

OKLAHOMA STUDENT LOAN AUTHORITY

Schedule of Federal Awards

With Independent Auditors' Reports

June 30, 2000

OKLAHOMA STUDENT LOAN AUTHORITY

Schedule of Federal Awards

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OKLAHOMA STUDENT LOAN AUTHORITY

Schedule of Federal Awards

Year ended June 30, 2000

<u>Federal Agency/Program Title</u>	<u>CFDA</u>	
	<u>Number</u>	
U.S. Department of Education:		
Federal Family Education Loans	84.032	\$ 7,742,009
Federal Insured Student Loan Program	84.032	<u>118</u>
Total federal awards		\$ <u><u>7,742,127</u></u>

See accompanying notes to schedule of federal awards.

OKLAHOMA STUDENT LOAN AUTHORITY

Notes to Schedule of Federal Awards

June 30, 2000

(1) Summary of Significant Accounting Policies

(a) *Nature of the 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 trust 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 interim status 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 Parent Loans for Undergraduate Students (PLUS), and Federal Consolidation Loans (Consolidation).

These FFEL Program loans are guaranteed 98% with certain exceptions, (100% guaranteed for loans first disbursed before October 1, 1993) 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 (USDE), or guaranteed by other guarantors approved by the USDE (Guarantee Agencies). The loans made by the Authority prior to March 1976 are insured 100% by USDE under the Federal Insured Student Loan (FISL) Program.

The accompanying schedule of federal awards presents the activity of federal awards related to the FFEL Program and the FISL Program for the year ended June 30, 2000. All federal awards received directly from federal agencies are included on the schedule.

(2) Basis of Accounting

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

(3) Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule may differ from amounts requested by the Authority for the FFEL Program or the FISL Program due to the U.S. government agency's discretionary authority to reduce interest supplements, special allowance payments, or a combination of both by an amount equal to loan origination fees or lender's fees. Additionally, the

OKLAHOMA STUDENT LOAN AUTHORITY

Notes to Schedule of Federal Awards

June 30, 2000

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.

(4) Federal Expenditures

Due to the nature of the federal awards during 2000, no specific expenditures were made by the FFEL Program or the FISL 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 supplements and special allowance payments.

As of June 30, 2000, approximately \$324,438,000 of the Authority's outstanding loans were guaranteed.

**Independent Auditors' Report On Compliance And On
Internal Control Over Financial Reporting Based On
An Audit Of Financial Statements Performed In
Accordance With *Government Auditing Standards***

Trustees
Oklahoma Student Loan Authority:

We have audited the financial statements of the Oklahoma Student Loan Authority (the Authority) as of and for the year ended June 30, 2000, and have issued our report thereon dated September 15, 2000. 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 Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 the Authority's internal control over 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the board of trustees, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

September 15, 2000

**Independent Auditors' Report On Compliance With
Requirements Applicable To The Major Program And
Internal Control Over Compliance In Accordance
With OMB Circular A-133 and Schedule of
Expenditures of Federal Awards**

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, 2000. 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, and contracts 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, 2000.

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, and contracts 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 and to test and report on

internal control over compliance in accordance with OMB Circular A-133. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, and contracts that would be material in relation to the major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Oklahoma Student Loan Authority as of and for the year ended June 30, 2000, and have issued our report thereon dated September 15, 2000. 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 and use of management, the board of trustees, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

September 15, 2000

OKLAHOMA STUDENT LOAN AUTHORITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2000

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Reportable condition(s) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over the major program:

Material weakness(es) identified? yes no

Reportable condition(s) identified that are not considered to be material weaknesses? yes none reported

Type of auditors' report issued on compliance for the major program: 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:

CFDA Number(s)

84.032

Name of Federal Program or Cluster

Student Financial Aid Cluster/
Federal Family Education Loans

Dollar threshold used to distinguish between type A and type B programs: \$ 3,000,000

Auditee qualified as low-risk auditee? yes no

(2) Financial Statement Findings

None Reported

(3) Federal Award Findings and Questioned Costs:

None Reported