

**Action/Information Item**  
***LOAN ADVISORY COUNCIL***

Update on the Roles and Responsibilities for the Commission, EDFUND and  
Their Respective Staffs

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The Bureau of State Audits Report (2005-120) released in April 2005 recommended that the California Student Aid Commission ensure that the roles and responsibilities it delineates for itself and EDFUND do not inappropriately cede its statutory responsibilities to EDFUND.

On September 6, 2007, the Commission adopted Governance Policies to clarify the roles and responsibilities for itself, the EDFUND Board of Directors and their respective staffs. The Commission developed the Governance Policies through an Ad Hoc Committee and a consulting group.

During this process, the Commission established a new standing committee structure, including the new Governance and Monitoring Committee, which is responsible, on an on-going basis, for reviewing the policies and recommending to the Commission any further necessary enhancements. The Governance and Monitoring Committee met on October 16, 2007 and is scheduled to meet on October 31, 2007 to discuss possible changes to the policies. It is expected that the Commission will consider these additional changes at its November 29-30, 2007 meeting.

Enclosed for informational purposes is a copy of the Governance Policies adopted on September 6, 2007. Note that these policies are subject to change as the Commission continually strives to improve and refine them.

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## **Governance Policies**

Revised May 3, 2007

## Introduction

### Purpose and Types of Policies

By statute, the California Student Aid Commission is the governing body responsible for California's student grant and loan guaranty programs. The policies in this document set forth how the Commission will govern and oversee these programs – its expectations, and the roles and responsibilities of the Commission and program staff in fulfilling those expectations. There are five categories of policies:

Ends Policies. These set forth the broad outcomes to be achieved by the Commission's grant and loan guaranty programs.

Commission Governance Process Policies. These policies define how the Commission itself will operate (for example, the role of the Chair and committees).

Assignment and Responsibility Policies. These policies delineate the responsibilities assigned by the Commission to the Executive Director, the EdFund Board/President, and staff in the Federal Policies and Programs Division.

Executive Parameters. These policies state the parameters within which the Executive Director and EdFund Board/President will carry out the responsibilities assigned to them.

Monitoring and Oversight Policies. These policies define how the Commission will monitor organizational performance (based on the policies in the other four categories).

Within each of these five areas, policies are written at three levels:

- First Level: A succinct, global statement as an “umbrella” covering the policy category.
- Second Level: Policies defining the major sub-categories within that policy category.
- Third Level: Specific policy statements delineating each sub-category in more detail.

### Entity and Program Names

Throughout this document, the California Student Aid Commission organization as a whole (including its auxiliary, EdFund) is referred to as “CSAC.”

- The Commission's grant programs, including related specialized grant, scholarship, loan assumption, and outreach programs administered by CSAC staff, are referred to as the “grant program.”
- The Commission's loan guaranty programs and related outreach efforts, administered by EdFund, are referred to as the “loan program.”
- The five entities that comprise CSAC are referred to as:
  - The Commission: the appointed governing body of the entire organization.
  - Grant program staff: civil service staff who operate the grant program.
  - FPPD staff: Federal Policy and Programs Division staff who support the Commission in its oversight of EdFund.
  - The EdFund Board: the Commission-appointed governing body of the nonprofit.
  - Loan program staff: the employees of EdFund who operate the loan program.

**Reasonable Interpretation**

Those being directed by these policies (the Commission, Executive Director, EdFund President, etc.) are authorized to act based on a “reasonable interpretation” of them as written. This is similar to the “reasonable person test” that has been utilized in law for generations.

## Ends Policies

These policies set forth the broad, long-term outcomes to be achieved by the Commission's grant and loan programs.

### Global Policy: Ends

The Commission's grant and loan programs provide students and families access to postsecondary education by:

- Informing them about the postsecondary education opportunities available to them.
- Providing financial resources – grants, scholarships, loan guarantees, etc. – to enable them to finance a postsecondary education.
- Caring about each student and the student's family, and serving them in a manner that is supportive, sensitive, and empowering.

### Ends Policy 1: Grants and Specialized Aid to California Students

Eligible California students will receive financial assistance in the form of grants through the Cal Grant Entitlement Program (Cal Grant A and B), the Cal Grant Community College Transfer Entitlement Program (Cal Grant A and B), the Cal Grant C Program, the California Chafee Foster Youth Program, and other specialized programs as authorized by the Governor and the Legislature in the annual Budget Act and through interagency agreement, and approved by the Commission. Examples of these specialized programs include:

- APLE – Assumption Program of Loans for Education, a teacher incentive program.
- SNAPLE NF - State Nursing Assumption Program of Loans for Education for Nursing Faculty.
- Robert C. Byrd Honors Scholarship Program.
- Child Development Grant Program.
- Law Enforcement personnel Dependents Grant Program.
- National Guard Assumption Program of Loans for Education.

Prospective students and their families, particularly those who are low-income and first in their family to attend college, will participate in the Commission's outreach programs (such as Cal-SOAP and Cash for College) and will receive information about college planning and preparation, the cost of attending college, and accessing all types of financial aid (including from federal, state, institutional, and private sources).

The Commission may add new programs from time to time, provided that adequate funding is available to operate those programs in the manner and to the standards delineated by the Commission. As the state agency responsible for administering statewide financial aid programs, the Commission will work with the executive and legislative branches of state government in identifying appropriate funds to adequately administer new programs in a manner which will provide for the effective administration of the Commission's programs.

## Ends Policy 2: Student Loans and Services

Through the Commission's loan guaranty programs ("loan program") administered by the Commission's auxiliary EdFund, students and families will receive financial assistance in the form of loans through the Federal Family Education Loan Program (FFELP) and other programs as authorized by state and federal law and approved by the Commission. In addition, borrowers may refinance any or all of their outstanding federal student loans into a FFELP Consolidation Loan guaranteed by CSAC. California will be a primary focus for the loan program; however, given the national competitive nature of the FFELP program, the loan program is available to students and families nationally, pursuant to annual and strategic plans, approved by the EdFund Board and adopted by the Commission.

To assist students in reaching their educational goals, EdFund will provide a range of products and premier customer service to borrowers, schools, and lenders that meet or exceed those provided by EdFund's competitors in this highly competitive national marketplace. EdFund will also:

- A. Continuously invest in the development of technology to enhance the effectiveness and efficiency of EdFund programs internally and for customers.
- B. Provide effective and responsive default aversion programs.
- C. Provide students and families with useful information on college planning and selection, career planning, financial aid, and debt management.
- D. Provide administrative, technical, and programmatic support to the Commission.

## Ends Policy 3: Maximizing of Services and Revenues

In order to provide the greatest range of services at the least cost to students, families, and institutions, and "to maintain the fiscal viability of the auxiliary" per California Education Code Section 69526(b)(2), the Commission, EdFund Board, and loan program staff will take all reasonable steps to optimize FFELP revenues, within the limitations prescribed in other policies herein.

EdFund will seek to generate annual loan program revenues net of expenses to accomplish the following outcomes, in order of priority:

First Priority: Fund EdFund operations in a manner that ensures the availability of FFELP loans and provide high quality, caring services to students and their families.

Second Priority: Fund the loan program in a manner that maintains EdFund's short and long term financial viability (which may include serving students and families in other states), as well as Commission oversight. Short term viability includes maintaining the minimum reserve levels established by the Commission for the FFELP Federal Fund (pursuant to the Higher Education Act), Operating Fund, and EdFund Operating Reserve Fund. Long term financial viability includes the ability to maintain these reserve levels, and to invest in program development and service delivery enhancements that will maintain competitiveness and enhance long-term revenue generation.

