

Information Item

California Student Aid Commission

**Consideration of an Amendment/Extension of the Operating Agreement
Between the Commission and EDFUND**

California Education Code section 69522(d) requires the operations of EDFUND be conducted in conformity with an operating agreement approved annually by the Commission. The current Operating Agreement between the Commission and EDFUND is set to expire on June 30, 2008. The Code also requires the Commission to submit the Operating Agreement Amendment/Extension to the Department of Finance (DOF) and the Joint Legislative Budget Committee (JLBC) 45-days in advance of the Commission's approval.

To allow for the 45-day review and approval by DOF and JLBC, in February 2008, the Commission and EDFUND Board of Directors approved a proposed amendment/extension which extended the current Operating Agreement for one year until June 30, 2009 and added language consistent with Chapter 182, Statutes of 2007 (Senate Bill 89) regarding the termination of the Operating Agreement upon the sale or alternative financial arrangement of EDFUND. As indicated in Article 8.6 of the Operating Agreement, the Commission also provided DOF and JLBC a copy of the "CSAC Annual Plan for Oversight of EDFUND" approved at its September 2007 meeting.

Attached is Department of Finance's response to CSAC and EDFUND's proposed amendment/extension. (Tab 7.a) DOF concurred with staffs proposed clarification to the amendment/extension and suggested additional edits to clarify that the anticipated transaction may result in a disposition of the assets in a different manner. DOF edits are included in Section 7.7 of Tab 7.b. Commission and EDFUND staffs agree with DOF edits. The Joint Legislative Budget Committee did not provide a response.

At its May 15, 2008, the EDFUND Board of Director's approved the DOF edits to the Operating Agreement Amendment/Extension. For your reference, staff has enclosed the current Operating Agreement (Tab 7.c) and the "CSAC Annual Plan for Oversight of EDFUND" (Tab 7.d).

Recommendation: Authorize the Chair of the Commission and the Executive Director to execute the Operating Agreement Amendment/Extension through June 30, 2009.

Responsible Persons: Janet McDuffie, Chief
Federal Policy and
Programs Division

David Reid, General Counsel
EDFUND



April 29, 2008

Ms. Diana Fuentes-Michel
Executive Director
California Student Aid Commission
P.O. Box 419026
Rancho Cordova, CA 95741-9026

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CSAC
EXECUTIVE OFFICE

Dear Ms. Fuentes-Michele:

We received your March 17, 2008 letter requesting our review of the proposed amendments to the current Operating Agreement (Agreement) between the California Student Aid Commission (Commission) and its auxiliary organization, EdFund, and the Commission's Annual Plan for Oversight of EdFund.

As you are aware, subdivision (d) of Education Code Section 69522 requires both the Department of Finance (Finance) and the Joint Legislative Budget Committee to review and comment on any new agreement, or any amendment to the existing agreement, that delineates new services or activities for EdFund, within 45 days of submission and for the Commission to convene a meeting of appropriate representatives of Finance and the Legislature to resolve any issues of concern that are identified.

We reviewed the following proposed amendments to the Agreement, which would:

- Extend the effective date of the Agreement to June 30, 2009.
- Clarify that the ownership and ultimate disposition of assets held by EdFund may be determined pursuant to the sales transaction or alternative financial arrangement per Chapter 182 of the Statutes of 2007 (SB 89).
- Allow the Agreement to be terminated as directed by Finance pursuant to SB 89.

Although it is anticipated that a transaction intended to maximize the value of the state's student loan guarantee assets and liabilities, including those held or operated by EdFund, will take place in the near future, we concur that it would be prudent to extend the Agreement one year to June 30, 2009, to ensure that the current operational relationship between the Commission and EdFund continues without interruption as necessary.

Furthermore, we concur with the proposed clarification that the disposition of assets currently held by EdFund may be determined through the anticipated transaction. Although the current Agreement clearly states that upon termination of the Agreement all assets held by EdFund would become the property of the Commission, we believe it is prudent to clarify that the anticipated transaction may result in a disposition of the assets in a different manner.

Ms. Diana Fuentes-Michel
April 29, 2008
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For this reason we recommend the following language in order to maintain the necessary flexibility to achieve the purposes of SB 89:

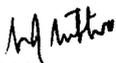
Paragraph 7.7 is added to read:

Resolution of the Operating Agreement by Sale or Alternative Financial Arrangement. Both parties agree to terminate the Agreement pursuant to the terms and conditions of any sales transaction agreement or alternative financial arrangement pursuant to Chapter 182 of the Statutes of 2007 (SB 89) as determined by the Department of Finance. However, if the Department of Finance determines that any sales transaction or alternative financial arrangement pursuant to SB 89 requires an amendment or extension of the Agreement rather than its termination, the parties agree that the Agreement shall be amended or extended to the extent necessary or convenient to achieve the purposes of the sales transaction agreement or alternative financial arrangement.

Finally, we reviewed the Commission's Annual Plan for Oversight of EdFund and have no comments.

If you have any questions, please contact Jeannie Oropeza, Program Budget Manager, or Lynn Podesto, Assistant Program Budget Manager, at (916) 445-0328.

MICHAEL C. GENEST
Director
By:


ANA J. MATOSANTOS
Chief Deputy Director

cc: Honorable Denise Moreno Ducheny, Chair, Joint Legislative Budget Committee
Mr. Sam Kipp, President, EdFund
Mr. Steve Boilard, Director, Legislative Analyst Office
Ms. Janet McDuffie, Chief of Management Services, Student Aid Commission
Dr. David Long, Secretary, Office of the Secretary for Education

DRAFT AMENDMENT/EXTENSION

This Amendment, effective July 1, 2008, hereby amends the Operating Agreement by and between the California Student Aid Commission and EDFUND entered into on July 1, 2007 as follows:

1. Paragraph 7.1 is amended to read:

- 7.1 Effective Date. This Agreement shall be in full force and effect as of the date first above written and shall continue in full force and effect until June 30, ~~2008~~ 2009 unless sooner terminated as herein provided. The parties may amend this Agreement for subsequent terms, as allowed by law, by written agreement of both parties prior to the expiration of this Agreement.

2. Paragraph 7.6 is amended to read:

- 7.6 Transfer of Assets. Upon termination of this Agreement and in the absence of a subsequent Operating Agreement between the parties, all of EDFUND's assets, tangible and intangible, shall immediately and without further action by either party become the property of CSAC, **except if the Operating Agreement is terminated pursuant to Section 7.7, in which case the ownership of such assets will be determined pursuant to the sales transaction or alternative financial arrangement.** EDFUND agrees to take promptly, all steps reasonably requested by the Commission to effectuate such transfer.

3. Paragraph 7.7 is added to read:

- 7.7 Resolution of the Operating Agreement by Sale or Alternative Financial Arrangement. Both parties agree to terminate the Agreement pursuant to the terms and conditions of any sales transaction agreement or alternative financial arrangement pursuant to Chapter 182 of the Statutes of 2007 (SB 89) as determined by the Department of Finance. However, if the Department of Finance determines that any sales transaction or alternative financial arrangement pursuant to SB 89 requires an amendment or extension of the Agreement rather than its termination, the parties agree that the Agreement shall be amended or extended to the extent necessary or convenient to achieve the purposes of the sales transaction agreement or alternative financial arrangement.**

4. The opening paragraph of the Service Level Agreement is amended to read

This Service Level Agreement (SLA) is effective the first day of July 2007, between the California Student Aid Commission (CSAC), a public agency of the State of California and EDFUND, a nonprofit public benefit corporation organized under the laws of the State of California and shall continue in full force and effect until June 30, ~~2008~~ 2009 unless

sooner terminated or amended. The SLA shall enumerate specific services to be performed by CSAC and/or EDFUND in connection with the Operating Agreement, entered into by the parties effective the first day of July 2007.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the day and year first above written.

By: _____ By: _____
Chair Chair
California Student Aid Commission EDFUND

By: _____ By: _____
Executive Director President
California Student Aid Commission EDFUND

AMENDMENT

This amendment dated July 26, 2007, hereby amends the Operating Agreement by and between the California Student Aid Commission and EDFUND entered into on July 1, 2007 as follows:

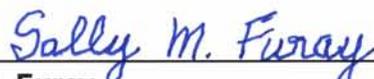
- 6.7 Notwithstanding Section 6.1 of this Agreement, \$2,206,500 shall be allocated from the Student Loan Operating Fund to be used for outreach activities in the 2008-09 Cal Grant application cycle funded through the Public Awareness Campaign and Cash for College Program.

Other terms and conditions of this Agreement shall remain unchanged.

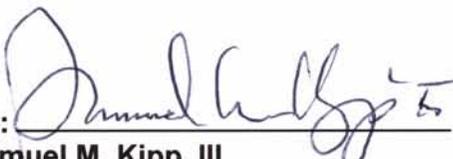
California Student Aid Commission

EDFUND

By: 
Louise McClain
Commission Chair
California Student Aid Commission

By: 
Sally M. Furay
Board of Directors, Chair
EDFUND

By: 
Diana Fuentes-Michel
Executive Director
California Student Aid Commission

By: 
Samuel M. Kipp, III
President
EDFUND

OPERATING AGREEMENT

This Agreement is effective the first day of July 2007 between the California Student Aid Commission (CSAC), a public agency of the State of California and EDFUND, a nonprofit public benefit corporation organized under the laws of the State of California.

ARTICLE I

Term

- 1.1 Term. The term of this Agreement shall be for a 1-year period from the effective date, unless sooner terminated under Article VII.

ARTICLE II

Definitions

- 2.1 Definitions. In this Agreement, the following words and terms shall have the following meanings:
- A. "Agreement" is the Operating Agreement between the California Student Aid Commission and EDFUND.
 - B. "California Student Aid Commission" or "CSAC" is the primary State agency responsible for the administration of State-aid programs, key among them the Cal Grant Program. CSAC is also the designated State guaranty agency responsible for the Federal Family Education Loan (FFEL) Program. For purposes of this definition CSAC does not include EDFUND.
 - C. "Commission" is the governing body of the California Student Aid Commission.
 - D. "EDFUND" is the auxiliary corporation of the California Student Aid Commission, founded on January 1, 1997, as a nonprofit 501(c)(3) public benefit corporation.
 - E. "EDFUND Board of Directors" or the "EDFUND Board" is the governing body of EDFUND.
 - F. "FFEL Program" is the Federal Family Education Loan Program.
 - G. "SLA" is a service level agreement(s) that defines the parameters of the services between CSAC and EDFUND.

ARTICLE III FFEL Program and Governance Policies

The Commission is responsible for developing and approving policies for the governance of the FFEL Program. Nothing in this Agreement, SLA or any policy shall be construed as delegating to EDFUND the Commission's fiduciary responsibilities as required under California statute. EDFUND shall provide research and policy analysis and make policy recommendations to the Commission, as appropriate or as requested by the Commission. CSAC staff, EDFUND staff and the EDFUND Board shall adhere to all FFEL Program policies adopted by the Commission, provided that the policies are consistent with this Agreement.

ARTICLE IV EDFUND's Agreements

- 4.1 Status as Auxiliary. EDFUND agrees to be the auxiliary organization of CSAC and operate as a nonprofit public benefit corporation in good standing under California law. EDFUND further agrees to maintain its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.
- 4.2 Scope of Services. EDFUND agrees to provide CSAC with data and services pursuant to this Agreement and SLA. EDFUND further agrees not to engage in any activities, services or corporate actions outside the scope of services agreed to herein without approval of the Commission.
- A. FFEL Program Services. EDFUND agrees to perform such operational, support and administrative services, as agreed to by the Commission and the EDFUND Board, for the benefit of CSAC in its role as guarantor under the FFEL Program. Services are to be provided pursuant to this Agreement and SLA.
- B. Other Services. EDFUND agrees to perform such other operational and support services pursuant to an SLA and as permitted by law.
- 4.3 Processing System. EDFUND agrees to maintain a financial aid processing system that is auditable for all identified program transactions.
- 4.4 Compliance. EDFUND agrees to perform all services as agreed to by the Commission and the EDFUND Board in full compliance with applicable State law and the Higher Education Act of 1965, as amended, and the regulations from time to time promulgated thereunder. EDFUND further agrees to perform all services as agreed to by the Commission and the EDFUND Board pursuant to Commission policies and pertaining to the FFEL Program, this Agreement and SLA.
- 4.5 EDFUND Policies. EDFUND agrees to develop, implement and maintain written policies and procedures as are necessary for EDFUND to fully comply with this Agreement and SLA. Proposed policies having a potential material effect on the Student Loan Operating Fund (hereinafter known as the Operating Fund) (see Section 6.1) shall be submitted to the Commission and the EDFUND Board for review and approval. The Commission recognizes the EDFUND Board of Directors' responsibilities to make

business decisions pursuant to the California Corporations Code; however, EDFUND policies and procedures shall be available for review by the Commission. EDFUND agrees to submit any new or revised policy to a designated individual on the CSAC staff and/or such other individual(s) identified by the Commission within ten (10) days of such policy's adoption.

- 4.6 Annual Loan Program Business Plan, Budget and Goals. EDFUND shall develop an annual Loan Program Business Plan, Budget and Goals for the administration of the FFEL Program that ensures the fiscal viability and continued success of such program. EDFUND agrees to provide a high level conceptual presentation for CSAC staff and/or such other individual(s) identified by the Commission on the annual Loan Program Business Plan, Budget and Goals no later than the fifteenth day of May of each year and prior to any significant document development. EDFUND will provide to CSAC staff the first draft annual Loan Program Business Plan, Budget and Goals by the first business day of June of each year. EDFUND agrees to make a presentation to the Commission at its June Commission meeting of each year on the current draft of the annual Loan Program Business Plan, Budget and Goals for the following federal fiscal year. EDFUND agrees to consult with CSAC staff and/or such other individual(s) identified by the Commission on the annual Loan Program Business Plan, Budget and Goals no later than the fifteenth day of July of each year and provide any requested information associated therewith. The Commission and the EDFUND Board will review the annual Loan Program Business Plan, Budget and Goals at the Joint Commission and EDFUND Board Workshop held each July. The EDFUND Board shall approve the annual Loan Program Business Plan, Budget and Goals no later than the thirty-first day of August of each year and submit such documents to the Commission by the first day of September of each year, for review and approval. Such dates may be altered by mutual agreement between the Commission and the EDFUND Board. Any significant change in strategy by EDFUND, following any of the above referenced meetings, shall be communicated to CSAC staff and/or such other individual(s) identified by the Commission.

The annual business plan shall include a description of business objectives EDFUND plans to pursue, its information technology strategies, descriptions of proposed new products or services, descriptions of proposed material changes in EDFUND's operations and the anticipated results of the plan. If the approved business plan changes the services to be provided by EDFUND, the SLA shall be amended to reflect the change in EDFUND services.

The annual budget shall include all projected revenues and expenses expected to be incurred in operations connected with the business plan. The budget shall also include a five-year projection of revenues and expenditures. Any material expenditure of funds or material change in operations or corporate policies outside of the annual Loan Program Business Plan, Budget and Goals shall be submitted to the Commission and EDFUND Board for review and approval.

The annual goals shall include specific, measurable goals and implementation strategies for activities within the FFEL Program for which EDFUND has a reasonable but not an easy ability to accomplish given current industry and regulatory trends, and shall be consistent with the Commission's General Goals.

The Commission's General Goals for EDFUND are:

- A. Provide premier customer service to schools, lenders and borrowers that meets or exceeds that of EDFUND's competitors.
- B. Provide a reliable and sustainable revenue stream to ensure the continuation of a strong competitive loan program and to provide resources, where feasible, for the other priorities established by the Commission.
- C. Provide the most efficient and effective service while controlling company costs.
- D. Increase California and national loan volumes.
- E. Provide a range of products that meet the needs of schools, lenders and borrowers.
- F. Continuously invest in the development of technology solutions that enhance the effectiveness and efficiency of both customers and the company.
- G. Be a source of public outreach and information to allow students to achieve their educational goals.
- H. Provide effective and responsive default aversion programs.
- I. Provide administrative, technical and programmatic support to CSAC in accordance with detailed support plans mutually developed and agreed to by both organizations.

4.7 Service Level Agreement. As part of the annual budget process, CSAC and EDFUND shall review the SLA and determine if amendments are necessary. The SLA is incorporated herein by this reference as if set forth in full.

4.8 Assets. EDFUND agrees and acknowledges that all of its assets, whether owned by EDFUND or in its control, are held for the benefit of CSAC. EDFUND agrees to manage such assets with the same duty of care as if the assets were owned by EDFUND, and to use and administer such assets only for purposes allowed herein and in conformance with State law. The Commission agrees to adopt a policy to provide an efficient, reasonable and cost-effective procedure for the disposal of EDFUND physical property with a de minimis value or located out-of-state, provided that such policy does not violate State law.

4.9 Civil Service Employees. EDFUND agrees to continue to take the assignment of existing civil service employees of CSAC assigned to EDFUND as of October 1, 1999, as permitted by law, for the purpose of performing services under this Agreement. EDFUND agrees that it shall treat the identified civil service employees as its own employees, except as required due to their civil service status, including terms and conditions of any applicable memoranda of understanding covering represented employees. EDFUND further agrees that for the assigned civil servants who wish to retain their civil service status, it will use its best efforts to make promotional opportunities available to civil service employees on the same basis as at-will employees. EDFUND and CSAC

understand that such promotional opportunities are subject to the applicable personnel rules of the State of California.

EDFUND agrees to work with CSAC to provide one (1) day of annual supervisory training to any EDFUND employee who supervises a civil service employee. Such training shall include, but is not limited to, areas of progressive discipline, documentation, attendance, work performance, and any other areas deemed necessary. CSAC civil service employees will be held accountable for their performance and attendance through their managers.

4.10 Insurance. EDFUND agrees to maintain in force during the term of this Agreement insurance as follows:

- A. GENERAL LIABILITY INSURANCE, including fidelity coverage, with limits of liability for each occurrence of not less than \$5,000,000 for bodily injury and property liability combined.
- B. WORKERS COMPENSATION INSURANCE with limits as required by law.
- C. DIRECTORS AND OFFICERS INSURANCE with coverage of not less than \$5,000,000 per claim with a \$5,000,000 annual aggregate limit.
- D. AUTOMOBILE LIABILITY for liability arising out of automobiles owned, leased, hired or borrowed by or on behalf of EDFUND, with limits of \$1,000,000 per accident for bodily and property damage.

The above insurance limits are the minimum amounts for the described policies and shall be adjusted as necessary to assure sufficient coverage. All such applicable policy(ies) of insurance shall contain a special endorsement naming as a covered entity "The State of California, Student Aid Commission."

ARTICLE V Commission/CSAC Agreements

- 5.1 Status as Guarantor. CSAC will remain a guaranty agency for purposes of the Higher Education Act of 1965, as amended, and shall comply with all applicable laws and regulations thereunder, unless the guaranty designation is transferred by the U.S. Secretary of Education or terminated by the State or federal government. The Commission further agrees to maintain EDFUND as its auxiliary organization.
- 5.2 Compliance with FFEL Program Requirements. The Commission agrees to perform all guarantee services not otherwise assigned to EDFUND in full compliance with the Higher Education Act of 1965, as amended, and the regulations from time to time promulgated thereunder.
- 5.3 Annual Loan Program Business Plan, Budget and Goals Approval. CSAC staff will review the proposed annual Loan Program Business Plan, Budget and Goals and provide perspective to the Commission at its June, July and September meetings of each year. The Commission agrees to review and approve EDFUND's annual Loan

Program Business Plan, Budget and Goals no later than the thirtieth day of September of each year. To the extent that changes are required in the approved annual Loan Program Business Plan, Budget and Goals due to Commission requirements, changes in state or federal law, or other circumstances beyond EDFUND's control, the Commission agrees to negotiate in good faith the annual Loan Program Business Plan, Budget and Goals to reflect such changes.

