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Information/Action Item

California Student Aid Commission

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

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

After consideration and discussion of the consultant's preliminary findings, the Commission established an Ad Hoc Committee on Governance Roles and Responsibilities. The Ad Hoc Committee developed a draft outline of policies to guide the Commission on how to govern and oversee its grant and loan guaranty programs.

The Commission met on March 30, 2007 to consider and discuss the Ad Hoc Committee's proposed policies. At the April 18-20, 2007 Commission meeting, the Commission discussed the policies document and made additional edits.

On May 1, 2007, the Commission discussed and adopted changes to the draft policies but did not adopt a final policy document. The Commission also provided limited authority to the Ad Hoc Committee, with assistance from The Results Group, to make additional edits for the Commission's consideration at the June Commission meeting.

At its June 21-22, 2007 Commission meeting, the Ad Hoc Committee presented two revised draft documents of the Governance Policies dated May 3, 2007. Draft 1 included edits by Commissioner Hernandez and EDFUND President Sam Kipp. Draft 2 included edits by Executive Director Michel. However, the Commission postponed discussion of the draft policies documents due to the need to finalize the Operating Agreement, which includes the Annual Oversight Plan.

The Results Group will provide a status update on the Governance Policies document.

Responsible Parties: Ad Hoc Committee on Governance Roles and Responsibilities

The Results Group

- Michael Wright, Project Coordinator

MEMORANDUM

August 28, 2007

From: Commission Ad Hoc Committee (Commissioners Johnston and Galligani)

To: All Commissioners

Re: Attached documents for your review before the Commission meeting.

Attached are two very important documents that will be discussed at the upcoming Commission meeting. Please review them and come prepared to discuss them.

It is imperative that these two documents be finalized and adopted at the meeting, if at all possible – the Bureau of State Audits has requested them and expects to have them immediately after the meeting, and other State agencies are anxious to see them as well.

1. Annual Oversight Plan. This document was developed by CSAC staff, with support from the consultants. EdFund staff reviewed it and provided comments. The Ad Hoc Committee then reviewed the document in detail, and prepared the attached draft. In a few cases, the Committee had conflicting input from CSAC and EdFund staff, or developed language of its own. In instances where the Committee considered these changes substantive enough to warrant it, language from CSAC or EdFund staff are included in italics.

2. Commission Policies. As you may recall, at the June meeting the Commission discussed this document and agreed to it in concept. This draft includes all changes agreed upon by the Commission at that meeting. Subsequently, CSAC and EdFund staff, as well as one Commissioner, have suggested some revisions. If there is time at the Commission meeting, the Committee is prepared to present these suggested changes for Commission discussion. If there is not time, it is suggested that this version be formally adopted and, recognizing that as a “living document” it will be revised periodically, changes be discussed at the next Commission meeting and, if necessary, a revised Policies document can be adopted.



Governance Policies

June 14, 2007

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Introduction

Purpose and Types of Policies

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

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

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

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

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

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

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

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

Entity and Program Names

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

- The Commission's grant programs, including related specialized grant, scholarship, loan assumption, and outreach programs administered by CSAC staff, are referred to as the “grant program.”
- The Commission's loan guaranty programs and related outreach efforts, administered by EdFund, are referred to as the “loan program.”
- The five entities that comprise CSAC are referred to as:

The Commission: the appointed governing body of the entire organization.

Grant program staff: civil service staff who operate the grant program.

FPPD staff: Federal Policy and Programs Division staff who support the Commission in its oversight of EdFund.

The EdFund Board: the Commission-appointed governing body of the nonprofit.

Loan program staff: the employees of EdFund who operate the loan program.

Reasonable Interpretation

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

Ends Policies

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

Global Policy: Ends

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

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

Ends Policy 1: Grants and Specialized Aid to California Students

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

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

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

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

Ends Policy 2: Student Loans and Services

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

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

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

Ends Policy 3: Maximizing of Services and Revenues

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

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

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

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

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

Commission Governance Process Policies

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

Global Policy: Commission Governance Process

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

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

Commission Governance Policy 1: Governance Philosophy

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

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

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

Commission Governance Policy 2: Commission's Role

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

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

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

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

Governance Process

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

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

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

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

Planning

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

Program Oversight

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

M. Loan Program

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

Personnel Practices

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

Internal and External Communication

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

- P. The Commission will maintain a working relationship with, and seek the advice and perspectives of, key stakeholder groups and advisory bodies.
- Q. In furtherance of the above governance philosophy and policies regarding public policy and legislation, the Commission Chair or an appropriate Committee Chair or Commission member will participate in significant interactions with key elected and appointed officials, supported by grant and/or loan program staff.