Third Priority: To the extent that funds are available, fund the administrative costs of the grant program, outreach programs, and any costs related to the operation of the Commission itself without reliance on State general fund support.

## Commission Governance Process Policies

These policies delineate how the Commission will operate – its governance approach, as well as the role of the Commission, Commission Chair, Commission Committees, and individual Commissioners. In addition, they delineate the authority of the Commission, its Committees, and individual Commissioners in making requests of staff.

### Global Policy: Commission Governance Process

The Commission is the governing body that has statutory responsibility for CSAC grant and loan programs, on behalf of the people of California and the executive and legislative branches of state government. As such, the Commission will ensure that the CSAC organization and its component entities achieve the desired outcomes set forth by the Commission in these policies, the Operating Agreement, their respective strategic and annual plans, and other relevant outcomes. The Commission will ensure that the CSAC organization and its component entities avoid unacceptable actions and situations, as set forth in the policies herein. The Commission will also take a proactive role in legislative matters in order to maximize the effectiveness of its programs in serving students and their families.

The EdFund Board is the Board of Directors of a California nonprofit corporation, EdFund, which is the auxiliary of the Student Aid Commission. California Education Code section 69522(b) states: *“The auxiliary organization shall be established and maintained as a nonprofit public benefit corporation subject to the Nonprofit Public Benefit Corporation Law ... except if there is a conflict between this article and the Nonprofit Public Benefit Corporation Law, this article shall prevail.”* Furthermore, section 69525 states: *“The auxiliary organization established pursuant to Section 69522 shall be governed by a board of directors nominated and appointed by the commission.”* Thus, the Commission acknowledges and will hold the EdFund Board accountable to fulfill its fiduciary responsibilities, and will work with the Board to achieve effective oversight of the loan program while minimizing unnecessary duplication of effort.

### Commission Governance Policy 1: Governance Philosophy

Integrity and sound stewardship are paramount in the governance of all Commission activities. The Commission will govern according to all applicable laws and based on policies set forth in this Commission Policy document. The Commission will also conduct itself according to the following principles:

- In deliberating and making decisions, maintain a central theme of serving the interests of students.
- Make the greatest possible contribution to the success of the grant and loan programs.
- Operate these programs in a manner that makes efficient use of organizational resources, including the resources used to support the activities of the Commission itself.
- Maintain the highest ethical, legal, and accounting standards.
- Focus on outward vision and strategic leadership rather than administrative detail.
- Be proactive rather than reactive.
- Be a leader in public policy development and the legislative arena.

- Encourage diversity in viewpoints.
- Make decisions in an efficient, timely manner.
- As a Commission, make collective rather than individual decisions.

## **Commission Governance Policy 2: Commission's Role**

The Commission will maintain its accountability and responsibility for the grant and loan programs, and the oversight thereof. Although the EdFund Board, grant program staff, and loan program staff play a critical role in supporting the Commission as it fulfills its responsibilities, the Commission retains the ultimate authority and responsibility.

The Commission will clearly delineate roles and responsibilities of the Commission, EdFund Board, grant program staff, FPPD staff, and loan program staff. These roles and responsibilities will avoid unnecessary duplication of effort, leverage the expertise resident in the organizations (including among staff, Commissioners, Board members, advisory committees, etc.), and emphasize efficient use of all resources.

In furtherance of the mission of CSAC, the Commission will play a proactive and supportive role in the development of public policy and legislation at both the federal and state level. The Commission will also maintain a proactive working relationship with key elected and appointed officials in order to make policy decisions with an understanding of state and federal policy.

In furtherance of the Commission's fiduciary and oversight responsibilities over all Commission programs, the Commission will produce the necessary outputs and documentation to assure the State of California, the federal government, and other key stakeholders that CSAC is fulfilling its mission, as well as its obligations under statutes, regulations, and other applicable law.

### Governance Process

- A. The Commission will maintain written governance policies that address the broadest level of organizational decisions and situations. The Commission will be the initiator of policy, and will take responsibility for updating its policies and adding, deleting or modifying provisions as needed.
- B. The Commission will cultivate a sense of group responsibility and accountability. The Commission will not use the expertise of individual members to substitute for the judgment of the Commission, although the expertise of individual members may be used to enhance the understanding of the Commission as a body. Nor will the Commission rely on the expertise of staff to substitute for the judgment of the Commission, although staff will be expected to provide complete and thoughtful information to support Commission deliberation and decision-making.
- C. The Commission will enforce upon itself the necessary discipline to govern with excellence, including regular attendance at meetings, thorough preparation by each member for each meeting, adherence to its policy-making principles, and respect of roles. The Commission will evaluate its governance effectiveness annually and take steps to improve its effectiveness as a governing body.
- D. Continual education and development for Commissioners will include a mandatory, comprehensive orientation of new members, which will provide:
  - 1) An understanding of the Commission's governance process.
  - 2) A working knowledge of key elements of the grant and loan programs.

- 3) An understanding of mandates set forth by the Fair Political Practices Commission, Bagley-Keene Open Meeting Act, California Public Records Act, and all applicable law and other governance requirements.
- 4) A working knowledge of state agencies, state and federal legislative and budget processes, and non-profit organizations.

Commission education and development will also include periodic presentations and/or Commission discussion that:

- 5) Further informs Commissioners regarding the grant and loan programs.
  - 6) Informs Commissioners regarding upcoming public policy and legislative issues.
  - 7) Supports improvement in the Commission's governance process.
- E. The Commission will make decisions by majority vote. Once a decision is reached, all Commissioners will, in their role as Commissioners, speak as a single official voice and act accordingly.
- F. The Commission will seek and give full consideration to broad public input from stakeholders.
- G. The Commission will comply with all procedural requirements for state commissions, including those set forth in the Bagley-Keene Open Meetings Act.

#### Planning

- H. The Commission will ensure development of grant and loan program strategic and annual plans, as further described in the Executive Parameters policies herein.
- I. The Commission will ensure that a strategic plan is developed for the CSAC entity as a whole, based on the grant and loan programs' strategic and annual plans. This overall strategic plan will focus on the linkages between the two organizations and how synergies can support the overall mission of the Student Aid Commission.