- 5.4 Scope of Services. The Commission agrees to provide EDFUND with data and services pursuant to this Agreement and SLA.
- 5.5 Review and Approvals. The Commission agrees to review any other requests and items within the scope of this Agreement and provide approvals in a timely manner.

ARTICLE VI

FFEL Program Funds, Payments to EDFUND and/or CSAC

- 6.1 FFEL Program Funds. CSAC, as guarantor, shall maintain the Operating Fund and the Federal Student Loan Reserve Fund (hereinafter known as the Federal Fund) as required by the FFEL Program. As permitted by State and federal law, the Operating Fund may be used for other purposes determined by the Commission and/or the State. CSAC will use the Operating Fund to reimburse EDFUND for its expenses. Revenues received by EDFUND on behalf of CSAC shall be remitted pursuant to agreed upon written procedures. The Operating Fund and the Federal Fund shall be in the sole control of CSAC. EDFUND acknowledges it has no ownership rights to the Operating Fund and/or Federal Fund.

A guaranty agency may use the Operating Fund for (1) Guaranty agency-related activities, including application processing; loan disbursement; enrollment and repayment status management; default aversion activities; default collection activities; school and lender training; financial aid awareness and related outreach activities; and compliance monitoring; and (2) Other student financial aid-related activities for the benefit of students, as selected by the guaranty agency. Other student financial aid-related activities that are major investments in local assistance, State assets, or outreach and awareness programs that are not directly related to FFEL program guaranty business operations shall be subject to annual review through the normal State budget process or legislation.

- 6.2 Reimbursement of EDFUND Expenses. CSAC agrees to pay to EDFUND reimbursement for all monies expended for the provision of services, both guarantee and other, in accordance with EDFUND's approved budget, approved SLA, applicable laws and regulations and other policies established and approved mutually by the EDFUND Board and the Commission. EDFUND shall invoice CSAC for the services provided pursuant to this Agreement and SLA. EDFUND agrees to provide appropriate supporting documentation and, if system security permits, read-only access to the EDFUND accounting system in order for CSAC staff to identify the services rendered. CSAC shall be responsible for reviewing the invoices and approving payments. Payment of invoiced expenses shall be made within thirty (30) days of receipt of all necessary documentation pursuant to this Agreement and SLA. Payment for any disputed expense may be withheld by CSAC and shall be identified in writing to EDFUND within thirty (30) days,

including the reason for withholding payment. EDFUND shall have the right to appeal pursuant to Section 9.15. In no event shall the amount reimbursed to EDFUND for guarantee services during the term of this Agreement exceed the total amount budgeted for such services in the operating budget approved pursuant to Section 4.6, unless prior approval for such expenditures was granted by the Commission.

CSAC and EDFUND staffs will work together on Operating Fund and Federal Fund cash flow projections. In the event of a projected cash shortfall in the Operating Fund held by the State Treasury, the reimbursement of the EDFUND invoices pursuant to this Agreement may be delayed. Invoice reimbursement may only be delayed so long as EDFUND cash balances are greater than, or equal to, two months of total loan and non-loan operating expenses as presented in the annual Loan Program Business Plan, Budget and Goals as approved by the Commission. EDFUND agrees to utilize available cash in all accounts, as needed, during this cash shortfall period. This delay will in no way compromise the financial viability of EDFUND, pursuant to Section 69526(b)(2) of the California Education Code. If a shortfall exists in both the Operating Fund held by the State Treasury and in the EDFUND accounts, the CSAC Executive Director and EDFUND President will collaborate on a prudent course of action. Once sufficient funds are available in the Operating Fund held by the State Treasury, delayed reimbursements will be processed as quickly as possible in order to return to the prescribed timeframe detailed above.

- 6.3 EDFUND Incentive Compensation Plans. Variable Pay Plans and Incentive Compensation Plans are hereby authorized and shall be administered pursuant to policies adopted by the Commission and the EDFUND Board. The policies are incorporated herein by this reference as if set forth in full.

- 6.4 Investment of EDFUND Cash. EDFUND cash, including cash resulting from any advance from the Operating Fund, shall be invested according to a policy approved by the Commission and the EDFUND Board. In the absence of an approved policy and unless otherwise required by law, cash and cash equivalents managed by EDFUND, which include cash held in the Operating Fund and Equity Accounts, when used for cash investment purposes, shall be held in a money market account. This investment cash requirement does not include cash held on behalf of the federal government or in sweep investment accounts.

Cash held in EDFUND's Equity Account shall only be used for such purposes approved by the Commission and EDFUND Board, in consultation with and approved by the California Department of Finance.

- 6.5 Travel Expenses. All travel expenses incurred by EDFUND shall be reimbursed pursuant to the EDFUND Travel Policy approved by the Commission and the EDFUND Board. The policy is incorporated herein by this reference as if set forth in full.

- 6.6 Reimbursements to CSAC. EDFUND agrees to pay CSAC for services rendered pursuant to this Agreement and SLA.

ARTICLE VII

Effective Date, Assignment and Termination

- 7.1 Effective Date. This Agreement shall be in full force and effect as of the date first above written and shall continue in full force and effect until June 30, 2008 unless sooner terminated as herein provided. The parties may amend this Agreement for subsequent terms, as allowed by law, by written agreement of both parties prior to the expiration of this Agreement.
- 7.2 Assignment. This Agreement may not be assigned in whole or in part by either party without the prior written consent of the other party.
- 7.3 Termination without Cause. The Commission may terminate this Agreement at any time without cause upon sixty (60) days' written notice.
- 7.4 Termination for Cause. Either party may terminate this Agreement for cause upon thirty (30) days' written notice to the other party specifying the cause and the proposed termination date. For purposes of this Agreement "cause" shall mean:
- A. Material breach of this Agreement,
 - B. The inability by a party to perform in whole or material part any of its obligations hereunder for a period of more than thirty (30) consecutive days, or
 - C. With respect to termination by the Commission, the filing of a petition in bankruptcy by EDFUND or against EDFUND by someone other than a party to this Agreement.
- However, should the party receiving notice of termination for cause cure, in the noticing party's sole judgment, the condition giving rise to such notice before the date specified for termination, then this Agreement shall continue in full force and effect.
- In lieu of termination under this Section, the parties may initiate the dispute resolution process in Section 9.15.
- 7.5 Termination by the Secretary. This Agreement is terminable by the U.S. Secretary of Education upon thirty (30) days' written notice to the parties if the Secretary determines that the Agreement includes an impermissible transfer of federal funds or assets or is otherwise inconsistent with the terms and purposes of Section 422 of the Higher Education Act of 1965, as amended.
- 7.6 Transfer of Assets. Upon termination of this Agreement and in the absence of a subsequent Operating Agreement between the parties, all of EDFUND's assets, tangible and intangible, shall immediately and without further action by either party become the property of CSAC. EDFUND agrees to take promptly, all steps reasonably requested by the Commission to effectuate such transfer.

ARTICLE VIII Oversight

- 8.1 Commission Oversight. As a designated guarantor, the Commission has statutory and fiduciary responsibilities for oversight of CSAC staff, EDFUND and the FFEL Program, as administered by EDFUND, and cannot delegate such responsibilities to other individuals or entities. While the Commission may prescribe through policies certain functions and responsibilities to CSAC staff, EDFUND staff, the EDFUND Board, and/or other individuals or entities to assist the Commission, all final decisions that involve the Commission's statutory and fiduciary responsibilities shall be made by the Commission. The Commission shall conduct its oversight responsibilities through Section 8.6 of this Agreement and through independent audits and reports from individuals and/or entities designated by the Commission. All audits required by Section 8.2 of this Agreement shall be reviewed by the Commission and EDFUND Audit Committees and be presented to the Commission and EDFUND Board. All reports required by Section 8.5 of this Agreement shall be provided to individuals and/or entities designated by the Commission.
- 8.2 Audits Supporting the Commission's Oversight Responsibilities. The following audits shall be performed in accordance with California Education Code Sections 69522(c)(2) and 69527(a); Title IV of the Higher Education Act of 1965, as amended; and/or any other applicable State or federal statutory provisions:
- A. Annual Operating Fund and Federal Fund Financial Statement Audit – An independent certified public accountant shall provide to the Commission and the EDFUND Board the annual audited financial statements of the Operating Fund and Federal Fund. The selection of the certified public accountant shall be mutually agreed upon by the Commission and EDFUND Board upon recommendations by the audit committees.
 - B. Annual Audit of Internal Controls – An independent certified public accountant shall provide to the Commission and the EDFUND Board an annual audit of key system and non-system internal controls affecting the initiation, authorization, recording, processing and/or reporting of transactions including, but not limited to, the Operating Fund and Federal Fund. The Commission and EDFUND Audit Committees will work with the independent certified public accountant to determine the specific control objectives that shall be tested. The selection of the certified public accountant shall be mutually agreed upon by the Commission and EDFUND Board upon recommendations by the audit committees. The Annual Audit of Internal Controls shall be performed only if the expenses associated therewith are approved by the California Department of Finance.
 - C. Annual EDFUND Financial Statement Audit – An independent certified public accountant shall provide to the Commission and the EDFUND Board the annual audited financial statements of EDFUND.
 - D. Annual EDFUND 401(k) Plan Financial Statement Audit – An independent certified public accountant shall provide to the EDFUND Board the annual audited financial statements of the EDFUND 401(k) Plan.

- E. Annual FFEL Program Compliance Audit – The Bureau of State Audits shall provide to the Commission the annual FFEL Program compliance audit findings issued by the Bureau of State Audits.
 - F. United States Department of Education Audits – The United States Department of Education shall provide to the Commission the audit findings issued by the United States Department of Education.
 - G. EDFUND Internal Audits – EDFUND shall provide to the Commission and the EDFUND Board the audit results of all internal audits conducted by EDFUND’s Internal Audit Department as identified in the Annual Internal Audit Plan approved by the Commission and EDFUND Audit Committees.
 - H. Other Audits and Evaluations – This shall include any other review, audit or evaluation approved by the Commission’s Audit Committee in consultation with the EDFUND Audit Committee and approved by the Commission in consultation with the EDFUND Board. This shall include conducting regular performance evaluations of the operations of EDFUND in furtherance of the Commission’s fiscal and fiduciary responsibility for approved programs as required in California Education Code Section 69522 (c)(2). This shall also include any other audits required by State or federal law, including the State auditor. Such reviews, audits or evaluations shall be conducted by an independent certified public accountant, independent consultant or such other independent individuals or entities designated by the Commission.
- 8.3 Availability and Access. EDFUND staff shall work with such individuals designated pursuant to this Article and be available for meetings within a reasonable period of time. CSAC and EDFUND shall provide full access to their facilities for any purpose associated with an audit upon forty-eight (48) hours notice or as otherwise agreed to by the parties.
- 8.4 Audit Issues or Findings. EDFUND agrees to respond to audit issues or findings in a timely manner.
- 8.5 Reports Supporting the Commission’s Oversight Responsibility. EDFUND agrees to provide the following reports to the Commission or such individual(s) designated by the Commission, provided that the Commission may, in their discretion, discontinue any report due to obsolescence:
- A. Annual Reports
 - (1) End of Federal Fiscal Year Loan Program Statistics which shall include:
 - (a) Guarantees
 - (b) Defaults
 - (c) Collections
 - (d) Claims
 - (e) Outstanding loans
- Due no later than 75 days after federal fiscal year-end.

- (2) Listing of all Participating Schools and Lenders, sorted by name. The listing will include the following:

- (a) Name of the institution
- (b) School/lender codes
- (c) Location
- (d) Number and dollar volume of loans sorted by loan program type

Due no later than 45 days after federal fiscal year-end.

- (3) Annual Internal Audit Plan

Due after the Commission and EDFUND Audit Committees review and approve the Plan after their first meeting of the new federal fiscal year.

- (4) Staffing analysis, as part of the budget process, to be provided with the preliminary annual budget proposal.

Due no later than July 15 of each year as part of the EDFUND annual budget process.

B. Quarterly Reports

- (1) Updates to the Listing of Participating Schools and Lenders sorted by name. The listing will include the following:

- (a) Name of the institution
- (b) School/lender codes
- (c) Location
- (d) Number and dollar volume of loans sorted by loan program

Due no later than 30 days after quarter-end.

- (2) Unaudited Financial Statements and Analysis. These include the following documents for the Operating Fund/EDFUND and Federal Fund:

- (a) Variance Report
- (b) Combined Statement of Assets
- (c) Statement of Activities
- (d) Statement of Cash Flows
- (e) Revenues and Expenses Variance Report
- (f) Notes to Financial Statements

Due no later than 45 days after quarter-end.

C. Monthly Reports

- (1) Loan Program Statistics to include, but not limited to:

- (a) Guarantees
- (b) Defaults
- (c) Collections
- (d) Claims
- (e) Outstanding loans

Due no later than 30 days after month-end.

- (2) Updates to the Top 200 Schools and School Groups to include, but not limited to:
 - (a) Name of institution
 - (b) School/lender codes
 - (c) Location
 - (d) Number and dollar volume of loans sorted by loan program type

Due no later than 30 days after month-end.

- (3) Unaudited Financial Statements. These include the following documents for the Operating Fund/EDFUND and Federal Fund:
 - (a) Variance Report
 - (b) Combined Statement of Assets
 - (c) Statement of Activities
 - (d) Revenues and Expense Variance Report
 - (e) Notes to Financial Statements

Due no later than 45 days after month-end.

- (4) Detailed Cash Flow Forecast for the Federal and Operating Funds.

Due no later than 30 days after month-end.

8.6 Annual Oversight Plan. The CSAC division/unit designated by the Commission and/or other entity designated by the Commission shall develop an Annual Oversight Plan. The Annual Oversight Plan shall describe the oversight and any limitations associated therewith; including, but not limited to identification of EDFUND staff, systems and specific dates for such reviews that are needed to execute the Plan. The Annual Oversight Plan shall be designed to have the least intrusive impact on EDFUND operations and shall not be considered an audit. The Annual Oversight Plan shall be prepared no later than the fifteenth day of May of each year; and adopted by the Commission no later than the thirtieth day of September of each year. The EDFUND staff and Board shall have an opportunity to provide input on the Annual Oversight Plan prior to Commission approval.

The Annual Oversight Plan may include, but is not limited to the following components:

- A. Monitoring compliance with Commission and EDFUND Policies.
- B. Monitoring the compliance with the approved Loan Program Business Plan, Budget and Goals.
- C. Evaluating the year-end achievements of the approved High Level Organizational Metrics.
- D. Monitoring and evaluating loan program forecasts and expenditures.
- E. Monitoring compliance with the Operating Agreement and Service Level Agreement.
- F. Reviewing and monitoring EDFUND internal audit reports once issued.
- G. Monitoring loan program and synergy activities through quarterly Operating Agreement meetings with appropriate CSAC and EDFUND staffs.

ARTICLE IX General Provisions

- 9.1 Corporate Obligation. This Agreement is a corporate obligation of EDFUND and an obligation of a public agency with respect to the Commission. Any liability arising hereunder shall be a corporate liability or, with respect to the Commission, governed by the California Education Code Section 69510 *et seq.* No commissioner, director, officer or employee of either party shall be subject to any liability to any other party for any action taken, or for refraining from taking action in good faith or for errors in judgment.
- 9.2 Waiver. No failure or delay on the part of either party in exercising any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder.
- 9.3 Amendments. No amendment or variation of the terms of this Agreement shall be valid unless made in writing, signed by the parties and approved as required. No oral understanding or agreement not incorporated in the Agreement is binding on any of the parties.

CSAC and EDFUND agree to mutually work together to address any further concerns that may exist with regard to this Agreement or SLA that are expressed by the California Department of Finance and the Joint Legislative Budget Committee and to submit amendments relating thereto to the Commission and the EDFUND Board for their approval pursuant to the provisions of Section 69522 (d)(2) of the California Education Code.

- 9.4 Governing Law. This Agreement shall be construed in accordance with and be governed by the laws of the State of California.
- 9.5 Continuing Covenants. All covenants, agreements, representations and warranties contained herein shall extend to, inure to the benefit of and bind all assignees and successors of the respective parties hereto, and the representations, warranties and covenants herein contained shall survive the termination of this Agreement, but shall not be deemed to have been made with respect to any period of time subsequent to the termination of this Agreement.
- 9.6 Notice. No written notice required to be given hereunder shall be effective until received by the party, with proof of delivery, to whom addressed, or until five (5) calendar days after mailing to the addressee, whichever is earlier.
- 9.7 Force Majeure. If either party is rendered unable, wholly or in part, by a force outside the control of the parties (including, but not limited to, acts of God or the public enemy, acts of government in either its sovereign or contractual capacity, strikes, lockouts, riots, acts of war, terrorism, epidemics, fire, communication line or power failure, changes in applicable law, embargoes, weather, quarantine, earthquakes, or other disasters) to carry out its obligations under this Agreement, that party shall give to the other party prompt written notice to that effect; thereupon, the affected obligations of the party giving

the notice, shall be suspended so long as such party is unable to so perform and such party shall have no liability to the other for the failure to perform any suspended obligation during the period of suspension; however, this provision is not intended to modify or abrogate in any way the right of a party to terminate this Agreement if a condition for termination specified elsewhere herein exists.

- 9.8 Cooperation between Parties. The Commission and EDFUND agree that they will cooperate promptly and fully with one another in order to carry out the terms and provisions of this Agreement and SLA. The Commission and EDFUND also agree to mutually promote and support each other in the market place.
- 9.9 Guarantee Services Outside of California. Guarantee services conducted outside of California may be marketed under the EDFUND name.
- 9.10 Duly Authorized. Each party with respect to itself represents and warrants that the making and performance of this Agreement and the activities contemplated hereby (i) have been duly authorized by all necessary corporate, statutory, regulatory or Commission action, and (ii) do not and will not violate any provision of law, or any regulation, order, decree, writ or injunction, or any provision of its governing statute or instrument.

This Agreement is the legal, valid and binding obligation of such party, enforceable in accordance with the terms hereof subject to the exercise of judicial discretion in accordance with general principles of equity, to the valid exercise of the police powers of the sovereign states of the United States of America, and of the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally.

- 9.11 Safeguards and Information Security. Throughout this Agreement, CSAC and EDFUND shall implement and maintain appropriate safeguards, as that term is used in the Federal Trade Commission's Safeguards Rule ("Safeguards Rule") at 16 C.F.R. §314 *et. seq.*, for all Customer Information as defined at §314.2 *et. seq.* of the Safeguards Rule, as well as all Confidential Information provided to CSAC and/or EDFUND by any borrower, only as necessary to perform the services as set forth in this Agreement. CSAC and/or EDFUND agrees to not disclose such information provided to them with any third party other than as permitted in this Agreement and SLA, or as permitted by Title IV of the Higher Education Act of 1965, as amended. In addition, the parties agree to comply with any other state and federal laws.
- 9.12 Custodian of Records, Examination. EDFUND shall serve as the custodian of all CSAC records and systems pertaining to the FFEL Program under possession and control as defined by Federal Trade Commission's Safeguards Rule, at 16 C.F.R. §314.1(b). The Commission shall be granted complete right and access to such records and systems upon request.
- 9.13 Confidentiality. Subject to the requirements of applicable law, including the Bagley-Keene Open Meeting Act, California Government Code Section 11120 *et seq.*, the Public Records Act, California Government Code Section 6250 *et seq.*, and California Education Code Section 69525(g), both parties agree to maintain the confidentiality of

documents and other information provided under this Agreement to the fullest extent possible, including all those marked "Proprietary and Confidential."

- 9.14 Contract Manager. CSAC and EDFUND shall each designate in writing a Contract Manager within ten (10) days of signing this Agreement.

