

Information/Action Item

California Student Aid Commission

**Consideration of Roles, Responsibilities and Policies of the Commission and
EDFUND and Their Respective Staffs**

The April 2006, Bureau of State Auditors (BSA) report found that “Student Aid and EDFUND do not agree on the appropriate role each should have in the administration of the FFEL Program.” BSA recommended that “Student Aid should ensure that the roles and responsibilities it delineates for itself and EDFUND do not inappropriately cede its statutory responsibilities to EDFUND.”

At the February 22-23, 2007 Commission meeting, The Results Group and Aurora Consulting Group, LLC presented a preliminary report on structuring roles and responsibilities between the Commission and EDFUND.

After consideration and discussion of the consultant's preliminary findings, the Commission established an Ad Hoc Committee on Governance Roles and Responsibilities. Over the course of the past several weeks, the Ad Hoc Committee developed a draft outline of Commission Policies to guide the Commission's oversight of its grant and loan guaranty programs.

The Commission met on March 30, 2007 to consider and discuss the Ad Hoc Committee's proposed policies. The Commission will continue discussion of the proposed policies at its April 18-20, 2007 meeting.

Recommended Action: No specific action is recommended by staff.

Responsible: Ad Hoc Committee on Governance Roles and Responsibilities

The Results Group

- Michael Wright, Project Coordinator
- Stephen Thomas, Partner
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- Larry O'Toole, President



California Student Aid Commission Policies

Initial Working Draft:

***Partially Completed Policies – for Internal Discussion Only
Among the Commission and CSAC and EdFund Executive Staff***

Revised April 10, 2007

Introduction

Purpose and Types of Policies

The purpose of these policies is to enable the California Student Aid Commission to fulfill its oversight responsibility for the grant programs and loan guaranty programs for which it has been given responsibility by statute. 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).

Delegation Policies. These policies delineate the authority delegated by the Commission to the Executive Director and the EdFund Board/President, and FPPD staff.

Executive Parameters. These policies state the parameters within which the Executive Director and EdFund Board/President will exercise their delegated authority.

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/loan 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 Cal Grant A, B, and C Awards, California Community College Transfer Entitlement Awards, the California Chafee Grant Program, and other specialized programs approved by the Commission.

Students and families, particularly those who are low-income, will participate in the outreach programs offered by CSAC and will receive information about college planning and preparation, paying for college, and accessing financial aid.

The CSAC grant programs include the following specialized programs, with outcomes as specified below:

- *[Name a specialized program and its outcomes].*
- *[Name another specialized program and its outcomes].*

The Commission will 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.

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 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: Ensure the availability of FFELP loans and provide high quality, caring services to California students and their families.

Second Priority: Conduct programs in a manner that maintains EdFund's short and long term financial viability (which may include serving students and families in other states). 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: Fund administrative costs of operating CSAC operations and programs without reliance on state general fund support (i.e., the operating costs of EdFund, CSAC grant program operations, and FPPD operations, and any costs related to the operation of the Commission itself).

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 and Secretary, Commission Committees, and individual Commissioners. In addition, they delineate the authority of the Commission, its Committees, and individual Commissioners in making demands on 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 see that the CSAC organization and its component entities achieve the desired outcomes set forth by the Commission in these policies, as well as their respective strategic and annual plans. At the same time, the Commission will see 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.

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 focus on the good of the 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 role in the development of public policy and legislation. 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 realistically 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 further 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 Act, and other governance requirements.

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

- 4) Further informs Commissioners regarding the grant and loan programs.
 - 5) Informs Commissioners regarding upcoming public policy and legislative issues.
 - 6) 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 with a single 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 that strategic and annual plans are developed for both the grant and loan programs, as further described in subsequent policies.

Program Oversight

- I. The Commission will conduct fiscal and programmatic oversight of the grant and loan programs and will monitor organizational performance based on the policies herein.
- J. The Commission will maintain aggressive internal audit units in the grants and loan guaranty programs and will seek to maintain and improve operating efficiency and effectiveness through continuous internal auditing and organizational assessment.
- K. 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.
- L. Loan Program
- 1) 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) Develop policies for the expenditure of funds derived from indirect cost payments. The use of those funds shall be regularly reported to the EdFund Board.
 - e) 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.
 - 2) 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.

- 3) 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."