#### Program Oversight

- J. The Commission will conduct fiscal and programmatic oversight of the grant and loan programs and will monitor organizational performance based on the policies herein.
- K. The Commission will maintain aggressive internal audit units in the grant program and the loan program, and will seek to maintain and improve operating efficiency and effectiveness through continuous internal auditing and organizational assessment.
- L. Grant program
- 1) The Commission will ensure that grant program staff have put in place all required procedures to comply with the requirements of the State Administrative Manual, State Procurement Manual, and any other applicable state mandated procedures, unless the Commission has received waiver or exemption from such compliance.
  - 2) The Commission will conduct regular performance evaluations of the operation of the grant program organization, in furtherance of the Commission's fiscal and fiduciary responsibilities. These evaluations will assess: the efficiency and effectiveness of the grant delivery system in reaching the intended beneficiaries; the extent to which the grant program organization has provided caring and supportive customer service, made effective use of resources, and fulfilled Commission policies herein.
- M. Loan Program

- 1) The Commission will understand, acknowledge, and hold the EdFund Board accountable for its fiduciary responsibilities as the board of a California non-profit corporation, as set forth in California Education Code Sections 69522(b) and 69525.
  - a) 69522(b): “The auxiliary organization shall be established and maintained as a nonprofit public benefit corporation subject to the Nonprofit Public Benefit Corporation Law ... except if there is a conflict between this article and the Nonprofit Public Benefit Corporation Law, this article shall prevail.”
  - b) 69525: “The auxiliary organization established pursuant to Section 69522 shall be governed by a board of directors nominated and appointed by the commission.”
- 2) As specified in California Education Code Section 69526 (b)(c), the Commission, in consultation with the Department of Finance and the Board of Directors of EdFund, shall do the following:
  - a) Institute a standard accounting and reporting system for the management and operations of EdFund.
  - b) Implement financial standards that will ensure the fiscal viability of EdFund. The standards shall include proper provision for professional management, adequate working capital, adequate reserve funds for current operations and capital replacements, and adequate provisions for new business requirements.
  - c) Institute procedures to ensure that transactions of EdFund are consistent with the mission of the Commission.
  - d) Ensure that EdFund shall not accept any grant, contract, bequest, trust, or gift, unless it is so conditioned that it may be used only for purposes consistent with the policies of the Commission.
- 3) As specified in California Education Code Section 69522(c)(2), the Commission will conduct regular performance evaluations of the operation of EdFund in furtherance of its fiscal and fiduciary responsibilities for approved programs.

#### Personnel Practices

- N. The Commission will evaluate the Executive Director’s performance annually. This evaluation will be based on: organizational accomplishment of the Commission’s Ends Policies and compliance with other Commission policies herein; performance goals and professional development objectives adopted annually by the Commission; and the Executive Director duty statement developed and adopted by the Commission.

#### Internal and External Communication

- O. The Commission will maintain ongoing communication through its Executive Director to grant program staff, and through the EdFund Board/President to the loan program staff. This includes giving consideration in its deliberations and decision-making to the perspective of grant and loan program staff, as represented by management. In turn, given the breadth of responsibility of the Commission, program managers will bring issues to the Commission in a timely manner with brevity, clarity of thinking, succinct analysis of each issue and options for addressing it, and whenever possible a recommended course of action.
- P. The Commission will maintain a working relationship with, and seek the advice and perspectives of, key stakeholder groups and advisory bodies.

- Q. In furtherance of the above governance philosophy and policies regarding public policy and legislation, the Commission Chair or an appropriate Committee Chair or Commission member will participate in significant interactions with key elected and appointed officials, supported by grant and/or loan program staff.

### **Commission Governance Policy 3: Commission Chair's Role**

The Commission Chair will ensure the integrity and fulfillment of the Commission's governance policies and process, and that the Commission's conduct is consistent with statutes, regulations, and other applicable law. As necessary, the Chair represents the Commission to outside parties. Specifically, the role of the Chair is to:

- A. Coordinate the planning of the Commission's activities for the year ahead, and develop the agenda for each Commission meeting, with input from Commissioners, the Executive Director, and the EdFund Board/President.
- B. Preside at Commission meetings, ensuring that meeting discussion focuses on those issues, which, according to Commission policy, clearly belong to the Commission to decide or to monitor.
- C. Ensure that meeting discussion and deliberation is conducted in a manner that is fair, open, and thorough, and at the same time is efficient, focused and timely.
- D. Organize the Commission's Committees as established per the Committees policy below, and maintain contact with the Committee Chairs to ensure that Committees are operating effectively.
- E. Meet periodically with the Executive Director and EdFund Board/President, and make decisions as necessary to ensure implementation of the Commission's policies herein.
- F. Execute specific documents as authorized by the Commission, except as otherwise provided by law.
- G. Represent the Commission to the organization internally and to external parties, consistent with the Commission's "Commissioner Role" policy below.

### **Commission Governance Policy 4: Commissioner Role and Code of Conduct**

The Commission commits itself and its members to ethical, professional, and lawful conduct, including proper use of authority and appropriate decorum when acting as Commission members.

- A. Commissioners will be responsible to understand and act according to the provisions of the Bagley-Keene Open Meetings Act and the Fair Political Practices Code.
- B. Once the Commission has reached a decision, which is accomplished by majority vote, all Commissioners will, in their role as Commissioners, speak with a single official voice and act accordingly.
- C. Commissioners will abide by the Commission Code of Conduct, which will be adopted and revised as necessary by the Commission.

- D. In communicating with any external stakeholder (e.g., the public, the media, representatives of financial or educational institutions or associations, etc.). Commissioners will not convey information that is proprietary or confidential, and will protect intellectual property and confidentiality of consumer identity (e.g., students and families. When representing the Commission, as distinct from speaking as individuals, Commissioners will not:
1. Discuss issues, policies, decisions, or programmatic information of any substance without appropriate authorization from the Commission Chair.
  2. Take an official position contrary to that of the Commission, or represent interests contrary to those of the Commission, without making it explicit that such position or interests are not those of the Commission, and without informing the Commission Chair of such communications in advance whenever possible, or if not possible, within two working days thereafter.
  3. Conduct significant discussion of issues, policies, or future Commission decisions upon which the Commission has not taken a position in writing, without first conferring with the Commission Chair or his/her designated Commissioner(s) regarding the issues, policies, or Commission decisions to be discussed.

### **Commission Governance Policy 5: Committees**

Commission committees are established to help the Commission do its job by preparing policy alternatives and implications for Commission deliberation. This policy applies to any group that is formed by Commission action, whether or not it is called a committee and regardless of whether the group includes Commission members.

- A. Committees may not speak or act for the Commission except when formally given such authority for specific and time-limited purposes.
- B. Committees cannot exercise authority over staff, except where specifically authorized by the Commission. Committees are to avoid over-identification with organizational parts rather than the whole, and will at all times act in accordance with the policies herein.
- C. Ad Hoc committees will be created only as necessary to collect ideas and information, and to analyze and recommend how the Commission may address specific issues or situations.

### **Commission Governance Policy 6: Making Requests of Staff**

- A. Commission officers or committees may make reasonable and necessary requests for information or assistance within the areas of responsibility assigned to them by the Commission. However, if the Executive Director or EdFund Board/President can substantiate that fulfillment would require an undue amount of staff time or funds, or would be substantially disruptive to normal business operations, they may appeal such requests to the Commission Chair (thus, the burden of substantiation is on the Board/executive).
- B. Individual Commissioners (not acting as officers or on behalf of a Commission committee) may request information or assistance within areas of their individual responsibility assigned to them by the Commission. However, the Executive Director or EdFund Board/President may decline to fulfill requests that they, in their judgment, deem to require an undue amount of staff time or funds, or to be substantially disruptive to

normal business operations. If the Commissioner nonetheless wishes to pursue the request, that Commissioner must make and substantiate the request to the Commission Chair (thus, the burden of substantiation is on the individual Commissioner).

## **Assignment and Responsibilities Policies**

These policies delineate the responsibilities assigned by the Commission to the Executive Director the EdFund Board/President, and FPPD staff

### **Global Policy: Assignment and Responsibilities**

The Commission will maintain its accountability and responsibility for the grant and loan programs, and the oversight thereof. The Commission's committees and Commissioners, the Executive Director, the EdFund Board, and the EdFund President will have only that authority assigned to them in writing by the Commission or by statute, regulation, or other applicable law.