All notices to be provided under this Agreement shall be directed to the Contract Manager. In addition, each party agrees to communicate any material issues or disputes arising out of this Agreement to the other party's Contract Manager. Both Contract Managers are to use their best efforts to resolve any such issues or disputes in an informal manner. Either party may change the designation of its Contract Manager at any time upon written notice to the other party. In addition to the Contract Managers designated, copies of all notices and communications as described in this paragraph shall be provided to the legal counsel for both parties.

- 9.15 Dispute Resolution. The parties will attempt in good faith to resolve through informal negotiation any issue, dispute, claim, controversy and/or breach (hereinafter referred to as breach) arising out of or relating to this Agreement. Any breach that cannot be so resolved shall first be presented to the respective Contract Managers for CSAC and EDFUND. If the respective Contract Managers cannot resolve the issue within five (5) business days, the issue shall be presented to the Executive Director of CSAC or a designee of the Commission and the President of EDFUND or designee of EDFUND. The Executive Director or designee and the President or designee shall make every good faith effort to resolve the issue. In the event the breach cannot be resolved by the Executive Director or designee and the President or designee within five (5) business days of receipt, the Chairs of the Commission and the EDFUND Board shall be notified and a joint meeting of the Commission and the EDFUND Board shall be noticed and shall take place within twenty (20) business days of reporting the issue to the Chairs to attempt to resolve the breach. In the event the breach cannot be resolved by the Commission and EDFUND Board, the Commission's decision shall be final. In the event EDFUND disagrees with the Commission's final decision, EDFUND may move forward with mediation.

In the event of a breach to this Agreement, nothing herein shall prevent the Commission or the EDFUND Board from pursuing all other legal avenues available to the parties, including but not limited to legal action. However, both parties agree that prior to any legal action they will attempt to resolve their issues in an amicable manner through mediation administered by the American Arbitration Association under its Commercial Mediation Rules. Nothing herein shall prevent the parties from mutually agreeing to settle an issue through arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules.

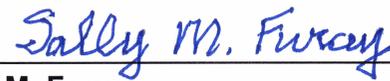
The parties agree that the venue for any action pursuant to this Section shall be Sacramento County, California. EDFUND's costs for mediation, arbitration or legal action shall be reimbursed by CSAC, except in the event of a finding of bad faith on the part of EDFUND in the subject action.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the day and year first above written.

California Student Aid Commission

EDFUND

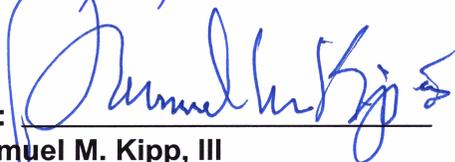
By: 
Louise McClain
Commission Chair
California Student Aid Commission

By: 
Sally M. Furay
Board of Directors, Chair
EDFUND

Date: 6/27/07

Date: 6/28/07

By: 
Diana Fuentes-Michel
Executive Director
California Student Aid Commission

By: 
Samuel M. Kipp, III
President
EDFUND

Date: 6/28/07

Date: 6/28/07

SERVICE LEVEL AGREEMENT

This Service Level Agreement (SLA) is effective the first day of July 2007, between the California Student Aid Commission (CSAC), a public agency of the State of California and EDFUND, a nonprofit public benefit corporation organized under the laws of the State of California and shall continue in full force and effect until June 30, 2008 unless sooner terminated or amended. The SLA shall enumerate specific services to be performed by CSAC and/or EDFUND in connection with the Operating Agreement, entered into by the parties effective the first day of July 2007.

SECTION I FFEL PROGRAM SERVICES

Unless otherwise specified, EDFUND agrees to provide the following FFEL Program operational, support and administrative services:

- 1) **GUARANTY** – includes, but is not limited to: (a) application processing and printing, and approving the loan for guarantee, including Lender of Last Resort; (b) general loan maintenance and reporting; (c) borrower, lender and school inquiry services; (d) fee remittance and collection; and (e) customer-facing product development and administration.
- 2) **DEFAULT AVERSION AND PREVENTION** – includes, but is not limited to: (a) processing of default aversion assistance requests; (b) borrower counseling for a successful repayment experience; (c) skip tracing; and (d) school-based default aversion services.
- 3) **LENDER CLAIM ADJUDICATION AND PAYMENT SERVICES** – includes, but is not limited to: (a) claim review, processing, certification, reject control and claim payment disbursement; (b) claim repurchases and adjustments; and (c) processing bankruptcy documents.
- 4) **POST DEFAULT SERVICES** – includes, but is not limited to: (a) borrower disputes and appeals prior to the Ombudsman level; (b) administrative review; (c) processing Treasury and State offsets; (d) review of loan discharges for reason of false certification, closed school, permanent and total disability and death; and (e) research and referral to the Ombudsman of suspected fraud and for handling with the Office of the Inspector General – U.S. Department of Education (OIG-USED) and other law enforcement agencies as appropriate.
- 5) **DEFAULTED LOAN COLLECTION SERVICES** – includes internal and external collections.
- 6) **PROGRAM OVERSIGHT AND COMPLIANCE SERVICES** – includes school and lender reviews and related activities.
- 7) **FINANCIAL AND PROGRAM REPORTING** – includes, but is not limited to: borrower, school or lender payment processing, disbursing and reporting; subrogation; loan consolidation processing, such as: (a) Federal reporting – preparation and submission

of required FFEL Program financial and accounting reports that includes the U.S. Department of Education Form 2000; (b) CSAC reporting – preparation and submission of financial forecasts and analysis on the Federal and Operating Funds; and (c) Program Invoicing and Disbursements – preparation and submission of EDFUND operating expenses, fixed assets, CSAC support activities expenses, federal default fee disbursements, and claim payment processing.

- 8) **COMMUNICATIONS, TRAINING AND SUPPORT** – includes, but is not limited to: (a) producing, maintaining and distributing financial aid brochures, booklets and other public information; (b) conducting loan-related training for postsecondary schools and lenders; (c) establishing and maintaining liaison activities with the financial aid community; (d) maintaining a list of all FFEL Program memberships and associations; and (e) coordinating as appropriate, with CSAC staff and EDFUND staff, and listing all parties involved in shared partnership projects.
- 9) **BUSINESS DEVELOPMENT AND MARKETING** – includes, but is not limited to: (a) developing and enhancing loan-related products and services; (b) marketing of services and products; (c) establishing and maintaining relationships with schools and lenders; and (d) any activities supporting these functions.
- 10) **POLICY, RESEARCH AND LEGISLATIVE ASSISTANCE** – includes, but is not limited to: (a) collecting guarantor policy and management data; (b) providing regulatory guidance, analysis and interpretation to ensure compliance with FFEL Program requirements; (c) identifying and proposing policy for the Commission's consideration and approval; (d) conducting and producing loan research and reports; (e) performing data modeling, analyzing and tracking legislation as it relates to the loan program; and (f) advocating legislative and regulatory positions as approved by the Commission.
- 11) **TECHNOLOGY SERVICES** – includes, but is not limited to: (a) ensuring quality, delivery, maintenance and support of hardware and software systems used to provide loan services to customers including managing and providing oversight for the systems and processes that are outsourced; (b) providing technical support to customers; (c) designing, developing and implementing new technology to support FFEL Program regulatory requirements or enhance current services; and (d) providing technology infrastructure support.
- 12) **LEGAL SERVICES** – includes, but is not limited to: providing representation and/or management of outside counsel for EDFUND and/or CSAC in matters relating to any federal, state or local law or regulation in any business, government, or dispute resolution forum related to the implementation and/or provision of this Agreement, SLA or any CSAC responsibility under the FFEL Program. EDFUND on behalf of CSAC will provide any other services requested of EDFUND by the Commission and agreed upon by the parties.
- 13) **OMBUDSMAN SERVICES** – includes, but is not limited to: (a) providing an Ombudsman Office to handle and resolve borrower complaints regarding CSAC and/or EDFUND, which are referred internally, by CSAC or by customers and partners, including but not limited to, student loan borrowers, schools, lenders, other governmental and legislative offices (federal and state) and United States Department of Education; (b) administering the compromise, settlement or write-off of loans based on Commission-

approved policies; and (c) research of and referral to the Ombudsman of suspected fraud and for handling with OIG-USED and other law enforcement agencies.

- 14) **OTHER LOAN SERVICES** – includes, but is not limited to: (a) submitting and maintaining loan data on the National Student Loan Data Systems (NSLDS); (b) completing cohort default appeals which includes production of any necessary reports; (c) processing school and lender requests for participation in CSAC’s FFEL Program; (d) providing support to CSAC’s Loan Advisory Council which includes making presentations and on occasion providing other services as needed or requested, and (e) any other loan services that may on occasion, be assigned by the Commission and agreed upon in writing by both parties.

SECTION II OTHER SUPPORT SERVICES

EDFUND agrees to provide additional support services as specified in the Charge Back Agreement between EDFUND and CSAC, and bill CSAC for the charges within five (5) business days of EDFUND’S monthly close. Estimated costs for services will be established and agreed upon, prior to the first day of October of each year by CSAC and EDFUND, and will be documented in the Charge Back Agreement. Supporting documentation for costs will be provided including a schedule of rates. Other services not listed below will be agreed to in writing and will become part of this SLA as an amendment. The written agreement will outline the services to be provided with estimated costs and performance expectations. Any change to the cost-for-services charged back to CSAC in effect on the thirtieth day of June 2007, will be in consultation with and approval by the California Department of Finance. The additional support services to be provided are:

- 1) **SUPPLY SERVICES** – office supply orders
- 2) **REPORT DISTRIBUTION** – system generated internal and external reports
- 3) **MAIL PROCESSING SERVICES** – process incoming and outgoing mail and delivery, messenger and express mail services
- 4) **PRINTING SERVICES** – printing, copying, assembling and distribution
- 5) **SECURITY SERVICES** – security guard services, coordinate physical security of facilities and staff, facility access
- 6) **WAREHOUSE SERVICES** – storage of CSAC materials, assembling and shipping, processing publication orders
- 7) **TRANSPORTATION SERVICES** – vehicle maintenance and tracking
- 8) **RECORDS MANAGEMENT** – establish and maintain records retention schedules including retrieval of records
- 9) **COMMON AREA USAGE** – use of Board Room, conference rooms, cafeteria and storage rooms

- 10) **TECHNOLOGY SERVICES** – voice, video and data center support
- 11) **CLIENT RELATIONS SERVICES** – Grant training, information dissemination and customer service support
- 12) **STAFF TRAINING AND DEVELOPMENT SERVICES** – access to EDFUND's training and development classes/sessions
- 13) **INVENTORY SERVICES** – maintain records for the acquisition and disposition of property
- 14) **OTHER SERVICES** – as requested by CSAC, provide other services including, but not limited to, publication and video production; Compact Disk read-only memory (CD-ROM) software product development or other technology consulting services or research.

SECTION III

EDFUND REPORTS / INVOICES / PUBLICATIONS

Reports necessary for day-to-day operations are to be provided to CSAC in a timely manner and in the following frequency indicated with format and media requested or agreed upon by both parties.

Reports / Invoices / Publications – Annual

- RA-1** EDFUND will assist CSAC staff in the preparation of the first draft of the California Student Aid Commission's Annual Report to the California State Legislature on EDFUND and agrees to assist CSAC staff in any edits and updates.
- RA-2** One major research project on a topic designated by CSAC, and based upon availability of funding and quality of data.
- RA-3** Major and Minor Property Inventory Reports and Construction in Progress (CIP) Report as of June 30 for property purchased for use in the General Fund and Operating Fund. The reports will include the following reporting categories:
- Property item
 - Description
 - Cost
 - Date of acquisition
 - Cost center
 - Asset category
 - Tag number
 - Asset number (Oracle number)
 - Net book value (at period end for Major only)
 - Year-to-date depreciation (Major only)

Due no later than July 31 each year.

RA-4 EDFUND shall provide a report of its market share of California, Western Region and Nationwide when the actual Federal Student Loan data is available, typically in March of the following year.

Reports / Invoices / Publications – Quarterly

RQ-1 Technology Major Projects Status Report (confidential and proprietary). Mission critical projects generally will be identified in the annual TSS Strategic Report. The status report, at a minimum should include the following reporting categories:

- Project name and description
- Project start date
- Estimated completion date
- Milestone and budget status
- Issues/concerns

Due no later than the 10th of the month following quarter-end.

RQ-2 Telecommunication usage summary report for CSAC staff that includes detailed phone usage for only the last month of each quarter. The report shall be sorted by unit, name and phone number.

Due no later than ten (10) business days after quarter-end.

Reports / Invoices / Publications – Monthly

RM-1 Accruals for the Federal and Operating Funds including but not limited to:

- Fund type
- GL#
- Description
- Source
- Amount

Due no later than the 13th of the month following the reporting period, except for June accruals, which will be due no later than July 12.

RM-2 CSAC Major Equipment Reconciliation – from Oracle (for assets purchased prior to February 1, 2001 – CSAC's assets)

Due no later than five (5) business days after EDFUND's month-end close.

RM-3 Loan Program Assets Purchased on or after February 1, 2001 – Depreciation Schedule.

Due no later than five (5) business days after EDFUND's month-end close.

RM-4 Invoices for services to CSAC for support activities will include supporting documentation such as purchase orders and journal entries. Supporting documentation for telecommunication will include vendor billings and divisional charges.

Due no later than five (5) business days after EDFUND's month-end close. Additional supporting documentation for invoices as requested by CSAC staff will be provided no later than seven (7) business days from request.

RM-5 Supporting documentation for telecommunication invoices will include a usage report summarized by unit and sorted by phone and name.

Due no later than five (5) business days after EDFUND's month-end close.

RM-6 Monthly inventory reports of all publications and forms that reflect:

- Current stock on hand
- What institutions have ordered and what has been mailed
- What institutions have ordered but have not been mailed (back orders)

Due the 1st week of each month.

RM-7 Personnel Staffing Report (2-Page FLASH Report), excluding personal information, that includes:

- Staffing
- Vacancies/EEO recruitment
- Training
- Labor relations
- Leaves of absence
- Separations
- Performance reviews

Due no later than the 10th of each month.

Reports / Invoices / Publications – Special

RS-1 Reports for Commission and Loan Advisory Council Meetings – oral and written reports on requested topics including completed agenda tabs and supporting documentation.

RS-2 Within ten (10) business days of request, provide a detailed summary of phone usage for a specific timeframe upon request by the Management Services Division of CSAC.

RS-3 Other special reports as may be requested and agreed upon by both parties.

Reports / Invoices / Publications – Other Reports

RO-1 EDFUND will develop the loan program strategic plan and an annual plan delineating specific action steps to implement the strategic plan. EDFUND will provide quarterly updates on the progress of implementing the strategic plan.

Due date to be mutually agreed upon.

SECTION IV CSAC REPORTS / INVOICES / PUBLICATIONS

Reports necessary for day-to-day operations are to be provided to EDFUND in a timely manner and in the following frequency indicated with format and media requested or agreed upon by both parties.

CSAC Services – Annual

- CA-1** Detailed information necessary for annual budget development.
- (a) Personnel benefit percentages
 - (b) Prorata
 - (c) Grant Administration Budget
 - (d) Capital Assets included in the Grant Administration Budget (including: description, useful life, estimated purchase date, estimated in service date, and contact person).
- Due each year, ongoing, from February through June.
- CA-2** Information necessary for notes to the financial statements for the annual audits.
- (a) Cash and Cash Equivalents (Surplus Money Investment Fund (SMIF)/Pooled Money Investment Account (PMIA)) as of June 30
 - (b) Pension Benefits as of June 30 and September 30
 - (c) Post-Employment Benefits Other Than Pensions as of June 30 and September 30
 - (d) Commission Minutes for the twelve (12) months under audit as of June 30 and September 30
- Due each year, no later than, seven weeks after State and federal fiscal year-end.

CSAC Services – Monthly

- CM-1** Monthly and Period Fiscal Month-13 California State Accounting and Reporting System (CALSTARS) Accounting Reports (G01, Q12, Q24, D09 and Q16) in both hard and soft/Monarch copy (used to prepare Fund Financial statements)
- Due no later than the 5th business day after CSAC receives the Operating and Federal Fund accruals from EDFUND.
- CM-2** CSAC feedback of their specific budgeted line items on update Annual Forecast (i.e. reprojections) column in the monthly financial reports
- Due no later than the 11th business day of the following month.
- CM-3** State Controller's Office (SCO) Fund Reconciliation Report and Agency Reconciliation Report used to prepare SMIF interest accruals
- Due no later than the 3rd business day of the following month.

- CM-4** Civil Service Payroll and Vacation accrual entries
Due no later than the 6th business day of the following month.
- CM-5** Monthly Accounting Schedules.
(a) Claim Schedules (Claim Purchased/Adjusted Report (CPA) – Lender Payments) and all other reimbursements for EDFUND activities)
(b) Invoices paid
(c) Reimbursement and Minimum Reserve Subsidy
(d) Revenue-Type Account
(e) Collection Activity (in/out Due From/To accounts)
(f) Sweep Interest
Due no later than the 5th business day after CSAC receives the Operating and Federal Fund accruals from EDFUND.
- CM-6** Federal Fund Cash Flow Detailed Schedule and Operating Fund Cash Flow Detailed Schedule
Due no later than the 5th business day after month-end.

CSAC Services – On an Ongoing Basis as CSAC Receives

- CO-1** CSAC staff agrees to provide EDFUND with the Free Application for Federal Student Aid (FAFSA) data with copies of all the Institutional Student Information Reports (ISIR) as received by CSAC. ISIR records will be transmitted electronically on an ongoing basis to EDFUND as they are received by CSAC. In addition, CSAC will provide EDFUND with the associated documentation, i.e., the record position of each data element, by the number of the element, and a copy of the FAFSA with the data element numbers on it. Data will be delivered in the format that CSAC receives from the U.S. Department of Education's Central Processing System (CPS).

If any expenses are incurred, EDFUND agrees to pay for half.
- CO-2** CSAC will acknowledge and recognize EDFUND in all shared partnership projects.

**SECTION V
PERFORMANCE EXPECTATIONS**

CSAC and EDFUND agree to perform all services required pursuant to this Agreement according to best practices, and according to performance expectations. Such performance expectations include, but may be expanded by mutual agreement of the Commission and EDFUND Board:

A. Guaranty Services

1. All guarantee services must satisfy the requirements established by United States Department of Education.
2. Error free paper guarantee requests will be processed to completion within one business day of receipt.

3. Error free electronic guarantee requests received in a batch file will be fully processed within one business day of receipt.

B. Default Aversion Services

All default aversion efforts must, at a minimum, comply with the requirements established by United States Department of Education.

C. Claims Services

Claims adjudication must, at a minimum, comply with the requirements established by United States Department of Education.

D. Collection Services

Collections must, at a minimum, comply with the requirements established by United States Department of Education.

E. Program Oversight Services

Program Reviews must, at a minimum, comply with the requirements established by United States Department of Education and State regulations, provided that the term "on a regular basis" as that term is used in California Code of Regulations, Title 5, § 30903 shall not be interpreted to mean annually.

F. Training Services

1. EDFUND will coordinate with CSAC in the development of California High School and Counselor workshops.
2. The EDFUND Workshop Calendar will be posted, as appropriate, on the EDFUND website.

G. Policy, Research and Legislative Assistance Services

1. Any public position or actions taken by EDFUND under the services of the Operating Agreement shall be consistent with and supportive of the Commission and the Commission's position and/or policies.
2. The EDFUND Board and its staff will not take a position or engage in activities on critical public policy matters upon which the Commission has not yet adopted a written policy or position.
3. Item G shall not apply to issues concerning the sale of EDFUND if directed by the Governor's Office, Legislature or Department of Finance; such communications shall be shared with the CSAC Executive Director and/or Commission as appropriate.

H. Technology Services

1. All commercial off-the-shelf software directly affecting the loan guarantee services shall be a fully supported version of the vendor's software. Any exceptions will require the approval of CSAC's Contract Manager.