Personnel Practices

- M. 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

- N. 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 with brevity, clarity of thinking, succinct analysis of each issue and options for addressing it, and whenever possible a recommended course of action.
- O. The Commission will maintain a working relationship with, and seek the advice and perspectives of, key stakeholder groups and advisory bodies.
- P. 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 Committee Chairs to ensure that Committees are operating effectively.
- E. Meet periodically with the Executive Director and EdFund Board/President, and make day-to-day decisions as necessary to ensure implementation of the Commission's policies herein.
- F. Execute all documents 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 5: 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 voice and act accordingly.
- C. Commissioners will abide by the Commission Code of Conduct, which will be adopted and from time to time revised by the Commission.
- D. In communicating with any external stakeholder (e.g., elected officials, 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). In representing the Commission, 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 on issues, policies, or decisions upon which the Commission has not yet adopted a written policy or position.
 - 3) 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.
 - 4) On behalf of the Commission, 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 6: 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. Expectations and authority will be carefully stated in writing in order not to conflict with authority delegated per the Authority and Delegation Policies herein.
- 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 upon the whole of 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.

[Additional language will be developed and inserted here, including the Commission's existing policies re: advisory bodies.]

Commission Governance Policy 7: Demands Upon Staff

- A. Commission officers or committees may make reasonable and necessary requests for information or assistance within the areas of authority delegated 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 authority delegated 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).

Delegation Policies

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

Global Policy: Delegation

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 shall have only that authority delegated to them in writing by the Commission or as otherwise assigned to them by statute, regulation, or other applicable law.

Delegation Policy 1: Executive Director

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 education and outreach programs). Provided that the Executive Director operates within a reasonable interpretation of the Commission's policies herein, the Commission hereby delegates the following to the Executive Director, to be accomplished within the Executive Parameters Policies herein.

Planning

- A. The Executive Director is delegated the authority to develop strategic and annual plans for the grant programs, using an approach described in the Executive Parameters Policies.

Program Operations

- B. The Executive Director is delegated the authority to establish 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 delegated the authority to arrange for administrative services to be provided by EdFund, including establishing financial and service-level agreements, subject to Commission approval.

Fiscal Operations

- D. The Executive Director is delegated the authority to enter into budget-authorized contracts, as part of an approved budget item, with third party service or product vendors in an amount not to exceed \$100,000. The Commission will individually approve all contracts of \$100,000 or more.

Personnel Practices

- E. Authority for hiring, management, and termination of grant program staff is delegated to the Executive Director. The sole exception is the Internal Auditor, and the staff reporting to the Internal Auditor (see next provision below).

- F. The Commission's Audit Committee has the authority to hire, manage programmatically, and terminate the Internal Auditor, and the Internal Auditor reports to the Commission's Audit Committee. In turn, the Internal Auditor has the authority to hire, manage, and terminate internal audit staff. The ultimate authority to add or eliminate internal audit staff positions is retained by the Commission, subject to approval by control agencies.

Internal and External Communication

- G. The Executive Director is delegated authority to communicate Commission policy and actions taken by the Commission to the grant program and FPPD staff.
- H. The Executive Director is delegated limited authority to represent the Commission 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 Executive Director is delegated limited authority to represent the Commission to the media, the public, interest groups, and other outside parties, as further defined in the Executive Parameters Policies.

Delegation 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 acknowledges this governance role, and will hold the EdFund Board accountable to fulfill it. This will include conducting oversight as required by law and deemed necessary and prudent by the Commission.

Planning

- A. The EdFund Board/President is delegated the authority to develop strategic and annual plans for the loan program, as well as other subject to review and approval by the Commission.

Program Operations

- B. The President is delegated the authority to establish 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 operational activities required for the administration of the loan program.

Fiscal Operations

- C. As specified in California Education Code Section 69526, the EdFund Board will approve all expenditures and fund authorizations of the auxiliary organization. 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.
- D. The EdFund Board/President is delegated the authority to develop the EdFund annual budget, subject to approval by the Commission.

- E. The EdFund Board/President is delegated the authority to enter into contracts [what if any contracting authority?].

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 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 that report to the President. The sole exception is the EdFund Internal Auditor, and the staff reporting to the Internal Auditor. The EdFund Board Audit Committee has the authority to hire, manage programmatically, and terminate the EdFund Internal Auditor, and the Internal Auditor reports to this Committee. The authority to add or eliminate internal audit staff positions is delegated to the EdFund Board/President.