### **Assignment Policy 1: Executive Director**

#### GRANT PROGRAM

The Executive Director is the Commission's primary link to the day-to-day operation of the grant program, including its component parts (e.g., specialized programs and public awareness and outreach programs). As noted below, the Internal Auditor and FPPD staff report to the Executive Director administratively, and thus the Executive Director has responsibility for administrative matters (e.g., time reporting and state personnel processes for hiring, corrective action, and termination).

Provided that the Executive Director operates within a reasonable interpretation of the Commission's policies herein, the Commission hereby assigns the following responsibilities to the Executive Director, to be accomplished within the Executive Parameters Policies herein.

#### Planning

- A. The Executive Director is responsible for developing strategic and annual plans for the grant program, using an approach described in the Executive Parameters Policies.

#### Program Operations

- B. The Executive Director is responsible for establishing grant program operational procedures, subject to periodic review and approval by the Commission, and to make operational decisions and conduct the grant program organization's day-to-day operational activities required for the administration of the program.
- C. The Executive Director is responsible for arranging for grant program administrative services to be provided by EdFund, including working with the EdFund Board/President to establish service agreements, subject to EdFund Board and Commission approval.

#### Fiscal Operations

- D. The Executive Director is responsible for entering into budget-authorized grant program contracts, as part of an approved budget item, with third party service or product vendors in an amount not to exceed \$100,000. All contracts of \$100,000 or more will be individually approved by the Commission.
- E. The Executive Director is responsible for fiscal management of the grant program, consistent with state requirements and procedures and Commission policies.

Personnel Practices

- F. The Executive Director is responsible for hiring, management, training, corrective action, and, as necessary, termination of grant program staff.
- G. The grant program Internal Auditor and FPPD staff will report administratively to the Commission's Executive Director and functionally to the appropriate Commission Committee.
- H. The Executive Director is responsible for coordinating civil service procedures involving CSAC civil service employees assigned to EdFund, and will work collaboratively with the EdFund President and EdFund personnel staff to address personnel matters involving these employees, per state civil service provisions.

Internal and External Communication

- I. The Executive Director is responsible for communicating Commission policy and actions taken by the Commission to the grant program staff and, under the direction of and in coordination with the appropriate Commission committee, to FPPD staff.
- J. The Executive Director is responsible for representing the Commission to the executive and legislative branches of state government, in collaboration with Commissioners and EdFund representatives, as further defined in the Executive Parameters Policies.
- K. The Executive Director is responsible for representing the Commission's grant program to the media, the public, interest groups, and other outside parties, as further defined in the Executive Parameters Policies.

LOAN PROGRAM

In relation to the Commission's loan program, operated on a day-to-day basis by its auxiliary, EdFund, the Executive Director is responsible for:

- L. Coordinating civil service procedures and personnel matters involving CSAC civil service employees assigned to EdFund, per H above.
- M. As noted above, FPPD staff report to the Executive Director administratively and the appropriate Commission committee functionally, and thus the Executive Director has responsibility for administrative matters (e.g., time reporting and state personnel processes for hiring, corrective action, and termination).
- N. Providing information to and coordinating with the EdFund President in communicating with external parties regarding the loan program, as further described in Executive Parameter Policy 6 below.
- O. If requested, supporting the Commission, its appropriate committee, and FPPD staff in monitoring of loan program compliance with the Operating Agreement.
- P. As the Executive Director of the state's guaranty agency, completing and forwarding reports and documents as necessary to the appropriate state agencies in regard to the Student Loan Operating Fund and Federal Fund, under the guidance and direction of the Commission and its appropriate committee, and according to the procedures established in the Annual Oversight Plan.

## Assignment Policy 2: EdFund Board and President

EdFund Board members are appointed by the Commission and are accountable to the Commission. In addition, according to the statute that enabled the creation of EdFund, the EdFund Board is required to act as the governing board of the California non-profit corporation. As such, both the Board as a whole and individual Board members have certain fiduciary responsibilities and obligations with regard to the EdFund organization. The Commission will hold the EdFund Board, which it appoints, accountable to fulfill these fiduciary responsibilities and obligations.

The Commission also has statutory responsibility to oversee its auxiliary, EdFund. Thus, the Education Code establishes a two-tiered governance structure over EdFund – the first tier being the EdFund Board, the second being the Commission. To fulfill its governance role, the Commission will conduct oversight of EdFund as required by law and deemed necessary and prudent by the Commission.

### Planning

- A. The EdFund Board/President is responsible for development of strategic and annual plans for the loan program, subject to review and approval by the Commission.

### Program Operations

- B. The President is responsible for establishing loan program operational procedures, subject to periodic review and approval by the EdFund Board, and to make operational decisions and conduct the organization's day-to-day operations.
- C. The President is responsible for arranging for administrative services to be provided by EdFund, including working with the Executive Director to establish service agreements, subject to EdFund Board and Commission approval, and for ensuring that services are delivered accordingly.

### Fiscal Operations

- D. As specified in California Education Code Section 69526, the EdFund Board will approve all expenditures and fund authorizations of the auxiliary organization. As specified in that statute, "*authorizations of expenditure of fund for use outside of the normal business operations of the auxiliary organization shall be approved by an officer of the Commission and in accordance with Commission policy.*" The "officer" referenced in statute will be a Commission Officer (e.g., Chair, Secretary, etc.) who is not a member of the EdFund Board.
- E. The EdFund Board/President is responsible for developing the EdFund annual budget, subject to approval by the Commission.

### Personnel Practices

- F. The EdFund President, through the EdFund Board, is the Commission's primary link to the day-to-day operation of the loan program. Provided that the EdFund President operates within a reasonable interpretation of the Commission's policies herein, the EdFund Board may delegate to the EdFund President any legally delegable authority.
  - 1) The EdFund Board will hire, manage, and formally evaluate the EdFund President. However, the President's annual evaluation will also include an assessment of performance based on organizational accomplishment of the Commission's Ends Policies and compliance with other Commission policies herein. The EdFund Board will

- provide the Commission with the President's annual evaluation and subsequent year goals.
- 2) The EdFund Board has the authority to delegate to the President responsibility for hiring, management, and termination of loan program staff who report to the President. The sole exception is the EdFund Internal Auditor,. The Joint Commission-EdFund Board Audit Committee has the authority to hire, manage programmatically, and terminate the EdFund Internal Auditor, and the Internal Auditor reports to this Joint Committee. The authority to add or eliminate internal audit staff positions is delegated to the EdFund Board/President.
  - 3) Civil service staff assigned to EdFund will be eligible for promotion at EdFund, subject to civil service provisions. In addressing personnel matters involving CSAC civil service staff assigned to EdFund, the EdFund President will coordinate with the Executive Director and the EdFund personnel office will coordinate with the CSAC personnel office to ensure consistency with state laws, rules, and bargaining unit contracts.

#### Internal and External Communication

- G. The EdFund President is responsible for communicating Commission policy and actions taken by the Commission to the loan program staff.
- H. The EdFund Board/President is authorized to represent the Commission with respect to the loan program to the executive and legislative branches of state government, and to the federal Department of Education or other federal agencies, as further defined in the Executive Parameters Policies.
- I. The EdFund Board/President is authorized to represent the Commission to the media, the public, interest groups, and other outside parties, as further defined in the Executive Parameters Policies.