Commission Governance Policy 3: Commission Chair's Role

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

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

Commission Governance Policy 4: Commissioner Role and Code of Conduct

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

- A. Commissioners will be responsible to understand and act according to the provisions of the Bagley-Keene Open Meetings Act and the Fair Political Practices Code.
- B. Once the Commission has reached a decision, which is accomplished by majority vote, all Commissioners will, in their role as Commissioners, speak with a single official voice and act accordingly.
- C. Commissioners will abide by the Commission Code of Conduct, which will be adopted and revised as necessary by the Commission.
- D. In communicating with any external stakeholder (e.g., the public, the media, representatives of financial or educational institutions or associations, etc.), Commissioners will not convey information that is proprietary or confidential, and will protect intellectual property and

confidentiality of consumer identity (e.g., students and families). When representing the Commission, as distinct from speaking as individuals, Commissioners will not:

1. Discuss issues, policies, decisions, or programmatic information of any substance without appropriate authorization from the Commission Chair.
2. Take an official position contrary to that of the Commission, or represent interests contrary to those of the Commission, without making it explicit that such position or interests are not those of the Commission, and are being taken by the individual as a private citizen, not in their role as a Commissioner. If such a position is taken as an individual, that Commissioner will inform the Commission Chair of such communications in advance whenever possible, or if not possible, within two working days thereafter.
3. Conduct significant discussion of issues, policies, or future Commission decisions upon which the Commission has not taken a position in writing, without first conferring with the Commission Chair or his/her designated Commissioner(s) regarding the issues, policies, or Commission decisions to be discussed.

Commission Governance Policy 5: Committees

Commission committees are established to help the Commission fulfill its responsibilities by assessing policy issues, alternatives, and implications to support Commission deliberation, and carry out other tasks as assigned by the Commission. This policy applies to any group that is formed by Commission action, whether or not it is called a committee and regardless of whether the group includes Commission members.

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

Commission Governance Policy 6: Making Requests of Staff

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

Assignment and Responsibilities Policies

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

Global Policy: Assignment and Responsibilities

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

Assignment Policy 1: Executive Director

GRANT PROGRAM

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

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

Planning

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

Program Operations

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

Fiscal Operations

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

Personnel Practices

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

Internal and External Communication

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

LOAN PROGRAM

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

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

Assignment Policy 2: EdFund Board and President

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

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

Planning

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

Program Operations

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

Fiscal Operations

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

Personnel Practices

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

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

Internal and External Communication

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

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

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

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

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

1. Supporting the Commission's oversight of loan program strategic planning, annual planning, and budget development, according to the process and timeline set forth by the Commission.
2. Supporting the Commission's oversight by receiving, reviewing, and verifying information received from the loan program in accordance with the Operating Agreement and the Annual Oversight Plan.

3. Supporting the Commission, as requested by the Commission or the Executive Director, in providing information to external parties such as state control agencies, the Legislature, and the Governor's office, in accordance with the Commission's External Communications Policies herein.

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

Executive Parameters Policies

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

Global Policy: Executive Parameters

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

Executive Parameters Policy 1: Strategic and Annual Planning

GRANT PROGRAM

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

LOAN PROGRAM

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

Executive Parameters Policy 2: Program Operations

GRANT PROGRAM

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

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

LOAN PROGRAM

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

Executive Parameters Policy 3: Fiscal Operations

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

GRANT PROGRAM

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

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

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

At appropriate times throughout the year, the Executive Director, in collaboration with the EdFund Board/President and EdFund internal audit staff, will complete and forward reports and documents as necessary to the appropriate state agencies in regard to the Student Loan Operating Fund and Federal Fund. These reports are listed and described in the Annual Oversight Plan. The Executive Director, EdFund Board/President, and EdFund internal audit

staff will do so under the guidance and direction of the Commission and its appropriate committee, and according to the procedures established in the Annual Oversight Plan.

LOAN PROGRAM

E. *Financial Planning and Annual Budgeting.* In conducting loan program operations, the EdFund President will:

- 1) Provide sufficient information to the EdFund Board and Commission to demonstrate credible projection of revenues and expenses, capital expenditures, and cash flow.
- 2) Clearly articulate to the EdFund Board and Commission all critical planning assumptions.
- 3) Present a proposed operating budget for each fiscal year that supports the achievement of the strategic and annual plan goals approved by the EdFund Board and the Commission, including goals relating to further improvement of the cost effectiveness of the loan program as a percentage of loans guaranteed.
- 4) Project how EdFund programs will generate annual loan program revenues net of expenses to accomplish the priorities set forth in the Ends Policies.