Internal and External Communication

- G. The EdFund President is delegated authority to communicate Commission policy and actions taken by the Commission to the loan program staff.
- H. The EdFund Board/President is delegated limited authority to represent the Commission 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 delegated limited authority to represent the Commission to the media, the public, interest groups, and other outside parties, as further defined in the Executive Parameters Policies.

Authority Inherently Vested in the EdFund Board

- J. As the statutorily stipulated governing body of the EdFund, the EdFund Board has direct responsibility for the following, and will report regularly to the Commission (per the Monitoring Policies herein) regarding:
- 1) EdFund's compliance with all applicable laws, regulations, and Commission or EdFund Board policies.
 - 2) The stewardship and management of loan program resources.
 - 3) Review and approval of EdFund's strategic plan, annual business plan, and operating budgets.
 - 4) Monitoring and reporting on EdFund's performance relating to its annual and strategic goals.

- 5) Monitoring and reporting on EdFund's performance relating to its annual operating budget.
- 6) Review and approval of EdFund's human resources policies including policies and procedures for establishing Executive Compensation to ensure compliance with IRS intermediate sanctions and safe harbor provisions.
- 7) Monitoring EdFund performance (within the context of the policies herein and the EdFund strategic and annual plans).
- 8) The hiring and evaluation of the EdFund President.
- 9) Reporting regarding EdFund's compliance with respect to the Operating Agreement.
- 10) Recommending to the Commission additional programs and services to be undertaken by EdFund

Delegation Policy 4: Federal Policies and Programs Division

The Commission's Federal Policies and Programs Division (FPPD) holds a unique position in the organizational structure. It is not part of either the grant or loan program staff, as defined above. It supports the Commission's processes for monitoring and oversight of EdFund. FPPD will perform those duties assigned to it by the Commission to support the fulfillment of the Commission's responsibility for oversight, including those duties assigned pursuant to the CSAC-EdFund Operating Agreement and further delineated in the FPPD Procedures Manual approved annually by the Commission. In fulfilling those duties, FPPD takes direction from and has responsibility for regular reporting to the Commission's _____ Committee. FPPD operates under the administrative direction of the Executive Director and is subject to all Executive Parameters and other policies herein.

Executive Parameters Policies

These policies state the parameters within which the Executive Director and EdFund Board/President will exercise the authority delegated 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 not unlawful, imprudent, in violation of commonly accepted business and professional ethics, or in violation of any federal or state laws or 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. With input from the Executive Director and grant program staff, the Commission will establish the vision statement looking forward five to seven years, and set broad three-year goals, with appropriate benchmarks for monitoring purposes. 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 not endanger the organization's public image or credibility, particularly in ways that would hinder 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 not endanger the organization's public image or credibility, particularly in ways that would hinder 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 and expenses, capital expenditures, and cash flow.
 - 2) Clearly articulate to the Commission all critical planning assumptions.
 - 3) Develop and present to the Commission a proposed operating budget for each fiscal year according to a timeline approved by the Commission and consistent with the state's budgeting process. The budget will support the achievement of the strategic and annual plan goals approved by the Commission, including goals relating to further improvement of the cost effectiveness of the administration of the programs in relationship to the total amount of grants awarded.
 - 4) Provide to the Commission and EdFund Board multi-year projections of the costs to operate the grant program. 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 EdFund Board.
- B. *Grant Program Expenditures.* The Executive Director will take all reasonable and prudent measures 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 result in a total year-end variance amount (budget-to-actual) that does not exceed the operating contingency established in the approved budget.
 - 2) Grant program purchases have been made such that:
 - prudent protection has been given against conflict of interest;
 - purchases over \$xx,xxx have been subject to comparison of prices and quality;
 - all purchases are in compliance with applicable state and federal requirements.

- 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.

[Add provision prohibiting sequential contracts.]

- 4) Payroll and debts are settled in a timely manner.
 - 5) Tax payments or other government-ordered payments are paid in a timely manner.
 - 6) Receivables that can reasonably be collected are aggressively pursued.
- C. *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. These measures will include:
- 1) Securing and maintaining insurance 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 grant program 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 professional standards for Internal Auditors.
 - 6) In addition to the above, the Executive Director will not:
 - Use any long-term reserves to cover annual operating expenses, without the Commission's prior written approval.
 - Acquire, encumber, or dispose of real property, without the Commission's prior written approval.