#### **Assignment Policy 3: Federal Policies and Programs Division or its Successor**

The Commission's Federal Policies and Programs Division (FPPD) holds a unique position in the organizational structure. It supports the Commission's processes for monitoring and oversight of EdFund. As such, its staff are neither part of the "grant program staff" (defined above as those staff who operate the grant program), nor the "loan program staff" (defined above as the employees of EdFund who operate the loan program).

FPPD or its successor is responsible for performing those duties assigned to it by the Commission. FPPD or its successor reports administratively to the Commission's Executive Director and functionally to the appropriate Commission Committee, and is subject to all policies herein.

The responsibilities of FPPD or its successors consist of three components:

1. Supporting the Commission's oversight of strategic planning, annual planning, and budget development, according to the process and timeline set forth by the Commission.
2. Supporting the Commission's oversight by receiving, reviewing, and verifying information received from the loan program in accordance with the operating agreement and the annual oversight plan.
3. Supporting the Commission, as requested by the Commission or the Executive Director, in providing information to external parties such as state control agencies, the

Legislature, and the Governor's office, in accordance with the Commission's External Communications Policies herein.

In fulfilling these responsibilities, FPPD will operate in accordance with the Commission's policies, the Operating Agreement, and the Annual Oversight Plan. The Annual Oversight Plan will describe the oversight and any limitations associated therewith (including, but not limited to identification of staff, systems and specific dates for such reviews as are needed to implement the Plan), and will be approved by the Commission's Audit Committee in consultation with the EdFund Audit Committee, and by the Commission as a whole. The Annual Oversight Plan will be designed to have the least intrusive impact on EdFund operations and will not be considered an audit.

## Executive Parameters Policies

These policies state the parameters within which the Executive Director and EdFund Board/President will carry out the responsibilities assigned to them by the Commission.

### Global Policy: Executive Parameters

Regarding the grant program, the Executive Director will, and regarding the loan program, the EdFund President will, ensure that all organizational practices, activities, and decisions are lawful and prudent and are in compliance with commonly accepted business and professional ethics as well as federal or state laws and regulations.

### Executive Parameters Policy 1: Strategic and Annual Planning

#### GRANT PROGRAM

- A. The Executive Director will work with the Commission to develop a grant program strategic plan, which will include a vision statement, goals, strategies, and objectives. The Commission will establish the vision statement looking long term, and set broad three-year goals, with input from the Executive Director and grant program staff. The Executive Director will define the strategies that will be utilized to achieve the goals, and the specific objectives to be achieved. The Commission will review and adopt the strategic plan.
- B. The Executive Director will develop an annual plan delineating specific action steps to implement the strategic plan, specifying timelines and parties within the organization responsible for completion of the action steps. The Commission will review and adopt the annual plan.

#### LOAN PROGRAM

- C. The EdFund Board/President will develop a loan program strategic plan, which will include a vision statement, goals, strategies, and objectives. The Commission will review and adopt the strategic plan.
- D. The EdFund Board/President will develop an annual plan delineating specific action steps to implement the strategic plan, specifying timelines and parties within the organization responsible for completion of the action steps. The Commission will review and adopt the annual plan.

### Executive Parameters Policy 2: Program Operations

#### GRANT PROGRAM

- A. The Executive Director will develop grant program operational procedures, subject to periodic review and approval by the Commission. These procedures will be consistent with the Commission's policies, and will contain provisions that specifically support the Commission's implementation of the Monitoring and Oversight Policies herein.
- B. The Executive Director will conduct the grant program in a manner that maintains the organization's public image and credibility to support its ability to accomplish its mission.

- C. The Executive Director may not initiate a new grant program or terminate an existing one without Commission approval.

#### LOAN PROGRAM

- D. The EdFund Board/President will market EdFund programs nationally pursuant to strategic and annual and plans, approved by the EdFund Board and adopted by the Commission, to maintain competitiveness in the national marketplace.
- E. The EdFund Board/President will conduct the loan program in a manner that maintains the organization's public image and credibility to support its ability to accomplish its mission.
- F. The EdFund President may not initiate a new loan program or terminate an existing one without EdFund Board approval and adoption by the Commission.

### **Executive Parameters Policy 3: Fiscal Operations**

Financial planning for any fiscal year, or the remaining part of any fiscal year, will conform to the Commission's Ends Policies and the Commission's annual budgeting guidelines, with timely notice to the Commission and, in the case of the loan program, the EdFund Board.

#### GRANT PROGRAM

- A. *Financial Planning and Annual Budgeting.* In conducting grant program operations, the Executive Director will:
  - 1) Provide sufficient information to the Commission to demonstrate credible projection of revenues (including state appropriations, earned revenue, special grants and funding, and other sources as may be developed over time) and expenses, capital expenditures, and cash flow.
  - 2) Clearly articulate to the Commission all critical planning assumptions.
  - 3) Present an operating budget for each fiscal year that clearly displays the appropriation authority provided in the Budget Act, as well as budget change proposals. This budget (and any budget changes) will support the achievement of the strategic and annual plan goals approved by the Commission, including goals to improve the of the cost-effectiveness of the administration of the grant program in relationship to the total amount of grants awarded. The Executive Director will also present to the Commission updates to the budget per the state budget process.
  - 4) Provide multi-year CSAC administrative cost projections to the Commission and EdFund Board. These projections will be provided in sufficient time for EdFund to incorporate them into its budget planning process, pursuant to the budget schedule adopted by the Commission.
- B. *Grant Program Operational Expenditures.* The Executive Director will take all reasonable and prudent measures within the Executive Director's control to ensure that grant program activities and expenditures will not cause or allow the development of fiscal jeopardy. These measures will include ensuring that:
  - 1) Grant program expenditures remain within the multi-year expense projections and efficiency targets established by the Commission, and do not exceed the approved budget, to the extent such expenditures are within the Commission's control (recognizing, for example, the entitlement aspects of the grant program).

- 2) Grant program purchases have been made in compliance with all applicable laws, regulations, and state administrative procedures
  - 3) The Executive Director will not enter into contracts or make a single purchase or commitment in an amount greater than \$100,000 without the Commission's prior written approval. However, in the event an emergency approval is necessary for a contract over \$100,000, the Executive Director may approve such contract with simultaneous notification to the Commission. The Commission will either ratify the emergency approval at its next meeting, or if not ratified the contract will be cancelled.
  - 4) Payroll and debts are settled in a timely manner.
  - 5) Government-ordered payments are paid in a timely manner.
  - 6) Receivables that can reasonably be collected are aggressively pursued, in compliance with state administrative procedures.
- C. *Grant Program Local Assistance.* The Executive Director will:
- 1) Provide sufficient information to the Commission to demonstrate credible Grant Program (Local Assistance) expenditure projections.
  - 2) Clearly articulate to the Commission all critical projection assumptions.
  - 3) Present a Grant Program (Local Assistance) budget that clearly displays the appropriation authority provided in the Budget Act.
- D. *Asset Protection.* The Executive Director will take all reasonable and prudent measures to ensure that the grant program's assets are protected, adequately maintained, and not unnecessarily risked in a manner consistent with all applicable state and federal laws. These measures will include:
- 1) Ensuring that the organization, the Commission, and grant staff are not unnecessarily exposed to claims of liability.
  - 2) Protecting intellectual property, proprietary information, consumer identity (e.g., students and families), and confidential files from loss or significant damage.
  - 3) Receiving, processing, or disbursing funds under controls that are sufficient to meet the Commission-appointed Internal Auditor's standards and are in compliance with all applicable state and federal laws and procedures.
  - 4) In addition to the above, the Executive Director will not acquire, encumber, or dispose of real property, without the Commission's prior written approval (in accordance with practices for state asset management through the Department of General Services).

