:	Oklahoma Student Loan Authority
Lender ID Number(s):	834467, 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
<b><u>Lender Servicer Information:</u></b>	
Lender Servicers:	Oklahoma Student Loan Authority
Lender Servicer ID Numbers:	700155
<b><u>Audit Firm Information:</u></b>	
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

## CORECTIVE ACTION PLAN

### Single Audit Report

June 30, 2013

#### Finding 2013-01:

One loan was indicated as cured during the year ended June 30, 2013, and the guarantee was reinstated for the loan; however, required cure procedures were not properly performed and documented for the loan.

#### Background/Comments

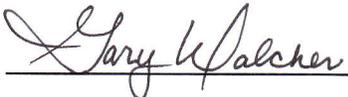
Although the loan servicing system indicated that the loan was not cured, an OSLA Claims Department Specialist made an error when interpreting the system data and the loan was mistakenly identified as cured.

#### Actions Taken

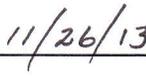
OSLA acknowledges that the loan noted was mistakenly identified as cured. This account is being closely monitored and we are following cure procedures as stated in the Common Manual in order to reinstate the guarantee by November 26, 2015. As of October 28, 2013, a new procedure has been implemented in which loans identified as cured by a Quality Services Specialist are confirmed by a second Quality Services Specialist prior to being submitted to the guarantor for reinstatement and coded on the servicing system.

#### Actions Planned

As noted, as of October 28, 2013 and going forward, accounts currently identified as cured will be reviewed and verified as accurate by a Quality Services Specialist who is familiar with cure process regulations. When loans are identified as cured, a secondary review by another Quality Services Specialist will confirm whether or not the loan is properly identified.

  
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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

November 27, 2013

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**

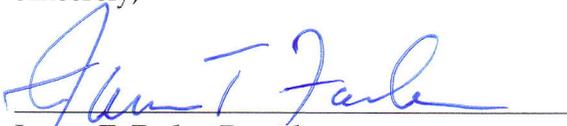
We also represent that the management of OSLA:

- 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;

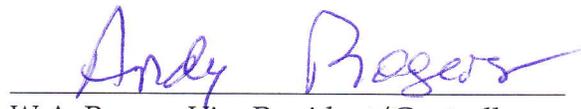
- Has disclosed any communications from regulatory agencies, internal auditors, and other auditors concerning possible noncompliance with the specified requirements, including communications received between the end of the period addressed in the written assertion and the date of the auditor's report;
- Has disclosed any known noncompliance occurring subsequent to the period for which we are making these assertions, (June 30, 2013); 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.

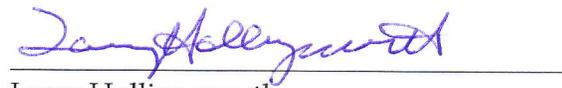
Sincerely,

  
James T. Farha, President

November 27, 2013  
Date

  
W.A. Rogers, Vice President/Controller

November 27, 2013  
Date

  
Larry Hollingsworth,  
Vice President, Loan Management

November 27, 2013  
Date

**Exhibit C**

**Management Letter**

MANAGEMENT LETTER

OKLAHOMA STUDENT LOAN AUTHORITY

June 30, 2013

None.