2. All hardware and commercially available software shall have a maintenance contract with the vendor or fully supported internally by EDFUND.
3. CSAC and EDFUND will ensure that technology services comply with applicable state and federal security and privacy requirements.
4. CSAC and EDFUND will maintain documentation, which fully describes the current system including change history and build procedures.
5. CSAC and EDFUND will maintain a disaster recovery plan. The Plan will be tested annually and the results of the annual test will be documented and provided to the Contract Managers.

I. Legal Services

At least quarterly at an audit committee meeting, CSAC's legal counsel will report on active or anticipated legal actions affecting CSAC and EDFUND's legal counsel will report on active or anticipated legal actions affecting EDFUND and/or CSAC under the FFEL Program.

J. Financial Services

EDFUND will adhere to General Accepted Accounting Principles in daily operations.

K. Information Security Services

1. Confidential CSAC and EDFUND data (includes non public personal information, personally identifiable information and personal financial information), or derivations thereof shall be returned in its entirety or securely disposed of in accordance with the Federal Trade Commission's Disposal Rule ("Disposal Rule") at 16 C.F.R. §682, et seq.
2. Access to confidential CSAC and EDFUND data by third parties to perform the services of this Agreement and SLA shall be made through an encrypted channel with no less than 128 bit encryption, utilizing industry standard encryption algorithms and commercially available or open source software.
3. CSAC shall notify EDFUND's Contract Manager and Chief Security Officer (CSO) and EDFUND shall notify CSAC's Contract Manager and Information Security Officer (ISO) within 24 hours in the event of a data or security breach involving unauthorized access or disclosure of CSAC and/or EDFUND data, followed up with a written report submitted within 8 business days to the appropriate State notification agency to accommodate state reporting requirements. CSAC and EDFUND shall require immediate disclosure by third parties upon discovery of unauthorized access to CSAC and/or EDFUND data. Any breach notification requirements shall adhere to California's Breach Notification Law (Calif. Civil Code 1798 et seq).
4. CSAC and EDFUND shall limit the scope of access to Confidential CSAC and/or EDFUND data by third parties to prevent data mining or other aggregation of data, and shall require no further access, disclosure, transfer or sale of Confidential CSAC and/or EDFUND data by these parties beyond that necessary to perform the services of this Agreement and SLA.

5. CSAC and EDFUND shall immediately revoke all access to CSAC and/or EDFUND data and relevant systems by individuals or third parties that no longer require access to perform the services of this Agreement and SLA.
6. CSAC and EDFUND shall securely store access logs and records of access authorization to confidential CSAC and/or EDFUND data by third parties for 6 months, unless otherwise specified by regulatory requirements.

L. Other Support Services

CSAC and EDFUND agree that EDFUND will perform the following services according to the performance expectations noted below with the understanding that these expectations will be reviewed and amended as necessary.

1) SUPPLY SERVICES

For in stock items, orders properly placed each day will be delivered by the end of the next business day.

- All other orders shall be processed on a timely basis.

2) REPORT DISTRIBUTION

- a) Daily reports received are sorted and delivered daily to users, or mailed pursuant to user's instructions to external customers.
- b) Weekly reports received are sorted and delivered within one to three (1- 3) workdays of receipt, or mailed pursuant to user's instructions to external customers.
- c) Month end reports are sorted and processed by the 3rd workday of the following month after receiving all completed material.
- d) Quarterly and Year End reports are sorted, delivered, and mailed within three (3) workdays of receipt to internal and external customers.

3) MAIL PROCESSING SERVICES

a) Outgoing Mail

- Normal mail is processed within one (1) day of receipt.
- Special mail (i.e. mass mailings) is processed with reasonable notice.
- Express mail is processed the same day if delivered to the mailroom by 3 p.m.
- Mail is processed accurately

b) Incoming Mail

- Normal mail is delivered to the Commission's delivery sites as follows:
 - (1) Morning mail is delivered no later than the afternoon of the same day.
 - (2) Afternoon mail is delivered no later than the morning of the following day.
 - (3) Mail is handled and delivered accurately

c) Express mail is processed within established deadlines.

d) Messenger Services

- Internal runs are provided 4 times daily.
- Runs to the State Controller's Office or other destinations as requested are provided twice a day.
- Special non-scheduled runs are provided upon request if staffing and vehicles are available.

4) PRINTING SERVICES

- Printing is done daily pursuant to customer's needs and deadline requirements either in house or by sub-contractor vendor.
- Standard print jobs of 5,000 impressions and those requiring special features will be processed within customer's reasonable timeframes internally or by using subcontractors.
- Overtime hours chargeable to the requesting program customer may be used at the customer's request.
- Grant Program printing requests will be produced back to back, stapled and folded as requested by the customer on a routine basis, or as otherwise noted on the service order form. Appropriate size envelopes will be used.

5) SECURITY SERVICES

- Provides 24/7 video security monitoring and normal business hour security guard service and oversight.
- Special or overtime security support is provided upon request.
- Processes badge access within 24 hours of appropriately submitted request.
- Provides the services of two security guards at all times (duties to be determined by the Commission).
- Provides after hours guard patrol of EDFUND HQ and CSAC South premises as established by the Commission.

6) WAREHOUSE SERVICES

- Routine publication requests or orders are pulled, packaged and shipped within three (3) workdays from receipt of request.
- Non-typical major shipments are processed as quickly as possible using available staff and/or overtime to ensure shipping within three (3) workdays from receipt of request.
- Bulk storage (equipment, furniture or bulk supply items) is delivered within 48 hours from receipt of request.
- Non-typical requests during peak periods may require longer or overtime to the requesting customer upon approval.
- Between October and March provide weekly updates via e-mail of publication orders which have not been filled with an explanation of how and when the backlog will be resolved.

- Institutional requests for publications or forms should be cross-checked against bulk mailings to avoid duplications.

7) TRANSPORTATION SERVICES

- Vehicles are maintained in proper and safe working condition.
- Passenger cars, passenger vans, cargo van and pickup trucks are available for rental on a first come first serve basis.
- Provides van service to and from airport to Commissioners if requested.

8) RECORDS MANAGEMENT

- Retrieves records from State or private storage centers within five (5) workdays, or within one (1) workday on an emergency basis.
- Coordinates and transfers records to private or State off site storage facilities upon receiving approval to transfer from the proper authorities.
- Media copies of computer output system reports are checked, sorted, and distributed within 24 hours from receipt of request.
- Copies of reports stored on media are provided within 24 hours of request.

9) COMMON AREA USAGE

- Changes in access or availability are coordinated with the Commission, before the change occurs.
- Commission, Board and major Advisory Committee meetings are given priority over other uses of the Board Room.
- Boardroom is maintained in an orderly and clean manner.
- Media equipment will be maintained in good working order.

10) TELECOMMUNICATIONS SERVICES

- a) Phone service is available 99% or better on:

State workdays	06:00-20:00
Saturdays	06:00-18:00

Although service will be available during off-hours, EDFUND will use off-hours to perform maintenance and upgrades. A minimum of three (3) workdays advanced notification of maintenance will be provided except in the event of an emergency.

- b) The EDFUND telecommunications link to EDS will be provided with a minimum of 99% availability during the following times:

State Workdays	06:00 - 20:00
Saturdays	06:00 - 18:00

Although service will be available during off- hours, EDFUND will use off-hours to perform maintenance and upgrades. A minimum of three (3) workdays

advanced notification of maintenance will be provided except in the event of an emergency.

- c) Problem resolution services are provided during normal Technology Help Desk Hours:

EDFUND Workdays	05:00 - 21:00
Saturdays	06:00 - 18:00

Problem resolution services consist of application of remote diagnostics within two (2) hours and onsite service within four (4) hours of notification of problem. After hours, service will be dispatched the following EDFUND workday. After hours are defined as 17:00 to 21:00 workdays and Saturdays.

- d) Moves, Equipment Changes, System Modifications

- Moves are accommodated within two (2) workdays of receiving a written request.
- Equipment changes are accommodated within five (5) workdays of receiving a written request.
- System modifications are accommodated within 30 workdays of receiving a written request.

- e) Business Continuity Plan

EDFUND will ensure that its business continuity plan includes provisions for recovery of telecommunications services to the Commission in the event of a disaster.

11) REGIONAL OFFICE SERVICES

- Meet on a quarterly basis with Commission staff to discuss and agree upon grant activities to be provided by EDFUND's regional office staff.
- Provide customer contact summary on a monthly basis.
- Provide the Commission with information from the customer database as requested.

12) STAFF TRAINING AND DEVELOPMENT SERVICES

- Notifies all Commission staff of available training classes/sessions in tandem with the notification of EDFUND staff (i.e. via E-mail).
- Provides other training by request.

13) OTHER SERVICES (including joint endeavors)

- a) Publication Services

- Work is completed within mutually agreed deadlines.
- Publications are accurate and backup details are available upon request.

Tab 7.c

- Mutual publications content, graphics and costs are reviewed and agreed to by the Commission before publication or distribution.
- b) Research Services
- Work is completed within mutually agreed deadlines.
 - Work is accurate and backup details are available upon request.
 - Mutual research reports content and costs are reviewed and agreed to by the Commission before publication or distribution.
- c) Customer Survey Services
- Contracted customer survey services and design of surveys are reviewed and agreed to by the Commission prior to the commencement of work.
 - Customer survey materials are reviewed and edited by the Commission before publication and distribution.
- d) Additional Outreach and Training Activities
- Commission reviews and agrees to the activities to be provided.
 - Summary reports at the conclusion of each activity are provided to the Commission.
- e) Video Production services which include working with external contractors for scripts and production of financial aid videos for mass distribution
- Work is completed within mutually agreed deadlines.
 - Product is of a highly professional quality.
 - Product is reviewed for accuracy and quality by the Commission before publication or distribution.
- f) Development of CD-ROM software products used for training and which will include working with external contractors
- Product is reviewed for accuracy and quality by the Commission before publication and distribution.
 - Work is completed within mutually agreed deadlines.

CSAC		CONTROL NUMBER
POLICY STATEMENT AND GUIDELINES MEMO		
SUBJECT: EdFUND Incentive Compensation Plans		EFFECTIVE DATE October 1, 2007
APPROVED BY:	APPROVED BY:	EXPIRES:

Introduction

Pursuant to California Education Code Sections 69522 et seq., the California Student Aid Commission (the Commission) formed EdFUND as an auxiliary organization to perform operational and support services essential to the administration of the Federal Family Education Loan Program. It is the Commission's intention that EdFUND function as a performance based organization. EdFUND offers its employees incentive compensation plans in furtherance of this intent. The EdFUND Board of Directors has been designated as responsible to the Commission for the establishment of EdFUND's incentive compensation plans. This memorandum provides the Commission's guidelines for EdFUND's Incentive Compensation Plans.

COMMISSION'S INCENTIVE COMPENSATION PHILOSOPHY

The Commission's incentive compensation philosophy for EdFUND is based on the following principles:

- The combination of EdFUND's base pay and incentive compensation should be consistent with reasonable, competitive compensation practices of similarly situated organizations.
- The provision of incentive compensation must reflect the prudent use of funds provided to EdFUND for its administration and operation of the Federal Family Education Loan Program.
- Incentive compensation should promote and reflect organizational and individual performance and accountability by setting challenging, yet achievable goals that support the organization's mission and strategic objectives.
- Incentive compensation should help to attract, retain and motivate employees.

INCENTIVE COMPENSATION PLAN ADMINISTRATION

EdFUND is responsible for developing corporate policies and procedures that address plan eligibility; plan design; organizational, departmental and individual performance goals and objectives; goals measurement; review and evaluation; approval processes; and the funding and distribution mechanism. The goals, at a minimum, should be specific, measurable, achievable, relevant, and timely. Departmental and individual goals should be aligned with the goals of the organization.

NON-EXECUTIVE INCENTIVE COMPENSATION PLANS

A. Number of Plans

There are three non-executive incentive compensation plans that have been agreed to by the EDFUND Board and the Commission. These plans allow EDFUND to offer incentive compensation to designated employees:

- EDSHARE Variable Pay Plan for all employees except Client Relations Managers and Internal Collection Staff: This plan awards incentive compensation based on two components - - a company performance component and an individual performance component.
- EDSHARE Incentive Pay Plan for Client Relations Managers: This plan awards incentive compensation based on two components - - a company performance component and an individual loan volume performance component.
- COLLECTION COMMISSION Plan for Internal Collection Staff: This plan awards incentive compensation based on performance against established collection net revenue targets.

The EDFUND Board of Directors and the Commission's Executive Director are responsible for approving incentive compensation plans and any subsequent changes to the plans. Each plan contains a specified cap. Incentive compensation plans that are specified in the Operating Agreement will be reflected in the EDFUND budget as a part of total wages and salaries.

B. Company Performance Component of EDSHARE Plans

At fiscal year end, the Commission will assess the percentage of accomplishment EDFUND has achieved toward the high-level organizational goals as contained in the Loan Program Business Plan that is approved by the EDFUND Board and the Commission in accordance with the provision of the Operating Agreement. The company performance measure is an element in the formula to determine payments to employees qualifying for the EDSHARE plans.

C. Approval Process

1. At fiscal year end, the EDFUND Board recommends to the Executive Director and to the Commission Chair the percentage of company goals accomplished.
2. The Executive Director reports his/her recommendation to the Commission Chair who either concurs or modifies that recommendation on behalf of the Commission.
3. Once the decision on company performance percentage is made, the Commission Chair communicates this percentage to the EDFUND Board.
4. If either the Executive Director or the EDFUND Board disagrees with the decision rendered by the Commission Chair, one or both may request a review by the Commission. This review would be performed at the next scheduled meeting of the Commission. The decision of the Commission is final.
5. All activities associated with this process should be completed so as to ensure payment within seventy-five (75) days of the end of EDFUND's fiscal year.

DISCRETIONARY EXECUTIVE INCENTIVE COMPENSATION

EDFUND's executive management team, consisting of its President and Vice Presidents, may receive incentive compensation under the terms of this policy. A precondition for incentive compensation requires that the year-end Loan Program Revenues Net of Expenses will be a surplus and no less than 75% of the Loan Program Revenues Net of Expenses as approved by the Commission in the annual Loan Program Business Plan and Budget and any subsequent approved change to the budget.

The Commission places responsibility to determine the amounts of Executive Incentive Compensation payment with the EDFUND Board or its designated committee, subject to the steps specified in numbers 4 and 5 below. The EDFUND Board shall make every effort to establish a presumption that the incentive compensation payment provided to its President and Vice Presidents is reasonable, as such presumption is contemplated in Section 4958 of the Internal Revenue Code of 1986, as amended. The Executive Compensation Plan contains a specified cap.

Approval Process

1. At fiscal year end, the EDFUND Board provides the Executive Director and the Commission Chair with documentation that details the overall performance of EDFUND and an assessment of the individual performance of EDFUND's President.
2. The EDFUND Board also recommends to the Executive Director and to the Commission Chair the proposed incentive compensation amount for the President and the total incentive compensation pool amount for the Executive Management Team.
3. The Executive Director reports his/her recommendation on the performance assessment and the proposed incentive compensation amounts for the President and the total incentive compensation pool amount for Executive Management Team to the Commission Chair.
4. The Commission Chair evaluates the Board's report and the Executive Director's report and determines whether or not the Incentive Compensation amounts proposed by the EDFUND Board are appropriate.
5. The Commission Chair either approves or decreases the incentive compensation amounts and communicates his/her decision to the EDFUND Board.
6. If either the Executive Director or the EDFUND Board disagrees with the decision rendered by the Commission Chair, one or both may request a closed session review by the Commission. This review would be performed at the next scheduled meeting of the Commission. The decision of the Commission is final.
7. All activities associated with this process should be completed so as to ensure payment within seventy-five (75) days of the end of EDFUND's fiscal year.



POLICY MEMO

SUBJECT:
Travel Policy

NUMBER:

026

EFFECTIVE DATE:

October 1, 2006

APPROVED BY PRESIDENT

Scope. EDFUND's Travel Policy shall apply to at-will employees and certain non-employees (e.g. Board Members, contractors, etc) who incur travel expenses paid by EDFUND. Civil Service employees assigned to EDFUND shall follow State travel policies for their bargaining group.

Travel Policy. Effective October 1, 2006, EDFUND shall adopt by reference the short-term travel policy (see attached) of the State of California, with stated exceptions. EDFUND was created as an auxiliary nonprofit public benefit corporation of the California Student Aid Commission, a California state agency, because it was determined that a state agency, with all the limitations associated therewith, could not effectively compete in the highly competitive, dynamic, and changing industry that is associated with the Federal Family Education Loan (FFEL) Program.

Consequently, EDFUND's travel policy shall reflect a balancing of the following: (1) EDFUND's status as an auxiliary nonprofit public benefit corporation of a California state agency and (2) EDFUND's need to remain competitive with similar corporations within the industry.

Exceptions. The following exceptions shall apply:

1. **Meal & Incidental Expense (M&IE) Rate.** EDFUND shall follow the per diem rates as published by the United States Internal Revenue Service for meal and incidental expenses. This reflects the cost differential for different cities throughout the nation. EDFUND, as a national guaranty agency with student loan guarantee volume in all 50 states and many of the US territories, requires a number of employees to travel for marketing, support, and industry events outside the State of California.
2. **Vehicle Mileage.** EDFUND shall follow the published United States Internal Revenue Service's allowable rate for personal vehicle mileage. This reflects an annual adjustment based upon costs associated with operating a vehicle. EDFUND, as a national guaranty agency with student loan guarantee volume in all 50 states and many of the US territories, has a large number of employees traveling in other states in order to serve the needs of our customers; thereby necessitating a national approach to mileage reimbursement.

3. **Tolls & Parking.** EDFUND shall permit employees to file for reimbursements of up to \$10 per day for tolls and/or parking without receipt. EDFUND's direct face-to-face support to colleges comes from a number of divisions. For example, a number of colleges charge visitors for parking on campus through the use of parking meters and automated parking lots, where receipts are unavailable. Similarly, a number of states use toll booths to a greater degree than the State of California and in some instances such plazas do not have attendants.
4. **California State Rate.** In situations where California hotels do not accept the EDFUND identification card as a valid state identification card, employees shall document such event and request that the additional amount above the state rate be reimbursed. Such requests for additional reimbursement above the state rate may be denied by their manager.
5. **Exceptional Circumstances.** The Chief Financial Officer of EDFUND or his or her designee is authorized to permit reimbursements for documented exceptional circumstances that fall outside of EDFUND's travel policy. EDFUND, as a national guaranty agency with student loan guarantee volume in all 50 states and many of the US territories, has to be prepared for unforeseen expenses within its operations outside of corporate headquarters in order to remain competitive within the industry.

Responsibility of Traveler. Employees shall discuss their travel plans with their managers prior to committing the company to any financial obligation. For those employees whose job it is to travel frequently, it is expected that their manager who has budgetary responsibility will communicate their expectations in regards to travel authorization processes.

EDFUND expects its travelers to spend funds prudently and take advantage of savings opportunities. Business travel expenses will be paid by EDFUND if they are appropriately documented, properly authorized and in compliance with this policy. Travelers must submit expense reports with all required documentation to be reimbursed for travel expenses.

Responsibility of Authorized Signer. Authorized signers have primary responsibility for ensuring compliance with EDFUND's travel policy. The authorized signer must verify that expenses and expense reports meet the following criteria:

1. The travel expense was incurred while conducting company business
2. The information contained on the expense report and in all supporting documentation is accurate and in accordance with company policies, including the travel policy
3. All travel expenses are adequately documented and explained, if required, on the expense report, and
4. The expenditure is charged to the proper account(s), cost center(s) and project(s).

Short-Term Travel Reimbursement for All Exempt, Excluded and Represented Employees

Effective Dates

Always verify reimbursement information and effective dates by checking the appropriate Memorandum of Understanding and/or the DPA Travel Rules.