#### STATE REPORTING REGARDING THE STUDENT LOAN OPERATING FUND AND FEDERAL FUND.

At appropriate times throughout the year, the Executive Director, in collaboration with the EdFund Board/President and EdFund internal audit staff, will complete and forward reports and documents as necessary to the appropriate State agencies in regard to the Student Loan Operating Fund and Federal Fund. The Executive Director, EdFund Board/President, and EdFund internal audit staff will do so under the guidance and direction of the Commission and its appropriate committee, and according to normal procedures for State agencies.

LOAN PROGRAM

- E. *Financial Planning and Annual Budgeting.* In conducting loan program operations, the EdFund President will:
- 1) Provide sufficient information to the EdFund Board and Commission to demonstrate credible projection of revenues and expenses, capital expenditures, and cash flow.
  - 2) Clearly articulate to the EdFund Board and Commission all critical planning assumptions.
  - 3) Present a proposed operating budget for each fiscal year that supports the achievement of the strategic plans and annual goals approved by the EdFund Board and the Commission, including goals relating to further improvement of the cost effectiveness of the loan program as a percentage of loans guaranteed.
  - 4) Project how EdFund programs will generate annual loan program revenues net of expenses to accomplish the priorities set forth in the Ends Policies.
- F. *Loan Program Expenditures.* The EdFund President will take all reasonable and prudent measures to ensure that loan program activities and expenditures will not cause or allow the development of fiscal jeopardy. These measures will include ensuring that:
- 1) Loan program expenditures remain within the multi-year expense projections and efficiency targets established by the EdFund Board and the Commission, and result in a total year-end variance amount (budget-to-actual) that does not exceed the operating contingency established in the approved budget.
  - 2) Loan program purchases have been made such that prudent protection has been given against conflict of interest, and all purchases are in conformance with EdFund procurement and contracting policy and with applicable state and federal requirements.
  - 3) Payroll and debts are settled in a timely manner.
  - 4) Tax payments or other government-ordered payments are paid in a timely manner.
  - 5) Receivables that can reasonably be collected are aggressively pursued.
- It is anticipated that continued legislative and regulatory changes will likely occur and will alter and/or reduce revenues paid to guaranty agencies. EdFund will not fail to update and provide to the Commission its multi-year projections for the Federal Fund, Operating Fund and Operating Reserve Fund within 90 days of such changes.
- G. *Asset Protection.* The EdFund Board/President will take all reasonable and prudent measures to ensure that the loan program's assets are protected, adequately maintained, and not unnecessarily risked. These measures will include:
- 1) Insuring against theft and casualty losses to a level that could materially affect the operations of the organization.
  - 2) Ensuring that personnel with access to material amounts of funds are bonded.
  - 3) Ensuring that the organization, the Commission, and EdFund staff are not unnecessarily exposed to claims of liability.
  - 4) Protecting intellectual property, proprietary information, consumer identity (e.g., students and families), and confidential files from loss or significant damage.

- 5) Receiving, processing, or disbursing funds under controls that are sufficient to meet generally accepted accounting practices and are in compliance with all applicable state and federal laws.
- 6) Investing or hold operating capital in secure instruments or in interest bearing accounts except when necessary to facilitate ease in operational transactions.
- 7) Investing or hold long-term investment funds in investments that are in keeping with the Commission and EdFund Board approved investment philosophy and policies.
- 8) In addition to the above, the President will not:
  - Use any long-term reserves to cover annual operating expenses, without the EdFund Board's prior written approval and Commission's prior consent.
  - Acquire, encumber, or dispose of real property, without the prior written approval of the Commission and the EdFund Board.

### **Executive Parameters Policy 4: Personnel Practices**

#### GRANT PROGRAM

- A. The Executive Director will hire, manage, promote, discipline, and terminate employees according to State civil services rules.
- B. The Executive Director will ensure that personnel decisions are made fairly.
- C. The Executive Director will ensure that working conditions and procedures are safe, dignified, fair, and provide appropriate confidentiality and privacy.
- D. In order to protect the Commission from sudden loss of Executive Director services, the Executive Director will ensure that at least one other manager is familiar with their respective duties, pending issues, and key processes.
- E. The Executive Director will work collaboratively with the EdFund President and EdFund personnel staff to address personnel matters involving CSAC civil service staff assigned to EdFund, per state civil service provisions.

#### LOAN PROGRAM

- F. The EdFund Board/President will hire, manage, promote, discipline, and terminate employees consistent with EdFund Personnel Policies.
- G. The EdFund Board/President will ensure that working conditions are safe, dignified, and provide appropriate privacy.
- H. In order to protect the Commission from sudden loss of EdFund President services, the EdFund President will ensure that at least one other manager is familiar with their respective duties, pending issues, and key processes.
- I. Civil service staff assigned to EdFund will be eligible for promotion at EdFund, subject to civil service provisions. In addressing personnel matters involving CSAC civil service staff assigned to EdFund, the EdFund President will coordinate with the Executive Director and the EdFund personnel office will coordinate with the CSAC personnel office.
- J. Compensation and benefits will be consistent with policies developed by the EdFund Board and, in the case of executive compensation, the Commission.

## **Executive Parameters Policy 5: Internal Communications and Support to the Commission**

The Executive Director and EdFund Board/President will, for their respective organizations, keep the Commission adequately informed, in a timely manner, and provide the necessary support for the Commission to do its work.

The Executive Director and EdFund Board/President will:

- A. Submit data required by the Commission Monitoring Policies in a timely, accurate and understandable fashion, directly addressing provisions of Commission policies being monitored.
- B. Cause the Commission to be aware of relevant trends, anticipated adverse media coverage, and material external and internal issues or changes, particularly issues or changes which may impact the assumptions upon which any Commission policy or strategic or annual plan has been based.
- C. The Executive Director and EdFund President will provide information to the Commission that is accurate, honest, and complete.
- D. Provide for the Commission as many staff and external points of view, issues and opinions as needed for fully informed Commission choices and decisions.
- E. Present information in a form that emphasizes brevity and clarity, and identifies whether that information is for the purpose of monitoring (per the Commission's Monitoring Policies), supporting Commission decision/action, or other purposes.
- F. Deal directly with the Commission as a whole or the appropriate Officer or Committee, avoid lobbying individual Commissioners, and support consensus-building rather than communicating with individual Commissioners in a manner that intentionally generates discord or splits the Commission into factions.
- G. Report in a timely manner an actual or anticipated non-compliance with any policy of the Commission, or any state or federal law or regulation.

## **Executive Parameters Policy 6: External Communications**

- A. Collaboration. As appropriate in communicating with external parties, the Executive Director and EdFund President will provide each other information, coordinate communication, and participate jointly in presenting information as necessary in order to fully and accurately represent the Commission and its programs.
- B. Confidential Information. In communicating with the public, the media, representatives of financial or educational institutions or associations, or similar external constituencies, the Executive Director and the EdFund Board/President will not convey information that is proprietary or confidential, and will protect intellectual property and confidentiality of consumer identity (e.g., students and families).
- C. Taking Official Positions. The Executive Director, EdFund Board, EdFund President, and their respective staffs will not take a position contrary to a position adopted by the Commission, or represent interests contrary to those of the Commission, without making it explicit that such position or interests are not those of the Commission, and without informing the Commission Chair of such communications in advance whenever possible, or if not possible, within two working days thereafter.