LOAN PROGRAM

D. *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) Develop and present to the EdFund Board and the Commission a proposed operating budget for each fiscal year according to a timeline approved by the EdFund Board. The budget will support 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.

E. *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;
 - purchases over \$xx,xxx have been subject to comparison of prices and quality;
 - all purchases are in compliance with applicable state and federal requirements.
- 3) Enter into contracts or make a single purchase or commitment in an amount greater than that established by the EdFund Board and approved by the Commission, without the EdFund Board's prior written approval and Commission's prior consent

[Add provision prohibiting sequential contracts.]

- 4) Payroll and debts are settled in a timely manner.
- 5) Tax payments or other government-ordered payments are paid in a timely manner.
- 6) 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 update and provide to the Commission revised current-year estimates and preliminary multi-year projections for the Federal Fund, Operating Fund, and Operating Reserve Fund within 90 days of such changes.

- F. *Asset Protection.* The EdFund Board/President will take all reasonable and prudent measures to ensure that the grant 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 professional standards for Internal Auditors.
 - 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 or EdFund Board approved investment philosophy and policies.
 - 8) In addition to the above, the EdFund Board/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

The Executive Director will develop, and the Commission will approve, a set of Personnel Policies and Practices for the grant program, which will also apply to civil service employees of CSAC assigned to EdFund. These policies will be reviewed and approved by the Commission at least every two years. These policies will be consistent with state civil service policies and practices, and will be based on the following:

- 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. The Executive Director will create and promote a work environment of professionalism, trust, and collaboration in order to recruit and retain highly qualified, committed staff.
- E. In order to protect the Commission from sudden loss of Executive Director services, the Executive Director will ensure that at least one other qualified manager is familiar with the Executive Director's duties, pending issues, and key processes.

LOAN PROGRAM

The President will develop, and the EdFund Board will approve, a set of Personnel Policies and Practices for the loan program, which will apply to at-will employees but not civil service employees of CSAC assigned to EdFund. These policies will be reviewed and approved by the EdFund Board at least every two years. These policies will be based on the following:

- F. The EdFund Board/President will hire, manage, promote, discipline, and terminate employees consistent with Personnel Policies approved by the EdFund Board.
- G. The EdFund Board/President will ensure that personnel decisions are made fairly.
- H. The EdFund Board/President will ensure that working conditions and procedures are safe, dignified, fair, and provide appropriate confidentiality and privacy.
- I. The EdFund Board/President will create and promote a work environment of professionalism, trust, and collaboration in order to recruit and retain highly qualified committed staff.
- J. In order to protect the Commission and EdFund Board from sudden loss of EdFund President services, the EdFund President will ensure that at least one other manager is familiar with the President's duties, pending issues, and key processes.
- K. *[Insert language re: compensation and benefits]*

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

The Executive Director and EdFund Board/President will 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. The Executive Director and EdFund President will provide information to the Commission that is accurate, honest, and complete
- C. 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.
- D. Advise the Commission if, in the opinion of the Executive Director or the EdFund Board/President, the Commission is not in compliance with its own Governance Process Policies and Authority and Delegation Policies, particularly in the case of Commission behavior that is detrimental to the working relationship between the Commission and the Executive Director or EdFund Board/President.
- E. Provide for the Commission as many staff and external points of view, issues and opinions as needed for fully informed Commission choices and decisions.
- F. 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.
- G. Deal with the Commission as a whole except when fulfilling individual requests for information or responding to Commissioners or committees duly charged by the Commission.
- H. Report in a timely manner an actual or anticipated non-compliance with any policy of the Commission, or state or federal law or regulation.

Executive Parameters Policy 6: External Communications

- A. In communicating with any external stakeholder (e.g., elected officials, the public, the media, representatives of financial or educational institutions or associations, etc.), 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).
- B. In representing the Commission to the executive and legislative branches of state government, and to the federal Department of Education or other federal agencies, the Executive Director and the EdFund Board/President will not:
 - 1) Discuss issues, policies, decisions, or programmatic information of any substance without appropriate representation by leaders of the other organization that have knowledge or expertise needed to fully and accurately represent the Commission and its programs.
 - 2) Take an official position on issues, policies, or decisions upon which the Commission has not yet adopted a written policy or position.
 - 3) 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.