Accountable Plan

The State of California reimburses actual business travel expenses in accordance with the provisions of the current bargaining unit agreements, DPA rules for reimbursement, and IRS requirements for an "Accountable Plan." An Accountable Plan means reimbursement is limited to *actual* expenses up to certain limits; all travel expenses require receipts and/or other verification of the expense.

Method of Travel

Each State agency is responsible for determining the necessity for and method of travel. Once it is determined that travel is necessary, reimbursement is governed by the terms of the current Memorandum of Understanding and/or the applicable Government Code sections and DPA Rules.

Reimbursement for transportation expenses will be based on the method of transportation that is in the best interest of the State, considering both direct expense and the employee's time. If an employee chooses and is authorized to use a method of transportation that is (1) not the least costly, (2) not the typical method of getting from one location to the other, or (3) not "in the best interest of the State," a cost comparison will be prepared and the employee shall be reimbursed only the amount that would have been reimbursed had the employee traveled using the least costly method.

Meals and Incidentals (In-State/Out-of-State Travel)

The following reimbursement rates are maximums, not allowances. Employees may claim only their *actual* expense and must have receipts substantiating the amount claimed.

For each full 24-hour period of travel, employee may claim the following:

Breakfast	Actual expense up to \$6
Lunch	Actual expense up to \$10
Dinner	Actual expense up to \$18
Incidentals	Actual expense up to \$6

Trips of 24 Hours or More

For travel lasting 24 hours or more, employees may claim meals (as noted above), based on the following timeframes:

First day of travel	
Trip begins at or before 6 am	Breakfast may be claimed

Trip begins at or before 11 am	Lunch may be claimed
Trip begins at or before 5 pm	Dinner may be claimed
Continuing after 24 hours	
Trip ends at or after 8 am	Breakfast may be claimed
Trip ends at or after 2 pm	Lunch may be claimed
Trip ends at or after 7 pm	Dinner may be claimed

Trips of Less than 24 Hours

For travel lasting less than 24 hours, employees may claim breakfast and/or dinner (as noted above), based on the following timeframes:

Fractional day of travel	
Trip begins at or before 6 am and ends at or after 9 am	Breakfast may be claimed
Trip begins at or before 4 pm and ends at or after 7 pm	Dinner may be claimed
<i>Employees may not claim lunch or incidentals on one-day trips. When trips are less than 24 hours and there's no overnight stay, meals claimed are taxable.</i>	

Employees may **not** claim meals provided by the State, meals included in hotel expenses or conference fees, meals included in transportation costs such as airline tickets, or meals that are otherwise provided. Snacks and continental breakfasts such as rolls, juice, and coffee are not considered to be meals.

No meal expense may be claimed or reimbursed more than once in any given 24-hour period.

Lodging Reimbursement

Short-Term Travel

Employees who incur overnight lodging expenses at a **commercial lodging establishment** catering to short-term travelers, such as a hotel, motel, bed and breakfast, public campground, etc. **must provide a receipt** to claim reimbursement. No reimbursement will be paid without a receipt. The rate of reimbursement is as follows:

All California counties not listed below	Actual expense up to \$84 per night, plus tax
Los Angeles and San Diego counties	Actual expense up to \$110 per night, plus tax
Alameda, San Francisco, Santa Clara, and San Mateo Counties	Actual expense up to \$140 per night, plus tax

State-Sponsored Conference, etc.

Employees attending a State-sponsored conference will be reimbursed for **receipted** lodging up to \$110 per night, plus tax, when the lodging is contracted by the State sponsor for the event, and the Appointing Authority has granted prior approval for attendance and lodging at the contracted rate and establishment.

Non-State-Sponsored Conference, etc.

Employees attending a non-State-sponsored conference will be reimbursed for **receipted** lodging when the lodging is contracted by the sponsor for the event, and the Appointing Authority has granted prior approval for attendance and lodging at the contracted rate and establishment.

Out-of-State Travel (to any of the 49 other states)

Any limitations on lodging are placed by the appointing authority when approving travel. Lodging and meals may otherwise be claimed as follows (applies to all State employees):

With a lodging receipt	Actual cost of lodging; actual meals and incidentals, based on appropriate timeframes
Without a lodging receipt	No lodging reimbursement; actual meals and incidentals, based on appropriate timeframes

Out-of-Country Travel

Lodging	Actual expense, supported by receipt
Meals and Incidentals	Actual expense up to U.S. State Department Foreign Per Diem Rates (meal/incidental rates, column B) in effect at the time of travel for the specific foreign location, in accordance with breakdown in Appendix B, Federal Travel Regulation Chapter 301

Personal Vehicle Mileage Reimbursement

The following rates apply only to approved personal vehicle mileage for State business travel incurred on or after the effective dates of the memorandum of understanding and/or the DPA Travel Rules. Claims submitted after the effective date for mileage incurred prior to the effective date will be reimbursed at the rate previously in effect for the employee.

Employees must have advance approval to drive a personal vehicle on State business. Mileage reimbursement rates are as follows:

Vehicle type	Mileage reimbursement rate
Personal vehicle	34 cents per mile
Specialized vehicle w/ certification	Up to 37 cents per mile*
Private aircraft	50 cents per mile**
Bicycle	4 cents per mile**

* A "specialized vehicle" is a vehicle that has been specially equipped for a disabled employee and is the only vehicle the employee is physically able to drive. Amount in excess of the base rate of 34 cents per mile is subject to withholding.
** all taxable

An employee may claim mileage to/from a common carrier, as long as no parking expense is incurred at the terminal. Reimbursement is calculated using the appropriate rate above, multiplied by twice the distance to the terminal. If withholding applies to the employee's mileage reimbursement above, it will apply to this reimbursement.

Mileage covers gasoline, the cost of maintenance (oil, lube, routine maintenance), insurance (liability, damage, comprehensive and collision coverage), licensing and registration, depreciation, and all other costs associated with operation of the vehicle.

Contractors

Contractors with questions regarding travel reimbursements must contact the agency with which they contract.

Transportation Contracts

The Department of General Services, Office of Fleet Administration, has responsibility for State vehicles and State garages and negotiates and administers contracts for State employee rates for airlines and rental vehicles. [Click here](#) to go to the DGS Web site for information on State garage locations and services; [click here](#) for rental car information.



CSAC Annual Plan for Oversight of EdFund

Adopted by the Commission on

September 6, 2007

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List of Oversight Mechanisms

The following is a cumulative listing of all of the mechanisms that support the Commission's oversight of EdFund, each of which is described in subsequent sections.

Annual Planning, Budgeting, and Reviews

1. EdFund Strategic Plan
2. Annual Loan Program Business Plan
3. EDFUND Annual Business Plan Quarterly Updates
4. Annual Loan Program Budget
5. EdFund Annual Internal Audit Plan
6. EDFUND High Level Organizational Metrics
7. Performance Evaluation of EdFund
8. California Student Aid Commission Annual Report to the Legislature regarding EDFUND

Audits

1. United States Department of Education Audit
2. Annual FFEL Program Compliance Audit (Single Audit)
3. Annual Operating Fund and Federal Fund Financial Statement Audit
4. Annual EdFund Financial Statement Audit
5. Annual EDFUND 401k Plan Financial Statement Audit
6. Annual Audit of Internal Controls
7. EdFund Internal Audit Reports
8. Other Audits

Documents and Reports Submitted to the Commission by EdFund

A. Financial Reports

1. Unaudited Financial Statements and Analysis
2. Monthly Invoice for Reimbursement of EdFund Expenses out of the State Treasury
3. Quarterly Long-Range Forecast
4. Monthly Detailed Cash Flow Forecast for the Federal and Operating Funds

B. Statistical Reports

1. Monthly, Quarterly, and End of FFY Loan Program Statistics
2. Report of EDFUND Market Share in California, Western Region, and Nationwide
3. Monthly and Annual Listing of Participating Schools and Lenders

C. Other Documents and Reports

1. Compliance with Operating Agreement and Service Level Agreement
2. Contract Log
3. Staffing Analysis and Personnel Reports
4. Quarterly Ombudsman Report
5. Major Technology Projects Status Report
6. EDFUND Policies

Oversight Meetings

1. Operating Agreement Meetings
2. EdFund Board Meetings
3. Discussion of Proposed or Pending Legislation or State/Federal Action
4. Discussion of Issues as they Arise

Introduction

The Nature of Oversight

Oversight is watchful and responsible care over the operation or performance of another entity. In the case of EdFund, its purpose is to protect the interests of the State of California and optimize the performance of EdFund in the marketplace. It is not a substitute for EDFUND management decision-making. It must be constructive, objective, and data-based. For further understanding of the purpose of oversight and how it is conducted, see the following:

1. California Education Code Sections 69522, 69525, and 69526.
2. The California Student Aid Commission Governance Policies.
3. The Operating Agreement.

The Annual Oversight Plan

This Annual Oversight Plan is developed as specified in the Operating Agreement between the California Student Aid Commission and EDFUND, and is included by reference as part of that agreement. This Plan delineates the major oversight mechanisms set forth in statute, regulations, the Operating Agreement, the Commission's Governance Policies, and other governance documents. These mechanisms fall into four categories: 1) annual planning, budget, and reviews; 2) audits; 3) documents and reports submitted to the Commission by EdFund; and 4) oversight meetings.

Each of the four categories of oversight is addressed in a separate section of the Plan, with a detailed description of each mechanism within that category. The Commissioners' oversight role is not limited to the receipt of the audits and reports identified in this plan. The oversight process includes thoughtful and deliberate consideration of reviews, analyses and recommendations developed by CSAC staff, EdFund, and Commission committees presented to the Commission along with the audits and reports.

Compliance with State Administrative and Financial Accountability

The California Student Aid Commission (CSAC), as the state designated Federal Family Education Loan Program (FFEL) guaranty agency for California, is responsible for receiving any federal funds for administrative costs and payments of insurance obligations, receiving funds collected from defaulted borrowers, and ensuring that all funds are properly maintained in the Federal Student Loan Reserve Fund and the Student Loan Operating Fund. The monies in the Student Loan Operating Fund are the property of the state-designated guarantor, thus are in the custody and control of CSAC.

The Executive Director is the chief executive officer of CSAC, which holds the guaranty agency designation, and representing the State and the Commission, is responsible for ensuring that the Commission's FFEL programmatic and fiduciary responsibilities are carried out in accordance with federal and state laws and regulations. The Executive Director has been delegated the authority to sign, or to further delegate to staff to sign, on behalf of the Commission documents requiring the endorsement of a State official representing the loan program.

Oversight Roles

1. The Commission. The Commission holds all authority and responsibility for oversight of EdFund. It cannot delegate that final authority to staff, external auditors/experts, or any other entity. The Commission may, however, call upon staff and external auditors/experts to provide information that supports the Commission carrying out its authority and responsibility for oversight.
2. The EdFund Board of Directors. By statute, EdFund is established as a California nonprofit corporation. Its Board of Directors has the following responsibility under California Education Code sections 69522(b) and 69525:

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.”

69525: “The auxiliary organization established pursuant to Section 69522 shall be governed by a board of directors nominated and appointed by the commission.”

3. CSAC Staff. CSAC staff’s role in oversight is to provide information to the Commission for its consideration and potential Commission action. CSAC staff does not perform “audits” or “reviews” in the sense these terms are used by internal or external auditors. They give input in the development of the EdFund Strategic Plan, and the Annual Loan Program Business Plan and Budget, in order to support the Commission’s review and approval of these key documents. CSAC staff also conducts the following on behalf of the Commission in order to report relevant and significant findings to the Commission: review documents and reports submitted annually, quarterly and monthly; validate information in real-time transactions such as invoices, purchases, and claims; and analyze aberrations and deviations from projections. As noted above, the Executive Director has been delegated the authority to sign, or to further delegate to staff to sign, on behalf of the Commission, documents requiring the endorsement of a state official representing the loan program.

The Federal Programs and Policy Division (FPPD) or its successor will conduct many of the oversight functions described in this Plan. FPPD must also work with legal counsel and other appropriate Commission divisions and staff, including Governmental Relations, Public Affairs, Outreach, Communications, Research & Policy Analysis, and Fiscal & Administrative Services. FPPD’s role in supporting the Commission’s oversight responsibilities include reviewing, analyzing, monitoring and making recommendations regarding the Commission’s participation in the FFEL Program and oversight of EdFund. FPPD staff and the Executive Director provide the Commission with the State perspective to ensure that the State’s interests and assets are protected. FPPD staff vets issues with the Executive Director, Chief Deputy Director and, if needed, legal counsel to determine if an issue needs to be brought to the Commission’s attention.

4. EdFund Staff. EdFund staff provides timely and accurate data as required in this Plan and the Operating Agreement, and works in consultation with CSAC staff and the Commission to continuously improve and streamline the oversight process.

Factors Critical to the Success of Oversight

Following is a list of factors critical to the success of the oversight of EdFund and the State’s role in the federal loan program in the next year as transitions occur relative to budget actions by the Legislature and Governor in the State’s 2007-08 SFY Budget.

- Both agencies must acknowledge the statutory authority of the Commissioners.
- Commissioners must take an active role in oversight. The Commission must resolve areas of disagreement between CSAC and EdFund.
- Oversight must be focused on those issues/areas determined by the Commission as highest priority.
- Oversight involves not only monitoring; it is also a supportive effort intended to enhance EdFund’s processes and outcomes to maximize the success of the loan program.
- Oversight must be data-driven.
- Oversight must be constructive and focused on financial accountability, and compliance with appropriate laws and regulations related to the administration of the loan program.
- CSAC staff analyses must focus on the most important issues, be based on a skilled analysis of data, and be thoroughly documented.
- Data from EdFund must be timely and accurate.
- Analyses must be accurate, conducted in a timely manner, presented in written form, and include recommendations for Commission action as appropriate.
- Final decisions by the Commission must be implemented by both agencies.

Organization of the Plan

Oversight Categories

This Annual Oversight Plan addresses the following oversight categories, each in a separate section:

- Annual Planning, Budgeting, and Reviews
- Audits
- Documents and Reports Submitted to the Commission by EdFund
- Oversight Meetings

Delineation of Each Mechanism

The subsequent sections of the Plan describe the items in each category in detail. For most items, a matrix is provided containing the following information; for some items, additional information is provided.

1. **Required By.** This field specifies the source that establishes the requirement for this oversight item (such as the section of the Operating Agreement or the relevant statute).
2. **Frequency.** This field specifies how often the item is produced (e.g., annually, quarterly, or monthly).
3. **Timeline/Due Date.** This field specifies the time requirements for the item.
4. **Description.** This field provides a brief description of the item (for example, the type of audit, or the types of information contained in the report).
5. **Purpose.** This field provides a brief description of the intended purpose of the item.
6. **Contribution to Oversight.** This field describes how the item is intended to provide a meaningful contribution to the Commission's oversight of EdFund (i.e., how the mechanism will either support the Commission's efforts to protect the State's interests or optimize the performance of EdFund in the marketplace).
7. **Responsible Party.** This field specifies the EdFund position responsible for providing the information to CSAC and the CSAC staff responsible for the review of the information.
8. **CSAC Staff Review.** This field describes the review to be performed by CSAC staff – the information that will be reviewed and why, and if and how CSAC staff will conduct verification or validation of the information.
9. **CSAC Staff Reports to the Commission.** This field specifies how CSAC staff will certify to the Commission that the specified review has taken place, and how the findings of its review will be reported to the Commission.
10. **Commission Action.** This field specifies actions to be taken by the Commission and/or its Committees.

CSAC Staff Reports to the Commission

This section of the Plan compiles a list of the reports to the Commission from CSAC staff, as described in the previous sections. These reports will delineate what items have been received and reviewed, and the findings of those reviews. The purpose of these reports is to provide to the Commission, as succinctly as possible, the benefit of CSAC staff's review and, where appropriate, analysis of the information provided by EdFund, in order to expedite the Commissioners' review and understanding of the information. By submitting to the Commission a report for each item or group of items reviewed, staff also assures the Commission that the items listed in this Plan are being received and reviewed by CSAC staff.

Although the Plan describes each of the specific items used for oversight, CSAC staff analyzes various EDFUND and loan program-related reports simultaneously, and consults with the Executive Director and other CSAC staff. In addition, CSAC staff works in consultation with EDFUND staff to identify and resolve issues as expeditiously as possible.

Annual Planning, Budgeting, and Reviews

Plans/Reviews Item 1: EdFund Strategic Plan

Required by:	1. Governance Policies: Assignment Policy 2; Monitoring Policy 5 2. Operating Agreement: Section III RO-1
Frequency:	Annually
Timeline/Due Date:	TBD
Description:	EDFUND's goals and strategies
Purpose:	To update EdFund's strategic plan on an annual basis and ensure that it aligns with Commission policies, mission, goals, and objectives.
Contribution to Oversight:	To oversee the effectiveness of EDFUND.
Responsible Party:	EDFUND: Board, President CSAC: Commission, Executive Director, FPPD
CSAC Staff Review:	Compare the goals and strategies to the Commission's overall strategic plan.
CSAC Staff Reports:	1. If FPPD identifies issues, staff consults with Executive Director, Chief Deputy Director and legal counsel; prepares Issue Analysis Report. 2. Provides Issue Analysis Report to EDFUND for their comments. 3. Presents staff analysis and recommendations to the Commission at its next appropriate meeting for consideration and approval.
Commission Action:	Adopt, adopt with edits, or reject.

Plans/Reviews Item 2: Annual Loan Program Business Plan

Required by:	1. Governance Policies: Executive Parameters Policy 1 and 2 2. Operating Agreement: Article 4.6
Timeline/Due Date:	<u>EDFUND:</u> May – Presents a high level conceptual budget plan to CSAC. June – first Draft due by first business day in June to CSAC; EDFUND presents general overview to Commission. Early July – EDFUND Finance and Budget Committee review draft of Annual Loan Program Business Plan and provides comments to EDFUND budget staff. July – EDFUND consults with CSAC staff & develops revisions; Commission and EDFUND Board review at the yearly July Joint Commission/EDFUND Board workshop. August – Final approval by EDFUND Board. September – Submits final to Commission for review and approval. <u>CSAC:</u> June/July - Reviews proposed plan; provides perspective to Commission. September – Approves EDFUND's Annual Business Plan.
Description:	The annual budget includes all projected revenues and expenses in operations connected with the business plan, and a five-year projection of revenues and expenditures. Any material expenditure of funds or material change in operations or corporate policies outside of the annual Loan Program Business Plan, Budget and Goals are submitted to the EDFUND Board and Commission for review and approval.
Purpose:	To ensure EdFund's administration of the FFEL Program maintains fiscal viability, continued program success, and operates in alignment with its mission, goals, objectives, and activities.

Contribution to Oversight:	To ensure the Commission’s student loan program responsibilities are carried out appropriately.
Responsible Party:	EdFUND: President, Chief Financial Officer, and Vice-President of Finance and Administration CSAC: Commission, Executive Director, FPPD
CSAC Staff Review:	CSAC staff reviews and analyzes the EdFUND Annual Business Plan and Budget simultaneously in order to understand the loan program environment, marketing strategies and objectives, and the associated revenue and expenses. CSAC staff analyzes the loan program volume projections for the budget year, as well as the long-range projections in the budget plan. CSAC staff reviews and analyzes these plans both individually and collectively with the following reports to comprehensively review EdFUND’s management of the loan program and the condition of the Student Loan Operating Fund and the Federal Student Loan Reserve Fund: loan program statistics, participating school and lender lists, market share reports, financial statements, and detailed cash flow statements. CSAC staff also utilizes external loan program resources in its analysis.
CSAC Staff Reports:	<ol style="list-style-type: none"> 1. If FPPD identifies issues, staff consults with Executive Director, Chief Deputy Director, and legal counsel; prepares Issue Analysis Report. 2. Provides Issue Analysis Report to EdFUND for their comments. 3. Presents staff analysis and recommendations to the Commission at its next appropriate meeting for consideration and approval.
Commission Action:	Adopt, adopt with edits, or reject.