- D. *Public and Media.* In representing their respective Commission programs to the media, the public, interest groups, and other similar external constituencies, the Executive Director and the EdFund Board/President and their designated staff will not take an official position on critical public policy matters upon which the Commission has not yet adopted a written policy or position. However, if in their judgment not to do so would limit the ability of CSAC to effectively fulfill its mission, then the Executive Director or EdFund President may take such a position, provided that they inform the Commission Chair of such communications in advance whenever possible, or if not possible, within two working days thereafter. Also, in communicating with the public and the media, the Executive Director and EdFund President will collaborate as described in A above.
- E. *Communication with the State and Federal Government.* On behalf of the Commission, the Executive Director will take the lead in communicating with state agencies, and the EdFund President will take the lead when dealing with federal agencies in regard to the loan program. However, in all such communications they will collaborate, as appropriate, as described in A above. Furthermore, when issues involving critical policy decisions arise on which the Commission has not yet taken a position, the Executive Director and EdFund President will make all reasonable efforts to inform and involve the Commission Chair or other officer or Committee, as appropriate, before communicating with state and federal officials. When inquiries from these officials are of an urgent nature and the Executive Director or EdFund President cannot contact the appropriate Commissioner(s) beforehand, they will notify the Commission Chair immediately afterward, including summarizing all relevant information that was exchanged.

## Monitoring and Oversight Policies

These policies define how the Commission will monitor organizational performance (based on the policies in the other four categories).

### Global Policy: Monitoring

Per (cite statute), the Commission has responsibility for oversight of its grant and loan programs. The Commission cannot delegate the ultimate responsibility for this oversight to the Commission's Chair or its committees, the Executive Director, FPPD staff, the EdFund Board, or the EdFund President. To fulfill this responsibility, the Commission will conduct monitoring to ensure that the grant and loan program organizations comply with all Commission policies and applicable law.

### Monitoring Policy 1: Overall Compliance with Commission Policies

Twice annually, the Executive Director and EdFund Board will each present a report indicating their organization's compliance with the Commission's policies as set forth in this document. The Executive Director and EdFund Board Chair, respectively, will sign these reports certifying their completeness and accuracy. The reports will identify any substantial lack of compliance, the reason for it, and steps that have been taken or that need to be taken, including any recommended Commission action, to achieve compliance with the Commission's policies.

### Monitoring Policy 2: Ends

On a quarterly basis, the Executive Director and EdFund Board/President will submit a report of programmatic accomplishments and progress. The Commission will review these reports and take action as appropriate.

#### GRANT PROGRAM.

The Executive Director's report will include all relevant statistics, trend analyses, and narrative to encapsulate the most significant grant program information, including at a minimum:

- A. The number of:
  - 1) Grant applicants in each of the grant and outreach programs for the current quarter and fiscal year to date.
  - 2) The amount of grants or services, in total and by category of students (as specified by the Commission), provided in each of the grant and outreach programs for the current quarter and fiscal year to date as compared to budgeted amounts, and compared to actual data for the same periods in the previous three fiscal years.
- B. Information on any processing backlogs or other delays that are resulting or could result in a delay of the delivery of funds to students.
- C. Costs incurred in providing grant and outreach programs reported by major cost, as specified by the Commission, for the current quarter and fiscal year to date, as compared to the budgeted amounts and same periods in the previous fiscal year.

- D. Efficiency, processing performance, and quality metrics, as specified by the Commission, for the current quarter and fiscal year as compared to the same periods in the previous fiscal year.

### LOAN PROGRAM.

The EdFund Board's report will include all relevant statistics, analysis of trends, and narrative information to encapsulate the most significant EdFund programmatic information, including at a minimum:

- E. The number of loans guaranteed by program and category, as specified by the Commission, for the current quarter and fiscal year to date, as compared to budgeted amounts, and compared to actual data for the same periods in the previous three fiscal years.
- F. The total dollar amount of loans guaranteed by program and category, as specified by the Commission, for the current quarter and fiscal year to date, as compared to budgeted amounts, and compared to actual data for the same periods in the previous three fiscal years.
- G. Information on any processing backlogs or other delays that are resulting or could result in a delay of the delivery of funds to students.
- H. Costs incurred in providing loan guaranty programs reported by major cost center, as specified by the Commission, for the current quarter and fiscal year to date, as compared to the budgeted amounts and same periods in the previous fiscal year.
- I. Efficiency, processing performance, and quality metrics, as specified by the Commission, for the current quarter and fiscal year as compared to the same periods in the previous fiscal year.
- J. Financial statements in sufficient detail, as specified by the Commission, for the current quarter and fiscal year as compared to the same periods in the previous fiscal years.
- K. Portfolio performance data, as specified by the Commission, that will include default aversion, claims paid, and recoveries in defaulted loans disaggregated by collection type.
- L. Any potential impact of the above information on the annual budget.
- M. Comparison of key outcomes achieved by the loan program with those achieved by other student loan guaranty agencies.
- N. Information on the competitive and political actions that could: (i) materially affect the availability of loans to students and families provided through the loan guaranty programs; and (ii) materially affect the revenues received by the Commission for the loan program.

### **Monitoring Policy 3: Commission Governance**

On an ongoing basis, the Commission will discuss and decide how to improve the Commission's governance process.

At least annually, the Commission's committee responsible for governance practices will review and present a report to the Commission assessing the Commission's compliance with the

Governance Policies herein. This review and report will include assessment of the Commission's application of the overall governance approach, as well as compliance by the Commission Chair, Commissioners, and all Commission Committees to the Governance Policies. It will also examine the effectiveness of the Commissioner orientation and Commission education programs. It will present its findings to the Commission, including any recommendations to improve Commission governance policies or practices.

#### **Monitoring Policy 4: Assignment and Responsibility**

On an ongoing basis, the appropriate Commission committee will assess the effectiveness of and compliance with the Commission's Assignment and Responsibility Policies. On an annual basis it will conduct an overall assessment of such compliance, and will prepare and present a report of its findings to the Commission, including any recommendations to improve clarity of these policies or compliance therewith.

#### **Monitoring Policy 5: Strategic and Annual Planning**

##### GRANT PROGRAM

On an annual basis, the Commission will review and adopt an annual update to the grant program strategic plan and annual plan, pursuant to the specific provisions in the Executive Parameters policies.

##### LOAN PROGRAM

On an annual basis, the Commission will review and approve an EdFund Board-approved annual update to the loan program strategic plan and, pursuant to the specific provisions in the Executive Parameters policies.

##### OVERARCHING CSAC STRATEGIC PLAN

The Commission will ensure that an overall strategic plan is developed from the strategic and annual plans developed by both the grant and loan programs. This overall strategic plan will focus on the linkages between the two organizations and how synergies can support the overall mission of the Student Aid Commission.

##### STRATEGIC AND ANNUAL PLAN REPORTING AND UPDATING

The Executive Director and EdFund Board/President will provide the Commission with quarterly updates reviewing progress in implementing the strategic plan, including whether annual plan objectives have been or are expected to be achieved in accordance with the specified timeline.