- 4) Conduct significant discussion of issues, policies, or 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.
 - Ensuring that the Commission Chair or his/her designated Commissioner(s) will be present during any such discussions, and will be briefed so as to play the appropriate lead role in those discussions.
 - Briefing the Commission Chair or his/her designated Commissioner(s) regarding those discussions as soon as possible, if the Commission Chair or his/her designated Commissioner(s) is not able to be present during any such discussions.
- C. In representing the Commission to the media, the public, interest groups, and other outside parties, the Executive Director and the EdFund Board/President will not:
- 1) Discuss issues, policies, decisions, or programmatic information of any substance without appropriate representation by leaders of the other organization who have knowledge or expertise needed to fully and accurately represent the Commission and its programs.
 - 2) Take an official position on issues, policies, or decisions upon which the Commission has not yet adopted a written policy or position.
 - 3) 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.
 - 4) Conduct significant discussion of issues, policies, or 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.
 - Ensuring that the Commission Chair or his/her designated Commissioner(s) will be present during any such discussions, and will be briefed so as to play the appropriate lead role in those discussions.
 - Briefing the Commission Chair or his/her designated Commissioner(s) regarding those discussions as soon as possible, if the Commission Chair or his/her designated Commissioner(s) is not able to be present during any such discussions.

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 Commission 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.

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. 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.

Monitoring Policy 2: Ends

On a quarterly basis, the Commission will review and accept a report of programmatic accomplishments according to the Ends Policies herein from the Executive Director and EdFund Board.

GRANT PROGRAM

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

- A. The number of students, in total and by category, as specified by the Commission, receiving grants or services 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. The total amount and by category, as specified by the Commission, of grants awarded in each of the grant 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.
- C. Information on any processing backlogs or other delays that are resulting or could result in a delay of the delivery of funds to students.
- D. 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.

- E. 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:

- F. 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.
- G. 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.
- H. Information on any processing backlogs or other delays that are resulting or could result in a delay of the delivery of funds to students.
- I. 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.
- J. 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.
- K. 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. The financial information will also include information on the reserves established pursuant to Ends Policy 3.
- L. Portfolio performance data, as specified by the Commission, that will include default aversion, claims paid, collections on defaulted loans and consolidation and rehabilitation of defaulted loans held by the Commission.
- M. 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, or (ii) materially affect the revenues received by the Commission for the loan program.

Monitoring Policy 3: Commission Governance

At least annually, the Commission's _____ Committee will review the Commission's compliance with the Governance Policies herein. This review 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: Delegation

On an annual basis, the Commission's _____ Committee will assess the effectiveness of and compliance with the Commission's Delegation Policies. It will present 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.

In addition, the Executive Director 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.

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.

In addition, the 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 Delegation 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 for their respective organizations).

In addition, to fulfill 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 CSAC 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 the grant program Internal Auditor, as determined by the Commission, 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 Budgeting Policy and which is consistent with the grant program strategic and annual goals adopted by the Commission.
 - 2) A financial, system, and compliance audit of the grant programs performed by an independent auditing firm approved by the Commission's Audit Committee, including audited financial statements.
 - 3) A schedule of planned internal audits and reviews of the grant program for the fiscal year.
 - 4) 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 grant program's assets are protected, adequately maintained, and not unnecessarily risked (pursuant to the specific provisions in the Executive Parameters policies).
- B. At each regularly-scheduled Commission meeting:
 - 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 budget variances that exceed xx% of the original budget projection 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.
- 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.

LOAN PROGRAM. The EdFund Board/President or Internal Auditor, as determined by the EdFund Board, 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 Budgeting 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 EdFund Board Audit Committee, 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.
 - 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 budget variances that exceed xx% of the original budget projection 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 (which must meet levels established by the federal government) and the Operating Fund, as well as the projected ability to meet the minimum reserve levels established by the federal government and the Commission, respectively, 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

On an annual basis, the Executive Director and EdFund President will each present a report examining their organization's compliance with the Commission's Personnel Practices Policies (which can be found in the section above entitled "Executive Parameters Policies"). These 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.

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 of 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:

1. The Commission Governance Policy entitled "Commission's Role" (see page xx).
2. The Commission Governance Policy entitled "Commissioner Role and Code of Conduct" (see page xx).
3. The Executive Parameters Policy entitled "Internal Communications and Support to the Commission" (see page xx).
4. The Executive Parameters Policy entitled "External Communications" (see page xx).

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. From time to time, the Commission may also call upon its _____ Committee to monitor and report compliance with these policies on the part of Commissioners, the Executive Director, or the EdFund Board/President.