Plans/Reviews Item 3: EdFund Annual Business Plan Quarterly Updates

Required by:	<ol style="list-style-type: none"> 1. Governance Policies: Assignment Policy 2; Monitoring Policy 5 2. Operating Agreement: Section III RO-1
Frequency:	Quarterly
Timeline/Due Date:	Typically presented at the Commission meeting following the end of the EdFUND quarter.
Description:	Per the Operating Agreement, the Annual Business Plan will include a description of business objectives EdFUND plans to pursue, its information technology strategies, descriptions of proposed new products or services, descriptions of proposed material changes in EdFUND’s operations, and the anticipated results of the plan.
Purpose:	To update EdFund’s Annual Business Plan and monitor the implementation of the plan, including whether annual objectives have been or are expected to be achieved in accordance with the specified timeline.
Contribution to Oversight:	To oversee the effectiveness of EdFUND in achieving the goals and objectives established in the Annual Business Plan.
Responsible Party:	EdFUND: Board, President CSAC: Commission, Executive Director, FPPD
CSAC Staff Review:	Compare the Annual Business Plan goals, objectives and policies to the Commission’s overall Strategic Plan. Monitor and analyze if EdFUND is meeting the goals and provisions established in the Business Plan.
CSAC Staff Reports:	<ol style="list-style-type: none"> 1. If FPPD identifies issues, staff consults with Executive Director, Chief Deputy Director and legal counsel; prepares Issue Analysis Report. 2. Provides Issue Analysis Report to EdFUND for comments. 3. Presents staff analysis and recommendations, as well as EdFund comments, if any, to the Commission at its next appropriate meeting for consideration and approval.
Commission Action:	Adopt, adopt with edits, or reject.

Plans/Reviews Item 4: Annual Loan Program Budget

Required by:	1. Governance Policies: Executive Parameters Policy 3 2. Operating Agreement: Article 4.6
Timeline/Due Date:	<u>EdFUND:</u> May – Presents a high level conceptual budget plan to CSAC June - first Draft due by first business day in June to CSAC; presents general overview to Commission; Early July – EdFUND Finance and Budget Committee reviews draft of Annual Loan Program Business Plan and provides comments to EdFUND budget staff. July – EdFUND consults with CSAC staff & develops revisions; Commission and EdFUND Board review at the yearly July Joint Commission/EdFUND Board workshop. August – Final approval by EdFUND Board September – Submits final to Commission for review and approval <u>CSAC:</u> June/July – Reviews proposed budget; provides perspective to Commission September – Approves EdFUND’s Annual Budget
Description:	Demonstrates credible projections of revenues, expenses, capital expenditures and cash flow.
Purpose:	Commission is provided assurance that the state’s loan program assets are protected, adequately maintained, and not subject to unnecessary risk.
Contribution to Oversight:	To protect the Commission’s fiduciary responsibility for the FFEL Program Operating Fund and Federal Fund.
Responsible Party:	EdFUND: President, Chief Financial Officer and Vice-President, Finance & Administration. CSAC: Commission, Executive Director, FPPD
CSAC Staff Review:	CSAC staff reviews and analyzes the EdFUND annual business plan and budget simultaneously in order to understand the loan program environment, marketing strategies and objectives, as well as, the associated revenue and expenses. CSAC staff analyzes the loan program volume projections for the budget year, the long-range projections, and major revenue and expenses identified in Addendum 1. CSAC staff reviews and analyzes these with the following reports to comprehensively review EdFUND’s management of the loan program, the condition of the Student Loan Operating Fund, and the Federal Student Loan Reserve Fund: loan program statistics, participating school and lender lists, market share reports, financial statements, and detailed cash flow statements. CSAC staff also utilizes external loan program resources in its analysis.
CSAC Staff Reports:	1. If any issues are identified, CSAC staff prepares Issue Analysis Report including recommendations to the Executive Director who will consult with the Chair of the Commission and, if appropriate, the full Commission and/or its standing committee. 2. Communicates recommendations to EdFUND and its Board. 3. Presents staff analysis and recommendations to the Commission at its next appropriate meeting for consideration and approval.
Commission Action:	Adopt, adopt with edits, reject.

Plans/Reviews Item 5: EDFUND Annual Internal Audit Plan

Required by:	Operating Agreement: Section 8.5 A.3
Timeline/Due Date:	Present to the Audit Committees after the beginning of each FFY for review and approval.
Description:	Formal plan for internal audits conducted by EdFund. The Plan identifies internal audits that will be conducted over a two year period and is reevaluated prior to year two to determine if regulations, company policies and procedures, the business environment, and/or internal audit resources have recently changed (or are anticipated to change) that would warrant modifications to the plan for the remainder of the period. The Plan is developed by the EdFund Internal Audit Team after conducting an extensive risk analysis to identify and prioritize potential audit areas which pose the greatest risk and liability to EdFund.
Purpose:	The scope of internal auditing within an organization is broad and may involve internal control topics such as the effectiveness of operations, the reliability of financial reporting, deterring and investigating fraud, safeguarding assets, and compliance with laws and regulations. Internal auditors are not responsible for the execution of company activities; they advise management and the Board of Directors (or similar oversight body) regarding how to better execute their responsibilities.
Contribution to Oversight:	The Internal Audit Plan informs management and the Audit Committees of the highest risk audits, in addition to any required annual audits, that will be conducted by the EdFund Internal Audit Team over a two-year period.
Responsible Party:	EDFUND: Vice-President of Audit Services CSAC: Commission Audit Committee (in conjunction with the EdFund Audit Committee), Executive Director, Chief Audit Executive, FPPD
CSAC Staff Review:	Review the Plan for appropriate risk assessment.
CSAC Staff Reports:	1. If CSAC staff identifies issues, prepares Issue Analysis Report. 2. Provides Issue Analysis Report to EDFUND for comments. 3. Presents staff analysis and recommendations to the Commission at its next appropriate meeting for consideration and approval.
Commission Action:	The EDFUND and CSAC Audit Committees each review and approve, approve with edits, or reject.

Plans/Reviews Item 6: EDFUND High Level Organizational Metrics (used to determine EDFUND Executive Compensation)

Required by:	1. CSAC Policy Statement and Guidelines Memo: "EDFUND Incentive Compensation Plans" (approved by the Commission June 22, 2007) 2. Operating Agreement: Section 4.6 (Annual Loan Program Business Plan)
Timeline/Due Date:	<u>Annual.</u> EdFund : Mid-November CSAC: Mid-December Process should be completed to ensure payment within 75 days of the end of the FFY.
Description:	EdFund's Year-End Assessment High Level Organizational Metrics and Management's Perspective on Percentage of Goal Accomplishment.
Purpose:	Validate EDFUND's year-end performance on the approved High-Level Organizational Metrics for determining company performance component of EdShare Plans and recommendation on the performance assessment of the proposed incentive compensation amounts for the President and the total

	incentive compensation pool amount for Executive Management Team.
Contribution to Oversight:	Ensures EdFUND meets Commission approved goals and precondition for incentive compensation.
Responsible Party:	EdFUND: EdFUND President, EdFUND Executive Committee, EdFUND Board Chair CSAC: Commission Chair, Executive Director, FPPD
CSAC Staff Review:	FPPD staff reviews and validates EdFUND's Year-End Assessment High Level Organizational Metrics and Management's Perspective on Percentage of Goal Accomplishment and supporting documentation. Staff also reviews EdFUND Board Recommendations on EdFUND Incentive Pay Plans. If necessary, staff requests additional information or schedules meetings with EdFUND staff to fully understand calculations and supporting documentation to validate percentages.
CSAC Staff Reports:	As prescribed by CSAC Policy Statement and Guidelines Memo "EdFUND Incentive Compensation Plans" (approved by the Commission 06/22/07), the Executive Director reports his/her recommendations to the Commission Chair.
Commission Action:	As prescribed by CSAC Policy Statement and Guidelines Memo "EdFUND Incentive Compensation Plans" (approved by the Commission 06/22/07), Commission Chair either concurs with or modifies the Executive Director's recommendation on behalf of the Commission and communicates the percentage to the EdFUND Board. The Chair's decision can be appealed to the full Commission.

Plans/Reviews Item 7: Performance Evaluation of EdFUND

Required by:	1. California Education Code: Section 69522(C)(2) 2. Operating Agreement: Section 8.2.H
Timeline/Due Date:	As determined by the Commission.
Description:	A performance evaluation of the operation of EdFUND in furtherance of the Commission's fiscal and fiduciary responsibilities for approved programs. CSAC staff works with the Commission to develop the Annual Performance Evaluation of EdFUND.
Purpose:	To provide the Commission with a mechanism to conduct assessments of the performance of EdFUND.
Contribution to Oversight:	Fulfills regulatory requirement. Provides assurances to Commission and Management that EdFUND's operations of the loan program, support services and other activities are being adequately overseen.
Responsible Party:	External: Contracted Independent Consultants as necessary EdFUND: Vice-President for Legal Services & External Relations, Chief Financial Officer and Vice-President, Finance & Administration, and Vice President of Audit Services CSAC: Commission, Executive Director, FPPD
CSAC Staff Review:	Depending on the nature and the scope of the Performance Evaluation, FPPD Chief coordinates the logistics and completion of the Performance Evaluation with appropriate staff. Where possible FPPD staff leverages other work such as internal and external audits.
CSAC Staff Reports:	Following review and comment by EdFUND, the report is sent to the Commission for action.
Commission Action:	Review and approve, approve with edits, or reject.

Plans/Reviews Item 8: California Student Aid Commission Annual Report to the Legislature regarding EdFUND

Required by:	1. California Education Code Section: 69529.5 2. Operating Agreement: Service Level Agreement; Section III RA-1
Timeline/Due Date:	April 1 of each year.
Description:	Per Education Code Section 69529.5: (a) The commission shall report the following information to the Legislature on April 1 of each year, with respect to the operation of the auxiliary organization: (1) A description of the services provided by the auxiliary organization. (2) The auxiliary organization's annual budget, funded activities, and personnel, including the sources of revenue available to fund its operations. (3) Descriptions of changes made in the delivery of loans to California students and enhancements to programs and activities administered by the commission. The descriptions shall reflect all changes, both positive and negative. (4) The level of compensation of managers and executives of the auxiliary organization. (b) Commencing on April 1, 2005, and on April 1 of each year, ending on April 1, 2010, the commission shall specifically describe the actions taken, and report the costs incurred and the revenues realized, by the auxiliary organization in disbursement services, loan servicing and repayment, secondary market, and private lender activities that the auxiliary organization undertakes pursuant to subdivision (a) of Section 69522.
Purpose:	To provide the legislature with a high-level understanding of EdFund's activities and accomplishments each year.
Contribution to Oversight:	Provides the Legislature a mechanism to monitor and evaluate the State's participation in and oversight of the loan program.
Responsible Party:	CSAC: Commission, Executive Director, Chief of Governmental and Public Affairs, and FPPD EdFUND: Vice-President of External Relations
CSAC Staff Review:	Governmental and Public Affairs Chief prepares timeline for completion, coordinates meetings, and gathers information from appropriate CSAC and EdFUND staff to ensure all statutory components are included in report. Prepares drafts and requests EdFUND's review and comments. Prepares final document for Committee and Commission review and approval. Distributes report to appropriate State entities.
CSAC Staff Reports:	Chief of Governmental Affairs Division presents to the Commission for review and approval.
Commission Action:	Approve, approve with edits, or reject.

Audits

Audit Item 1: United States Department of Education (Federal Education Department) Audit

Required by:	1. Higher Education Act: Section 432(f) 2. Code of Federal Regulations: 34 CFR 682.410 (b) 3. Operating Agreement: Section 8.2.F
Timeline/Due Date:	Periodic, dictated by the Federal Education Department but usually one per year.
Description:	<u>External Audit.</u> The Federal Education Department Financial Partners Guaranty Agency Review Guide provides a comprehensive description of the routine review performed by the Federal Education Department. The Federal Education Department (through various agencies such as Office of Inspector General and Financial Partners) performs reviews and/or audits of guaranty agencies. Focused reviews typically follow criteria such as national initiatives, changes to the law, agency mergers, new affiliations and system changes, and low performance ranking.
Purpose:	The overall purpose is to ensure compliance with federal regulations; however, audits or reviews typically are focused to a specified scope.
Contribution to Oversight:	Provides information and assurances that the loan program is operating within federal regulations. Information gathered from this report may be used to compare to industry performance and standards.
Responsible Party:	External: Federal Education Department CSAC: Commission and its Audit Committee, Executive Director, Chief Audit Executive EDFUND: EDFUND Board and its Audit Committee, President, Vice President of Audit Services
CSAC Staff Review:	The Executive Director is the contact person for the Federal Education Department and is responsible for ensuring that staff provides the Federal Education Department with requested information in a timely manner and for CSAC management responses to audit findings.
CSAC Staff Reports to the Commission:	The Commission’s Audit Committee may, as necessary, request updates from the Executive Director, the CSAC Chief Audit Executive, and/or EdFund’s Vice President of Audit Services during the course of the audit, and in tracking EdFund’s response to and addressing of audit findings.
Commission Action:	The Commission’s Audit Committee works with the Federal Education Department during the course of the audit process. If requested by the Federal Education Department auditors, Commission’s Audit Committee meets with the auditors. The Audit Committee reviews audit findings, with assistance as requested from CSAC staff and the EDFUND Vice President of Audit Services. The Audit Committee may recommend action based on audit findings; if so, the Commission approves, approves with edits, or rejects.

Audit Item 2: Annual FFEL Program Compliance Audit (Single Audit)

Required by:	<ol style="list-style-type: none"> 1. Higher Education Act: Section 428(b)(2)(D) 2. U.S. Department of Education, Title 34, CFR Section 682.410(b) 3. Public Law 104-156 4. Federal Office of Management and Budget: Circular A-133 5. Operating Agreement: Section 8.2E
Timeline/Due Date:	<p>Entrance and Field work: August through December</p> <p>Exit: January</p>
Description:	<p><u>External Audit.</u> Federal Office of Management and Budget Circular A-133 provides a comprehensive description of the audit as a rigorous, organization-wide audit or examination of an entity who expends \$500,000 or more of federal assistance for its operations. Usually performed annually, the Single Audit's objective is to provide assurance to the federal government as to the management and use of such funds by different recipients, such as states, cities, universities, and non-profit organizations, among others. The Department of Finance (DOF) is the responsible agency for the State of California. DOF works with Bureau of State Auditor (BSA) and agency staff to complete all the components that make up the "Single Audit Report." Report is reviewed by the Federal Education Department and findings may trigger subsequent audits or actions by the Federal Education Department.</p>
Purpose:	<ul style="list-style-type: none"> • Promote sound financial management, including effective internal controls, re: Federal awards administered by non-federal entities. • Establish uniform requirements for audit of Federal awards administered by non-federal entities. • Promote the efficient and effective use of audit resources. • Reduce burdens on State and local governments and nonprofit organizations. • Ensure that Federal departments and agencies, to the maximum extent practicable, rely upon and use audit work.
Contribution to Oversight:	<p>Provides information and assurances that the loan program is operating within federal regulations. Information gathered from this report may be used to assess EDFUND's performance within the student loan industry.</p>
Responsible Party:	<p>External: Department of Finance and Bureau of State Audits</p> <p>CSAC: Commission and its Audit Committee, Executive Director, Chief Audit Executive</p> <p>EDFUND: EDFUND Board and its Audit Committee, President, Vice President of Audit Services</p>
CSAC Staff Review:	<p>The CSAC Chief Audit Executive and EdFund's Vice President of Audit Services provides updates to the Commission's Audit Committee during the audit process, and regarding EdFund's response to and addressing of audit findings. If requested by the Committee, CSAC staff may provide assistance in coordinating meetings with the auditors during the process, and in tracking EdFund's response to and addressing of audit findings.</p>
CSAC Staff Reports:	<p>As noted, if requested by the Committee, CSAC staff may provide assistance in coordinating meetings with the auditors during the process, and in tracking EdFund's response to and addressing of audit findings.</p>
Commission Action:	<p>Commission's Audit Committee may meet with the auditors. Audit Committee may recommend action based on audit findings; if so, the Commission approves, approves with edits, or rejects.</p>

Audit Item 3: Annual Operating Fund and Federal Fund Financial Statement Audit

Required by:	<ol style="list-style-type: none"> 1. Government Code: Section 12460 2. Higher Education Act: Section 428(b)(2)(D) 3. U.S. Department of Education, Title 34, CFR Section 682.410 4. Annual memorandum from State Controller (SCO) to the Commission 5. Operating Agreement: Section 8.2.A
Timeline/Due Date:	<p>Fieldwork: July thru September</p> <p>The audited financial statements are presented to the Audit Committees at the end of September.</p> <p>Report due to State Controller's Office October 1.</p>
Description:	<p><u>External Audit.</u> Certified Public Accountant (CPA) Independent audit of the financial statements of the Student Loan Operating Fund and Federal Fund conducted in accordance to standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The memorandum from SCO details the items that must be completed.</p>
Purpose:	<p>Fulfills regulatory requirement. To fulfill the State's requirement to complete the Comprehensive Annual Financial Report (CAFR) in order to prepare a comprehensive annual financial report for the entire State.</p>
Contribution to Oversight:	<p>Provides information and assurances that the Student Loan Operating Fund and Federal Fund are operating within GAAP standards. Used to review and ensure financial solvency/stability. Information gathered from this report may be used to compare to industry performance and standards.</p>
Responsible Party:	<p>External: Contracted Independent CPA Firm</p> <p>CSAC: Commission and its Audit Committee, Executive Director, Chief Audit Executive</p> <p>EdFUND: EdFUND Board and its Audit Committee, President, Vice President of Audit Services</p>
CSAC Staff Review:	<p>The CSAC Chief Audit Executive and EdFund's Vice President of Audit Services will provide updates to the Commission's Audit Committee during the audit process, and regarding EdFund's response to and addressing of audit findings. If requested by the Committee, CSAC staff may provide assistance in coordinating meetings with the auditors during the process, and in tracking EdFund's response to and addressing of audit findings. The Executive Director coordinates provision of information from CSAC staff and ensures copies of the report are distributed to the appropriate control agencies (e.g., SCO, BSA).</p>
CSAC Staff Reports:	<p>If requested by the Commission's Audit Committee, FPPD provides updates during the course of the audit and supports the Committee by tracking EdFund's response to and addressing of audit findings.</p>
Commission Action:	<p>Commission's Audit Committee meets with the auditors. Audit Committee may recommend action based on audit findings; if so, the Commission approves, approves with edits, or rejects.</p>

Audit Item 4: Annual EdFund Financial Statement Audit

Required by:	1. California Education Code: Section 69527(a) 2. Operating Agreement: Section 8.2C
Timeline/Due Date:	October (end of federal fiscal year) with final report by March of the following year. The final audited financial statements are presented to the Audit Committees in January or February.
Description:	<u>External Audit</u> . This is an annual financial statement audit of EdFund for the year ending September 30 performed by an independent certified public accounting firm. The audit is conducted in accordance with generally accepted auditing standards promulgated by the American Institute of Certified Public Accountants (AICPA).
Purpose:	Provides an independent opinion on the fair presentation of the EdFund annual financial statements.
Contribution to Oversight:	Fulfill regulatory requirement. Provides information and assurances that EdFund is operating within standards. Information gathered from this report may be used to compare to industry performance and standards.
Responsible Party:	External: Contracted Independent CPA Firm CSAC: Commission and its Audit Committee, Executive Director, Chief Audit Executive, FPPD EdFund: EdFund Board and its Audit Committee, President, Vice President of Audit Services
CSAC Staff Review:	EdFund's Vice President of Audit Services will provide updates to the Commission's Audit Committee during the audit process, and regarding EdFund's response to and addressing of audit findings. If requested by the Committee, CSAC staff may provide assistance in coordinating meetings with the auditors during the process, and in tracking EdFund's response to and addressing of audit findings.
CSAC Staff Reports:	If requested by the Commission's Audit Committee, FPPD provides updates during the course of the audit. FPPD supports the Committee by tracking EdFund's response to and addressing of audit findings.
Commission Action:	Audit Committee may recommend action based on audit findings; if so, the Commission approves, approves with edits, or rejects.