#### **Monitoring Policy 6: Fiscal Operations**

On a quarterly basis, the Executive Director and EdFund President will each present a report examining their organization's compliance with the Commission's Fiscal Operations Policies. For each of the fiscal operations provisions in the Assignment and Executive Parameters Policies, the reports will identify any substantial lack of compliance, the reason for it, and steps that have been taken or that need to be taken, including any recommended Commission action, to achieve compliance. This will include compliance with timelines (for example, whether or not steps in the budgeting process have been completed according to the annual budget schedule).

In addition, as part of its fiduciary obligations and responsibility for oversight, the Commission will receive regular and accurate reporting on the financial status of the grant and loan programs. The Executive Director and/or grant program Internal Auditor, as appropriate, and EdFund Board/President and/or EdFund Internal Auditor, as appropriate, will provide complete and accurate reporting to the Commission on a monthly, quarterly, and annual basis as set forth below.

GRANT PROGRAM. The Executive Director (or, where indicated below, the grant program Internal Auditor), will provide to the Commission:

- A. On an annual basis:
  - 1) The proposed operating budget for the grant program which complies with the Commission's Financial Planning and Annual Budget Policy and which is consistent with the grant program strategic and annual goals adopted by the Commission.
  - 2) A schedule of planned internal audits and reviews of the grant program for the fiscal year. (Internal Auditor)
  - 3) The Financial Integrity and State Managers Accountability Act (FISMA) report, as necessary indicating updates to procedures to ensure that the grant program's assets are protected, adequately maintained, and not unnecessarily risked.
- B. On a quarterly basis:
  - 1) A summary or "dashboard" report describing the grant program's current financial condition, including summarized financial statements and any items of significance to the overall financial performance of the organization, including at a minimum:
    - a) Year-to-date expenditures, as compared to the annual budget, with projection for year-end results.
    - b) Any significant budget variances based on the categories determined by the Commission.
    - c) Progress toward the attainment of the cost efficiency metrics established pursuant to the annual plan.
    - d) Proposed steps to address budget variances or other issues identified in a) through c) above, consistent with state processes.
- C. Periodically as appropriate:
  - 1) As scheduled, information on audits or reviews of the grant program to be performed by the State or federal government.
  - 2) As completed, audits or reviews of the grant program performed or required by the State or federal government.
  - 3) As completed, summary of internal grant program audit findings and resolutions to the satisfaction of grant program management and the Commission's Audit Committee.

STATE REPORTING REGARDING THE STUDENT LOAN OPERATING FUND AND FEDERAL FUND.

At appropriate times throughout the year, the Executive Director, in collaboration with the EdFund Board/President and EdFund internal audit staff, will present to the appropriate Commission

committee draft reports and documents to be submitted as necessary to the appropriate state agencies in regard to the Student Loan Operating Fund and Federal Fund. The Executive Director, EdFund Board/President, and EdFund internal audit staff will complete these reports and documents, and will submit them to the appropriate state agencies, under the guidance and direction of the Commission and its appropriate committee, and according to normal procedures for State agencies.

LOAN PROGRAM. The EdFund Board/President (or, where indicated below, the EdFund Internal Auditor), will provide to the Commission:

- D. On annual basis:
- 1) The operating budget for the loan program approved by the EdFund Board which complies with the Commission's Financial Planning and Annual Budget Policy and which is consistent with the loan program strategic and annual goals adopted by the Commission.
  - 2) A financial, system, and compliance audit of the loan program performed by an independent auditing firm approved by the Commission and EdFund Board Audit Committees, including audited financial statements.
  - 3) External audits or reviews performed by the federal Department of Education (e.g., FFEL program compliance audit, VFA review), and by state entities (e.g., annual FFEL program compliance audit performed by the Bureau of State Audits).
  - 4) A schedule of planned internal audits and reviews of EdFund and its programs for the fiscal year. (Internal Auditor)
  - 5) A report reviewing, and as necessary indicating updates to, procedures to ensure that all reasonable and prudent measures are being taken to ensure that the loan program's assets are protected, adequately maintained, and not unnecessarily risked (pursuant to the specific provisions in the Executive Parameters policies).
- E. At each regularly-scheduled Commission meeting:
- 1) A summary report describing the organization's current financial condition, including summarized financial statements (or a "dashboard" report) any items of significance to the overall financial performance of the organization, including at a minimum:
    - a) Year-to-date expenditures, as compared to the annual budget, with projection for year-end results.
    - b) Any significant budget variances based on the categories determined by the Commission.
    - c) Year-to-date and projected use of the operating contingency established as part of the annual budget.
    - d) Progress toward the attainment of the cost efficiency metrics established pursuant to the annual plan.
  - 2) A report, reviewed and approved by the EdFund Board, on the balance in the Federal Fund, Operating Fund, and Operating Reserve Fund, and the projected ability to meet the minimum reserve levels established by the Commission during the remainder of the fiscal year.
- F. Periodically as appropriate:

- 1) As scheduled, information on audits or reviews to be performed by the State or Federal government.
- 2) As completed, audits or reviews performed or required by the State or federal government.
- 3) As completed, summary of internal audit findings and resolutions to the satisfaction of EdFund management and the EdFund Board.

## **Monitoring Policy 7: Personnel Practices**

### Annual Executive Performance Reviews

At least annually, the Commission will conduct a performance evaluation of the Executive Director, pursuant to the specific provisions in the Governance Policy that defines the commission's role. At least annually, the Commission will receive and accept from the EdFund Board a summary of its performance evaluation and subsequent-year goals for the EdFund President. This review will include assessment of compliance with Commission policies herein.

### EdFund Board Performance Assessment

On an annual basis, the Commission will conduct an assessment of the EdFund Board's performance, in conjunction with the statutorily required Annual Report to the Legislature. This assessment will be based on the policies herein, and will include discussion with the EdFund Board regarding ways to improve governance practice and Commission and Board oversight of the loan program. This review will also include, based on input from the Executive Director, assessment of EdFund's performance with respect to the administrative services provided by EdFund to the grant program.

## **Monitoring Policy 8: Internal and External Communications and Support to the Commission**

On an annual basis, the Commission will conduct an assessment of compliance with the Commission's policies regarding Internal and External Communications, specifically the following four Policies:

- The Commission Governance Policy entitled "Commission's Role."
- The Commission Governance Policy entitled "Commissioner Role and Code of Conduct."
- The Executive Parameters Policy entitled "Internal Communications and Support to the Commission."
- The Executive Parameters Policy entitled "External Communications."

This assessment will consider compliance by the Commissioners, the Executive Director, and the EdFund Board/President. It will identify any substantial lack of compliance, the reason for it, and steps that have been taken or that need to be taken, including any recommended Commission action, to achieve compliance. In addition:

- A. The annual evaluation of the Executive Director and EdFund President (described above) will include assessment of compliance with the Commission's Communications Policies.
- B. The report described in the Commission Governance Monitoring Policy will focus on the extent to which the Executive Director and EdFund Board/President have kept the Commission informed (e.g., regarding industry trends, staff points of view, etc.) and have

supported the Commission in its external communication responsibilities (e.g., appropriately supporting Commission communication with government officials).

- C. From time to time, the Commission may also call upon the Commission committee responsible for governance practices to monitor and report compliance with these policies on the part of the Commission, the Executive Director, or the EdFund Board/President.