Audit Item 5: Annual EdFund 401k Plan Financial Statement Audit

Required by:	1. Employee Retirement Income Security Act (ERISA): Part 1 §103 2. Operating Agreement: Section 8.2D
Timeline/Due Date:	The audit is typically conducted between May and July. The final audited financial statements are then filed with the U.S. Labor Department and presented to the Audit Committees at their September meeting.
Description:	<u>External Audit</u> . This is an annual financial statement audit of EdFund's 401(k) Plan for the year ending December 31 performed by an independent certified public accounting firm. The audit is conducted in accordance with generally accepted auditing standards promulgated by the American Institute of Certified Public Accountants.
Purpose:	Provides an independent opinion on the fair presentation of the EdFund 401(k) annual financial statements. Reviews costs-of-benefit levels including retirement, health plans, etc.
Contribution to Oversight:	Provides information and assurances that EdFund is operating within standards. Information gathered from this report may be used to compare to industry performance and standards.
Responsible Party:	External: Contracted CPA Firm CSAC: Commission and its Audit Committee, Executive Director, Chief Audit

	Executive, FPPD EDFUND: EDFUND Board and its Audit Committee, President, Vice President of Audit Services
CSAC Staff Review:	FPPD staff monitors to ensure audit is completed. The Commission's Audit Committee reviews audit findings, with assistance as requested from staff.
CSAC Staff Reports:	If requested by the Commission's Audit Committee, FPPD provides updates during the course of the audit and supports the Committee by tracking EdFund's response to and addressing of audit findings
Commission Action:	Audit Committee reviews and takes necessary action on findings

Audit Item 6: Annual Audit of Internal Controls

Required by:	Operating Agreement: Section 8.2B (provided DOF approves funding)
Timeline/Due Date:	Typically conducted throughout a six to twelve month period.
Description:	<u>External Audit</u> . This is an audit of information technology controls over the generation of financial data. BSA has recommended for the past five years that the Commission require EdFund to obtain this type of audit of system controls used to produce the Operating Fund and Federal Fund financial statements. This audit is not required by law or regulation; it is an audit that companies choose to have conducted. Companies that typically have this type of audit conducted are services companies for which other entities rely on the financial data generated by the service company. (One example would be ADP, which provides payroll services for thousands of other entities.)
Purpose:	To test EdFund's information technology controls.
Contribution to Oversight:	To ensure EDFUND maintains current, complete, and accurate records of loans maintained in the portfolio.
Responsible Party:	External: Contracted Independent CPA Firm CSAC: Commission and its Audit Committee, Executive Director, Chief Audit Executive, FPPD EDFUND: EDFUND Board and its Audit Committee, President, Vice President of Audit Services
CSAC Staff Review:	Per the Operating Agreement, CSAC staff may be requested by the Commission's Audit Committee to ensure that this audit is undertaken. EdFund's Vice President of Audit Services will provide updates to the Commission's Audit Committee during the audit process, and regarding EdFund's response to and addressing of audit findings. If requested by the Committee, CSAC staff may provide assistance in coordinating meetings with the auditors during the process, and in tracking EdFund's response to and addressing of audit findings.
CSAC Staff Reports:	If requested by the Commission's Audit Committee, FPPD provides updates during the course of the audit and supports the Committee by tracking EdFund's response to and addressing of audit findings.
Commission Action:	Audit Committee reviews and takes necessary action on findings.

Audit Item 7: EdFund Internal Audit Reports

Required by:	Operating Agreement: Section 8.2 G
Timeline/Due Date:	Based upon approved Internal Audit Plan and upon completion.
Description:	<u>Internal audits</u> are designed to add value and improve EDFUND's operations. Audits provide a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. The Internal Audit Plan is a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.

Purpose:	The scope of internal auditing within an organization is broad and may involve internal control topics such as the efficacy of operations, the reliability of financial reporting, deterring and investigating fraud, safeguarding assets, and compliance with laws and regulations. Internal auditors are not responsible for the execution of company activities; they advise management and the Board of Directors (or similar oversight body) regarding how to better execute their responsibilities. Internal audits reports assist the Commission, Board and Management to identify weaknesses and strengths in internal controls in its administration of the loan program.
Contribution to Oversight:	Internal audits following IIA promulgated standards help assure that the loan program has adequate internal controls.
Responsible Party:	CSAC: Commission and its Audit Committee, Executive Director, Chief Audit Executive EDFUND: EDFUND Board and its Audit Committee, President, Vice President of Audit Services
CSAC Staff Review:	FPPD compares audit reports and follow-up to approved Internal Audit Plan to ensure required audits have been completed.
CSAC Staff Reports:	FPPD will report any potential issues or concerns to the Commission's Audit Committee as warranted.
Commission Action:	The Commission's Audit Committee reviews audit findings, with assistance as requested from CSAC staff. EDFUND Audit Committee reviews and takes necessary action on findings. Commission may request updates or other information as necessary.

Audit Item 8: Other Audits

Required by:	Operating Agreement: Section 8.2 H
Timeline/Due Date:	As determined by the Commission, in consultation with the EdFund Board.
Description:	As approved by the Commission's Audit Committee in consultation with the EDFUND Audit Committee and approved by the Commission in consultation with the EDFUND Board; reviews, audits or evaluations conducted by an independent certified public accountant, independent consultant or such other independent individuals or entities designated by the Commission.
Purpose:	Assist Commission and Management to oversee EDFUND's administration of the loan program operations, support services and other activities.
Contribution to Oversight:	Provides information and assurances that the loan program operations, support services and other permitted activities are operating within applicable federal and state regulations, policies, and procedures.
Responsible Party:	CSAC: Commission and its Audit Committee, Executive Director, Chief Audit Executive, FPPD EDFUND: EDFUND Board, and its Audit Committee, President, Vice President of Audit Services
CSAC Staff Review:	The CSAC Executive Director and the EdFund President will consult with appropriate staff of their respective organizations to ensure that staff provides the auditors with requested information in a timely manner.
CSAC Staff Reports:	If requested by the Commission's Audit Committee, FPPD provides updates during the course of the audit and supports the Committee by tracking EdFund's response to and addressing of audit findings.
Commission Action:	The Commission's Audit Committee reviews audit findings, with assistance as requested from CSAC staff and the EdFund Vice President of Audit Services. The Audit Committee meets with auditors as applicable, reviews report and provides comments and/or recommendations.

Documents and Reports Submitted to the Commission by EdFund

A. Financial Reports

Financial Reports Item 1: Unaudited Financial Statements and Analysis

Required by:	Quarterly – Operating Agreement: Section 8.5 B.2 Monthly – Operating Agreement: Section 8.5 C.3
Timeline/Due Date:	Quarterly – No later than 45 days after quarter-end. Monthly – No later than 30 days after month-end.
Description:	For both the Operating Fund/ EdFUND and Federal Fund: financial variance report, combined statement of assets, statement of activities, statement of cash flows, revenues and expense variance report, notes to financial statements. The quarterly reports include a written analysis of the financial statements prepared by EdFUND staff.
Purpose:	To share information regarding short-term financial performance and identify possible risks.
Contribution to Oversight:	To provide information on the Operating and Federal Fund’s financial condition. To identify any significant variance from the actual revenues or expenses versus the approved budget.
Responsible Party:	EdFUND: Chief Financial Officer and Vice-President, Finance & Administration CSAC: FPPD Staff and Fiscal Manager
CSAC Staff Review:	Conduct a comparison of current year projections with the approved budget. Review any significant changes to the major revenues and expenses identified in Addendum 1. Perform trend analysis. Review EdFUND’s explanation on the significant variances. CSAC staff reviews and analyzes the following reports both individually and collectively to gain a high level understanding of EdFUND’s management of the loan program and the condition of the Student Loan Operating Fund and the Federal Student Loan Reserve Fund: loan program statistics, participating school and lender lists, market share reports, financial statements, detailed cash flow statements, and the business plan, budget and goals.
CSAC Staff Reports:	<ol style="list-style-type: none"> 1. FPPD prepares a Quarterly Summary Report (a synopsis of its review, including trends identified and any significant variances along with any EdFund explanation of the variances) and presents it at the subsequent Commission meeting. If FPPD identifies issues, staff consults with Executive Director, Chief Deputy Director and legal counsel; prepares Issue Analysis Report. 2. Provides Summary Report and Issue Analysis Report to EdFUND for comments. 3. Presents staff analysis and recommendations, including EdFUND responses, to the Commission at its next appropriate meeting for consideration and approval.
Commission Action:	Review, discuss, and take action if necessary.

Financial Reports Item 2: Monthly Invoice for Reimbursement of EDFUND Expenses from the State Treasury

Required by:	Operating Agreement: Section 6.2
Timeline/Due Date:	After EDFUND's month-end close.
Description:	Monthly – invoices for EDFUND's monthly expenses
Purpose:	To reimburse EDFUND's expenditures related to the administration of the loan program.
Contribution to Oversight:	To ensure loan program expenses are consistent with EDFUND's approved budget, SLA, applicable laws and regulations and other policies established and approved mutually by the EDFUND Board and the Commission.
Responsible Party:	EDFUND: Chief Financial Officer and Vice-President, Finance & Administration CSAC: FPPD staff
CSAC Staff Review:	Review any significant variance from budget projections, focus on the significant trend increases or decreases, request EDFUND staff to provide copy of an invoice and back up documentations when necessary. Conduct a comparison of current year projections with the approved budget. Perform trend analysis. Review EDFUND's explanation on the significant variances. CSAC staff reviews and analyzes the following reports both individually and collectively to comprehensively review EDFUND's management of the loan program and the condition of the Student Loan Operating Fund and the Federal Student Loan Reserve Fund: loan program statistics, participating school and lender lists, market share reports, financial statements, detailed cash flow statements, and the business plan, budget and goals.
CSAC Staff Reports:	<ol style="list-style-type: none"> 1. If FPPD identifies issues, staff consults with Executive Director, Chief Deputy Director and legal counsel; prepares Issue Analysis Report. 2. Provides Issue Analysis Report to EDFUND for comments. 3. Presents staff analysis and recommendations, including EDFUND responses, to the Commission at its next appropriate meeting for consideration and approval.
Commission Action:	Review, discuss, and take action if necessary.

Financial Reports Item 3: Quarterly Long-Range Forecast

Required by:	Operating Agreement: Section 8.6 D
Timeline/Due Date:	Quarterly
Description	Quarterly – for both the Operating Fund/EDFUND and Federal Fund: long range five-year projection of revenues, expenses, and portfolio statistics.
Purpose	To share information regarding current year and long term financial performance and identify possible risks.
Contribution to Oversight	To provide a long-range forecast regarding the Operating and Federal Funds and identify trends, risks and opportunities.
Responsible Party:	EDFUND: Chief Financial Officer and Vice-President, Finance & Administration CSAC: FPPD and Fiscal Manager
CSAC Staff Review:	Compare the current year re-forecasted budget to prior projections. Conduct a comparison of current year projections with the approved budget. Review any significant changes to the major revenues and expenses identified in Addendum 1. Perform trend analysis. Review EDFUND's explanation on the significant variances.
CSAC Staff Reports:	<ol style="list-style-type: none"> 1. FPPD prepares a Quarterly Summary Report including a synopsis of its review and of the Long-Range Forecast (including trends as compared to past and current loan program data). If FPPD identifies issues, staff consults with Executive Director, Chief Deputy Director and legal counsel;

	<p>prepares Issue Analysis Report.</p> <p>2. Provides Summary Report and Issue Analysis Report to EDFUND for comments.</p> <p>3. Presents staff analysis and recommendations, including EDFUND responses, to the Commission at its next appropriate meeting for consideration and approval.</p>
Commission Action:	Review, discuss, and take action if necessary.

Financial Reports Item 4: Monthly Detailed Cash Flow Forecast for the Federal and Operating Funds

Required by:	Operating Agreement: Section 8.5 C.4
Timeline/Due Date:	No later than 30 days after month-end.
Description:	Monthly – when the cash flow forecast is emailed each month, it is accompanied by a summary of changes that has been made since the prior month cash flow forecast.
Purpose:	To ensure that reasonable balances are being maintained in both the Operating and Federal Fund. To identify short-term cash movements and assess the implications of these movements for the long term.
Contribution to Oversight:	To understand the cash inflow and outflow of Operating and Federal Fund and monitor cash balances to ensure sufficient cash balance to support loan program obligations.
Responsible Party:	EDFUND: Chief Financial Officer and Vice-President, Finance & Administration CSAC: Manager Fiscal & Admin Services
CSAC Staff Review:	Review accompanying email outlining month-to-month changes in revenues and expenses to confirm that there are no significant variances, or if there are, the reasons for those variances. Utilize access to EDFUND Oracle Financials and CALSTARS and EDFUND’s long-range forecast. If any questions arise, meet with EDFUND to discuss. CSAC staff reviews and analyzes the following reports both individually and collectively to comprehensively review EDFUND’s management of the loan program and the condition of the Student Loan Operating Fund and the Federal Student Loan Reserve Fund: loan program statistics, participating school and lender lists, market share reports, financial statements, detailed cash flow statements, and the business plan, budget and goals.
CSAC Staff Reports:	<p>1. FPPD prepares a Monthly Summary Report including a synopsis of its review and of the Cash Flow Forecast (including trends as compared to past and current loan program data). If FPPD identifies issues, staff consults with Executive Director, Chief Deputy Director, and legal counsel; prepares Issue Analysis Report.</p> <p>2. Provides Summary Report and Issue Analysis Report to EDFUND for comments.</p> <p>3. Presents staff analysis and recommendations, including EDFUND responses, to the Commission at its next appropriate meeting for consideration and approval.</p>
Commission Action:	Review, discuss, and take action if necessary.

B. Statistical Reports

Statistical Reports Item 1: Annual and Monthly End of FFY Loan Program Statistics

Required by:	Annual – Operating Agreement: Section 8.5 A.1 Monthly – Operating Agreement: Section 8.5 C.1
Timeline/Due Date:	Annual – no later than 75 days after federal fiscal year-end Monthly – no later than 45 days after month-end
Description:	Annual – includes the following loan program final year-end statistics: guarantees, defaults, collections, claims, outstanding loans, and comparison with prior years. Monthly – includes the following loan program statistics: guarantees, defaults, collections, claims and outstanding loans.
Purpose:	Critical assessment of performance that indicates trend for the future.
Contribution to Oversight:	To monitor the administration of the loan program. Identify risks and opportunities.
Responsible Party:	EDFUND: Chief Financial Officer and Vice-President, Finance & Administration CSAC: FPPD
CSAC Staff Review:	CSAC staff reviews and analyzes the following reports both individually and collectively to comprehensively review EDFUND’s management of the loan program and the condition of the Operating and Federal Fund: loan program statistics, participating school and lender lists, market share reports, financial statements, detailed cash flow statements, and the business plan, budget and goals. CSAC staff also utilizes external loan program resources in its analysis.
CSAC Staff Reports to the Commission:	1. FPPD prepares a Quarterly Summary Report describing trends and significant changes and presents it at the subsequent Commission meeting. If FPPD identifies issues, staff consults with Executive Director, Chief Deputy Director, and legal counsel; prepares Issue Analysis Report. 2. Provides Quarterly Summary Report and Issue Analysis Report to EDFUND for comments. 3. Presents staff analysis and recommendations to the Commission at its next appropriate meeting for consideration and approval.
Commission Action:	Review, discuss, and take action if necessary.

Statistical Reports Item 2: Report of EDFUND Market Share of California, Western Region, and Nationwide

Required by:	Operating Agreement: Service Level Agreement; Section III RA-4
Timeline/Due Date:	Annual – when the actual Federal Student Loan data is available, typically in March of the following year.
Description:	Provides high-level information on and analysis of EdFund’s market share.
Purpose:	Critical assessment of performance. Used to compare and contrast California’s loan program with prior years’ market share and trends in other guaranty agencies.
Contribution to Oversight:	To monitor the administration of the loan program; Identify risks and opportunities.
Responsible Party:	EDFUND: Chief Financial Officer and Vice-President, Finance & Administration CSAC: FPPD Staff
CSAC Staff Review:	CSAC staff reviews and analyzes the following reports both individually and

	collectively to comprehensively review EdFUND’s management of the loan program and the condition of the Operating Fund and Federal Fund: loan program statistics, participating school and lender lists, market share reports, financial statements, detailed cash flow statements, and the business plan, budget and goals. CSAC staff also utilizes external loan program resources in its analysis.
CSAC Staff Reports:	<ol style="list-style-type: none"> 1. FPPD prepares a Summary Report describing trends and significant changes. If FPPD identifies issues, staff consults with Executive Director, Chief Deputy Director, and legal counsel; prepares Issue Analysis Report. 2. Provides Summary Report and Issue Analysis Report to EDFUND for comments. 3. Presents staff analysis and recommendations to the Commission at its next appropriate meeting for consideration and approval.
Commission Action:	Review, discuss, and take action if necessary.

Statistical Reports Item 3: Monthly and Annual Listing of Participating Schools and Lenders

Required by:	Annual – Operating Agreement: Section 8.5 A.2 Monthly – Operating Agreement: Section 8.5 C.2
Timeline/Due Date:	Annual – no later than 45 days after the federal fiscal year-end. Monthly – no later than 30 days after month-end.
Description:	Annual – includes the final year end (sorted by name): name of the institution, school/lender codes, location, number and dollar volume of loans sorted by loan type Monthly – updates to the top 200 schools and school groups, includes name of institution, school/lender codes, location, number and dollar volume of loans sorted by loan program type
Purpose:	When reviewed with the loan program statistics, provides an assessment of performance and indicates trends in future market share and portfolio risk.
Contribution to Oversight:	To inform the Commission regarding which schools and lenders comprise the majority of the loan program portfolio, and the distribution across the various sectors of schools and lenders.
Responsible Party:	EDFUND: Chief Financial Officer and Vice-President, Finance & Administration CSAC: FPPD Staff
CSAC Staff Review:	Assess the composition of the loan program, i.e. which schools and lenders comprise the majority of the loan program portfolio, and the distribution across the various sectors of schools and lenders.
CSAC Staff Reports:	<ol style="list-style-type: none"> 1. FPPD staff prepares Quarterly Summary Report including a synopsis of the listing; this report indicates which schools and lenders comprise the majority of the loan program portfolio, and how the portfolio is distributed across various sectors of schools and lenders. If FPPD identifies issues, staff consults with Executive Director, Chief Deputy Director, and legal counsel; prepares Issue Analysis Report. 2. Provides Quarterly Summary Report and, if issues are identified, an Issue Analysis Report, to EDFUND for comments. 3. Presents summary report and, if issues are identified, staff analysis and recommendations to the Commission at its next appropriate meeting for consideration and approval.
Commission Action:	Review, discuss, and take action if necessary.

C. Other Documents and Reports

Other Documents/Reports Item 1: Compliance with Operating Agreement and Service Level Agreement

Required by:	1. California Education Code: Section 69522 (c)(1) and (d)(1) 2. Operating Agreement and Service Level Agreement
Timeline/Due Date:	On-going
Description:	The Operating Agreement and Service Level Agreement is the contract between CSAC and EdFUND that describes operational and support services and other permitted activities that are related to student financial aid, if those services are determined by the Commission to be consistent with the overall mission of the Commission.
Purpose:	Clearly defines each party's compliance with and fulfillment of contractual obligations.
Contribution to Oversight:	Adherence to the Operating Agreement and Service Level Agreement provides assurances to Commission, Management, Administration and Legislature that EdFUND's operations of the State's Loan Program, support services and other permitted activities are being adequately overseen.
Responsible Party:	CSAC: FPPD Staff (CSAC liaison to EdFUND) EdFUND: Chief Financial Officer and Vice-President, Finance & Administration (EdFUND liaison to CSAC)
CSAC Staff Review:	Monitor and track deliverables and adherence to the Operating Agreement and Service Level Agreement. Coordinate revision and amendments to the Operating Agreement or Service Level Agreement.
CSAC Staff Reports:	Work through process established in Operating Agreement Section 9.15 Dispute Resolution. 1. If FPPD identifies issues, staff consults with Executive Director, Chief Deputy Director, and legal counsel; prepares Issue Analysis Report. 2. Provides Issue Analysis Report to EdFUND for comments. 3. Presents staff analysis and recommendations to the Commission at the next appropriate meeting.
Commission Action:	Review, discuss, and take action if necessary.

Other Documents/Reports Item 2: Contract Log

Required by:	Operating Agreement: Section III, RS-3
Timeline/Due Date:	This information is in the process of being provided on an ongoing basis in electronic format.
Description:	List of vendors with which EdFUND has contracted, during a particular month, for products and services needed for the operations of EdFUND and the administration of the loan program. The list provides the contract number, contractor name, term period, amount, brief scope of work, department and manager, date of EdFUND Board approval (if applicable) and indication of sole source contract.
Purpose:	Provides sufficient detail related to the vendors contracted by EdFUND and paid by the Student Loan Operating Fund.
Contribution to Oversight:	Ensures that EdFUND is contracting products and services in accordance with 34 CFR Section 682.423, which describes the uses for the Commission's Operating Fund; ensures that EdFUND is following its Procurement/Contracts Policy.
Responsible Party:	EdFUND: Vice-President of Legal Services and External Relations

	CSAC: FPPD
CSAC Staff Review:	Review log and identify any contracts needing further examination based on various factors; i.e. clarification needed on scope of work, significant contract amount, and/or lack of EDFUND Board approval if amount is over threshold. As appropriate, staff will request supporting contract documentation for in-depth review. The FPPD Associate Accounting Analyst also uses this log as needed during the review of invoices related to EDFUND reimbursement.
CSAC Staff Reports:	<ol style="list-style-type: none"> 1. If FPPD identifies issues, staff consults with Executive Director, Chief Deputy Director, and legal counsel; prepares Issue Analysis Report. 2. Provides Issue Analysis Report to EDFUND for comments. 3. Presents staff analysis and recommendations to the Commission at its next appropriate meeting for consideration and approval.
Commission Action:	Review, discuss and take action, if necessary.

Other Documents/Reports Item 3: Staffing Analysis and Personnel Reports

Required by:	Annual – Operating Agreement: Section 8.5 A.4 Quarterly – Operating Agreement: Section III RS-3 Monthly – Operating Agreement: Section III, RM-7
Timeline/Due Date:	Annual – July 15 as part of annual budget process. Quarterly – no later than the 2 nd week of the following quarter. Monthly – no later than the 10 th day of each month.
Description:	<p>The Annual Staffing Analysis is an analysis of the approved and proposed number of positions for each department, provided with the preliminary annual budget proposal.</p> <p>The Quarterly Personnel Staffing Reports include vacancy reports, recruitment status reports, Request for Personnel Action (RPA) activity summaries, employee listings by department and cost center, and current organizational charts.</p> <p>The Monthly Personnel Staffing Reports are two-page FLASH reports, excluding personal information, which include: staffing, vacancies, training, labor relations, leaves of absences, separations, and performance reviews.</p>
Purpose:	To ensure that EDFUND has the staffing resources necessary to administer the loan program and provide other services to CSAC.
Contribution to Oversight:	Annual: To monitor the administration of the loan program and to identify risks.
Responsible Party:	<p>Annual Staffing Analysis: EDFUND: Chief Financial Officer and Vice-President, Finance & Administration CSAC: FPPD</p> <p>Quarterly and Monthly Staffing Report: EDFUND: Vice-President of Human Resources CSAC: FPPD</p>
CSAC Staff Review:	<p>Annual Staffing Analysis: Review and compare number of positions with staffing budget for the prior year and the current year. Analysis provides sufficient information to demonstrate projection of salaries and benefits in the proposed budget are reasonable.</p> <p>Quarterly and Monthly Personnel Reports: Analyze and monitor recruitment status of vacancies. Review and identify significant trends that could impact delivery of services.</p>
CSAC Staff Reports:	<ol style="list-style-type: none"> 1. If FPPD identifies issues, staff consults with Executive Director, Chief Deputy Director, and legal counsel; prepares Issue Analysis Report.

	<ol style="list-style-type: none"> 2. Provides Issue Analysis Report to EDFUND for comments. 3. Presents staff analysis and recommendations to the Commission at its next appropriate meeting for consideration and approval.
Commission Action:	Review, discuss, and take action if necessary.

Other Documents/Reports Item 4: Quarterly Ombudsman Report

Required by:	Operating Agreement: Section III, RS-3
Timeline/Due Date:	15 th day after quarter-end. Report will be available for review by electronic access.
Description:	<p>Quarterly statistical report that provides information on the Ombudsman’s activities, including the volume and general status of case inventory, sources of referrals and case volume by category</p> <p>The majority of loan-related complaints and inquiries are processed by EDFUND’s Post Default Services. The Ombudsman provides an additional means of conflict resolution that is intended to be informative, advisory and conciliatory.</p>
Purpose:	This report provides detail related to the borrower complaints and inquiries received by the Ombudsman Office.
Contribution to Oversight:	Provides a sample of data that reflects some indication as to the success of EDFUND in managing defaulted student loan accounts on behalf of the Commission.
Responsible Party:	EDFUND – Ombudsman CSAC – FPPD
CSAC Staff Review:	Analyze case volume to determine variances in number of cases resolved; analyze the types of cases to evaluate particular problem areas.
CSAC Staff Reports:	<ol style="list-style-type: none"> 1. If FPPD identifies issues, staff consults with Executive Director, Chief Deputy Director, and legal counsel; prepares Issue Analysis Report. 2. Provides Issue Analysis Report to EDFUND for comments. 3. Presents staff analysis and recommendations to the Commission at its next appropriate meeting for consideration and approval.
Commission Action:	Review, discuss and take action, as needed.

Other Documents/Reports Item 5: Major Technology Projects Status Report

Required by:	Operating Agreement: Service Level Agreement, Section III RQ-1
Timeline/Due Date:	No later than the 10 th of the month following quarter-end.
Description:	Quarterly. For major technology projects, includes at least the following reporting categories: project name and description, project start date, estimated completion date, milestone and budget status, issues/concerns.
Purpose:	To provide detail related to the major technology projects for the year.
Contribution to Oversight:	Analysis of this report will provide information to the Commission that reflects whether EDFUND is implementing major technology initiatives as approved per the budget.
Responsible Party:	EDFUND: Vice President of Technology Solutions and Services CSAC: FPPD
CSAC Staff Review:	Review and assess progress, schedule of critical delivery dates, resource commitment, reasonableness of budget/costs projections and verification/validation of requirements and architecture; develop recommendations based on evaluation.
CSAC Staff Reports:	<ol style="list-style-type: none"> 1. If FPPD identifies issues, staff consults with Executive Director, Chief Deputy Director, and legal counsel; prepares Issue Analysis Report.

	<ol style="list-style-type: none"> 2. Provides Issue Analysis Report to EDFUND for comments. 3. Presents staff analysis and recommendations to the Commission at its next appropriate meeting for consideration and approval.
Commission Action:	Review, discuss, and take action if necessary.

Other Documents/Reports Item 6: EDFUND Policies

Required by:	<ol style="list-style-type: none"> 1. California Education Code: Section 69526 2. Operating Agreement: Section 4.5
Timeline/Due Date:	As needed - EDFUND agrees to submit any new or revised policy to a designated individual on CSAC staff and/or such other individual(s) identified by the Commission within ten (10) days of such policy's adoption. Proposed policies having a potential material effect on the Operating Fund (see Operating Agreement, Section 6.1) will be submitted to the Commission and the EDFUND Board for review and approval.
Description:	EDFUND's administrative and fiscal policies for the operations of EDFUND and the administration of the loan program.
Purpose:	To ensure that the policies will not adversely impact the State's interest in the Commission's auxiliary and funds used to support the loan program. To ensure that administrative policies that may affect the civil service staff assigned to EDFUND are consistent with State requirements.
Contribution to Oversight:	Provide assurance that EDFUND is developing appropriate policy that will not only ensure its viability, but will also maintain the integrity of the Operating Fund and, which are consistent with the Commission's mission and overall goals for EDFUND.
Responsible Party:	EDFUND : Vice-President of Legal Services and External Relations CSAC: FPPD Chief, Personnel Manager
CSAC Staff Review:	For proposed policies having a material effect on the State's Operating Fund, analyze the policy impact, evaluate whether consistent with mission and goals for EDFUND, and assess whether policy adequately addresses federal changes in the student loan environment as well as the state policy decisions made by the Administration. For all EDFUND policies, review and evaluate the policy's compliance with State and Federal laws, regulations and restrictions.
CSAC Staff Reports:	<ol style="list-style-type: none"> 1. If FPPD identifies issues, staff consults with Executive Director, Chief Deputy Director, and legal counsel; prepares Issue Analysis Report. 2. Provides Issue Analysis Report to EDFUND for comments. 3. Presents staff analysis and recommendations to the Commission at its next appropriate meeting for consideration and approval.
Commission Action:	Review, discuss and take action, if necessary.

Oversight Meetings

Meetings Item 1: Operating Agreement Meetings

Operating Agreement Meetings are held quarterly, or as needed, to assist CSAC staff in monitoring loan program and synergy activities. CSAC and EdFund staffs involved in the following areas meet, as necessary: Administrative, Collections, Communications, Client Relations Managers, Human Resources, Outreach Efforts, Training and Technology.

Steps in the Process	
	1. The appropriate EdFund designee schedules meetings quarterly if needed and reminds group of "update" items from previous meetings that need to be addressed.
	2. Both CSAC and EdFund staff initiate discussion items.
	3. CSAC and EdFund staff meet as necessary to resolve issues and initiate new synergies and efficiencies.
	4. A summary of the meeting is prepared.
	5. If issues cannot be resolved in the meetings, they are escalated to the Executive Director and EdFund President for resolution.

Required by:	Operating Agreement: Article VIII, Section 8.6
Purpose of CSAC staff participation:	Serves as a mechanism for CSAC staff to monitor loan program and synergy activities between CSAC and EdFund.
Contribution to Oversight:	Ensures that EdFund is delivering the services and quality required by the Operating Agreement and that synergy activities are operating efficiently.
CSAC Staff Reports:	<ol style="list-style-type: none"> 1. If FPPD identifies issues, staff consults with Executive Director, Chief Deputy Director, and legal counsel; prepares Issue Analysis Report. 2. Provides Issue Analysis Report to EdFund for comment. 3. Presents staff analysis and recommendations to the Commission at its next appropriate meeting for consideration and approval.
Commission Action:	Review, discuss and take action, if necessary.

Meetings Item 2: EdFund Board Meetings

Required by:	Governance Policies: Assignment Policy 1
Description of CSAC staff participation:	Attend, provide comments, and alert the EdFund Board and/or its committees to CSAC staff's concerns prior to Board action.
Purpose of CSAC staff participation:	On behalf of the Executive Director as an ex officio member of the EdFund Board, FPPD staff reviews all agenda materials and, in the normal course of its oversight capability, monitors and analyzes the issues on an ongoing basis. FPPD staff prepares a briefing report that includes background information, questions and comments for the Executive Director to assist in providing policy analysis of issues impacting the Commission's participation in the federal student loan programs. This activity includes providing staff analysis, including consultation with legal counsel, of all issues before EdFund's Board of Directors and committees.
Contribution to Oversight:	Assess the potential impact of EdFund Board actions on the administration of the loan program and the Operating and Federal Funds.
CSAC Staff Reports:	<ol style="list-style-type: none"> 1. If FPPD identifies issues, staff consults with Executive Director, Chief Deputy Director, and legal counsel; prepares Issue Analysis Report. 2. Provides Issue Analysis Report to EdFund for comments.

	3. Presents staff analysis and recommendations to the Commission at its next appropriate meeting for consideration and approval.
Commission Action:	Review and discuss CSAC staff's analysis and recommendations, and take possible action.

Meetings Item 3: Discussion of Proposed or Pending Legislation or State/Federal Action

Required by:	Service Level Agreement: Section I, Item 10
Description:	Discussion of any proposed state or federal legislation that impacts the loan program. Research, analysis, data modeling and recommendations regarding any positions the Commission should consider.
Purpose:	To keep the Commission informed of any potential change to the loan program.
Contribution to Oversight:	Oversee the effects of legislative changes/proposals to enhance and protect the administration of the loan program.
CSAC Staff Reports:	<ol style="list-style-type: none"> 1. If any issues are identified, staff prepares bill analysis including recommendations regarding positions. 2. Presents bill analysis and recommendations to the Commission at its next appropriate meeting for consideration and approval.
Commission Action:	Review, discuss and take action, as necessary.

Meetings Item 4: Discussion of Issues as They Arise

In the course of its oversight and monitoring of EDFUND and the loan program, CSAC staff may become aware of issues or information from sources other than the audits and reports required by the Operating Agreement and Service Level Agreement that may warrant further review and analysis. These sources may include, but are not limited to: EDFUND management and staff, auditors, representatives from the Federal Department of Education; pertinent websites, members of the financial aid community, borrowers, and news articles.

Required by:	Governance Policies: Assignment Policy 3
Description:	During the course of review of the Student Loan Program issues may arise that require CSAC staff to do further analysis, research and consultation with EDFUND staff.
Purpose of CSAC staff participation:	Support the Commission's monitoring and oversight of EDFUND and the loan program.
Contribution to Oversight:	Support the Commissions fiduciary and stewardship responsibilities to the loan program.
CSAC Staff Reports:	<ol style="list-style-type: none"> 1. If FPPD identifies issues, staff consults with Executive Director, Chief Deputy Director, and legal counsel; prepares Issue Analysis Report. 2. Provides Issue Analysis Report to EDFUND for comments. 3. Presents staff analysis and recommendations to the Commission at the next appropriate meeting for consideration and approval.
Commission Action:	Review, discuss and take action if necessary.

CSAC Staff Reports to the Commission

A. Listing of Reports

This section lists all of the reports referenced in the above sections. Staff will prepare a report for each item listed below (this may often simply require completion of an Issue Analysis Form indicating that no issues were identified), in order to assure the Commission that staff is conducting the review and analysis prescribed in this Plan. Also, staff may prepare a single report compiling the information from the review of more than one item, in which case all of the reviewed items will be listed in the report.

ANNUALLY

1. EDFUND High Level Organizational Metrics (Plans/Reviews Item 6): As prescribed by CSAC Policy Statement and Guidelines Memo "EDFUND Incentive Compensation Plans" (approved by the Commission 06/22/07), the Executive Director reports his/her recommendations to the Commission Chair.
2. Performance Evaluation of EDFUND (Plans/Reviews Item 7): CSAC staff works with the Commission to develop the Annual Performance Evaluation of EDFUND. Following review and comment by EDFUND, the report is sent to the Commission for action.
3. California Student Aid Commission Annual Report to the Legislature regarding EDFUND (Plans/Reviews Item 8): Chief of Governmental Affairs Division presents to the Commission for review and approval.
4. Annual End of FFY Loan Program Statistics (Statistical Reports Item 1): FPPD prepares a Quarterly Summary Report and a Year-End Report describing trends and significant changes. If FPPD staff identifies any significant issues, they consult with Executive Director, Chief Deputy Director and legal counsel; prepare Issue Analysis Report.
5. Annual Report of EDFUND Market Share of California, Western Region, and Nationwide (Statistical Reports Item 2): FPPD prepares a Summary Report describing trends and significant changes. If FPPD staff identifies any significant issues, they consult with Executive Director, Chief Deputy Director and legal counsel; prepare Issue Analysis Report.
6. Annual Listing of Participating Schools and Lenders (Statistical Reports Item 3): FPPD staff prepares Quarterly and Annual Summary Reports including a synopsis of the listing; this report indicates which schools and lenders comprise the majority of the loan program portfolio, and how the portfolio is distributed across various sectors of schools and lenders. If issues are identified, CSAC staff consults with Executive Director, Chief Deputy Director and legal counsel; prepare Issue Analysis Report.

NOTE: Information from the following Quarterly and Monthly reports will be included in a "Dashboard Report" at each Commission meeting.

QUARTERLY

7. Unaudited Financial Statements and Analysis (Financial Reports Item 1): FPPD prepares a Quarterly Summary Report (a synopsis of its review, including trends identified and any significant variances along with any EdFund explanation of the variances). If FPPD staff identifies any significant issues, they consult with Executive Director, Chief Deputy Director and legal counsel; prepare Issue Analysis Report.
8. Quarterly Long-Range Forecast (Financial Reports Item 3): FPPD prepares a Quarterly Summary Report including a synopsis of its review and of the Long-Range Forecast (including trends as compared to past and current loan program data). If FPPD staff identifies any significant issues, they consult with Executive Director, Chief Deputy Director and legal counsel; prepare Issue Analysis Report.

9. Quarterly FFY Loan Program Statistics (Statistical Reports Item 1): FPPD prepares a Quarterly Summary Report and a Year-End Report describing trends and significant changes. If FPPD staff identifies any significant issues, they consult with Executive Director, Chief Deputy Director and legal counsel; prepare Issue Analysis Report.
10. Quarterly Listing of Participating Schools and Lenders (Statistical Reports Item 3): FPPD staff prepares Quarterly and Annual Summary Reports including a synopsis of the listing; this report indicates which schools and lenders comprise the majority of the loan program portfolio, and how the portfolio is distributed across various sectors of schools and lenders. If issues are identified, CSAC staff consults with Executive Director, Chief Deputy Director and legal counsel; prepare Issue Analysis Report.

MONTHLY

11. Monthly Detailed Cash Flow Forecast for the Federal and Operating Funds (Financial Reports Item 4): FPPD prepares a Monthly Summary Report including a synopsis of its review and of the Cash Flow Forecast (including trends as compared to past and current loan program data). If FPPD staff identifies any significant issues, they consult with Executive Director, Chief Deputy Director and legal counsel; prepare Issue Analysis Report.

For all other items listed in the sections above, if issues are identified FPPD staff will review and prepare an Issue Analysis Report.

B. Issue Analysis Report

This report is prepared to inform the Commission of any issues identified by CSAC staff resulting from review of information received from EdFUND or participation in oversight processes. The issue analysis process includes discussion with the appropriate, responsible EdFUND staff regarding the issue, and provides the opportunity for EdFUND staff to prepare an analysis of the issue. Any Issue Analysis Report prepared by CSAC or EdFUND staff must be reviewed by the other organization's staff before submission to the Commission, with time allowed to prepare a response. An Issue Analysis Report includes:

1. Statement of the Issue: a very succinct statement summarizing the issue.
2. Listing of Documents/Processes: list of documents reviewed and/or meetings attended.
3. Background and Significance: any essential historical information regarding how the issue developed, or the nature of the issue, and why the issue is significant to the Commission.
4. Findings: key data that summarizes CSAC staff's perspective on the issue, as well as EdFUND's response and comments.
5. Collaboration: what collaborative interaction between CSAC and EdFUND staff took place in the process of developing the above.
6. Options and Recommendation: a brief listing of the possible options available to the Commission to address the issue, and where appropriate, staff's recommendations with a supporting argument.

Addendum: Illustration of the Flow of Funds