F. *Loan Program Expenditures.* The EdFund President will take all reasonable and prudent measures to ensure that loan program activities and expenditures will not cause or allow the development of fiscal jeopardy. These measures will include ensuring that:

- 1) Loan program expenditures remain within the multi-year expense projections and efficiency targets established by the EdFund Board and the Commission, and result in a total year-end variance amount (budget-to-actual) that does not exceed the operating contingency established in the approved budget.
- 2) Loan program purchases have been made such that prudent protection has been provided against conflict of interest, and all purchases are in conformance with EdFund procurement and contracting policy and with applicable state and federal requirements.
- 3) Payroll and debts are settled in a timely manner.
- 4) Tax payments or other government-ordered payments are paid in a timely manner.
- 5) Receivables that can reasonably be collected are aggressively pursued.

It is anticipated that continued legislative and regulatory changes will likely occur and will alter and/or reduce revenues paid to guaranty agencies. EdFund will update and provide to the Commission its multi-year projections for the Federal Fund, Operating Fund and Operating Reserve Fund within 90 days of such changes.

G. *Asset Protection.* The EdFund Board/President will take all reasonable and prudent measures to ensure that the loan program's assets are protected, adequately maintained, and not unnecessarily risked. These measures will include:

- 1) Insuring against theft and casualty losses to a level that could materially affect the operations of the organization.
- 2) Ensuring that personnel with access to material amounts of funds are bonded.
- 3) Ensuring that the organization, the Commission, and EdFund staff are not unnecessarily exposed to claims of liability.

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

Executive Parameters Policy 4: Personnel Practices

GRANT PROGRAM

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

LOAN PROGRAM

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

Executive Parameters Policy 5: Internal Communications and Commission Support

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

The Executive Director and EdFund Board/President will:

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

Executive Parameters Policy 6: External Communications

- A. **Collaboration.** In communicating with external parties about the other's program, the Executive Director and EdFund President will provide each other information, coordinate communication, and as necessary participate jointly in presenting information in order to fully and accurately represent the Commission and its programs.
- B. **Confidential Information.** In communicating with the public, the media, representatives of financial or educational institutions or associations, or similar external constituencies, the Executive Director and the EdFund Board/President will not release information that is proprietary or confidential, and will protect intellectual property and confidentiality of consumer identity (e.g., students and families).
- C. **Taking Official Positions.** The Executive Director, EdFund Board, EdFund President, and their respective staffs will not take a position contrary to a position adopted by the Commission, or represent interests contrary to those of the Commission, without making it explicit that such position or interests are not those of the Commission and are being taken by the individual as a private citizen, not in their role in the CSAC organization. If such a position is taken as an individual, he or she will inform the Commission Chair of such communications in advance whenever possible, or if not, as soon as possible but no later than two working days thereafter.

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

Monitoring and Oversight Policies

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

Global Policy: Monitoring

The Commission has responsibility for oversight of its grant and loan programs. The Commission cannot delegate the ultimate responsibility for this oversight to the Commission's Chair or its committees, the Executive Director, FPPD staff, the EdFund Board, or the EdFund President. To fulfill this responsibility, the Commission will monitor the grant and loan program organizations to ensure compliance with all Commission policies and applicable state and federal laws and regulations.

Monitoring Policy 1: Overall Compliance with Commission Policies

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

Monitoring Policy 2: Ends

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

GRANT PROGRAM.

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

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

- C. Costs incurred in providing grant and outreach programs reported by major cost center, as specified by the Commission, for the current quarter and fiscal year to date, as compared to the budgeted amounts and same periods in the previous fiscal year.
- D. Efficiency, processing performance, and quality metrics, as specified by the Commission, for the current quarter and fiscal year as compared to the same periods in the previous fiscal year.

LOAN PROGRAM.

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

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

Monitoring Policy 3: Commission Governance

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

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

Monitoring Policy 4: Assignment and Responsibility

On an ongoing basis, the Commission committee responsible for governance practices will assess the effectiveness of and compliance with the Commission's Assignment and Responsibility Policies by the Executive Director, EdFund Board/President, and FPPD or its successor. On an annual basis it will conduct an overall assessment of such compliance, and will prepare and present a report of its findings to the Commission, including any recommendations to improve clarity of these policies or compliance therewith.

Monitoring Policy 5: Strategic and Annual Planning

GRANT PROGRAM

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

LOAN PROGRAM

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

OVERARCHING CSAC STRATEGIC PLAN

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

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

Monitoring Policy 6: Fiscal Operations

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

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

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

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

- 3) As completed, summary of internal grant program audit findings and resolutions to the satisfaction of grant program management and the Commission's Audit Committee.

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

At appropriate times throughout the year, the Executive Director, in collaboration with the EdFund Board/President and EdFund internal audit staff, will present to the appropriate Commission committee draft reports and documents to be submitted as necessary to the appropriate state agencies in regard to the Student Loan Operating Fund and Federal Fund. The Executive Director, EdFund Board/President, and EdFund internal audit staff will complete these reports and documents, and will submit them to the appropriate state agencies, under the guidance and direction of the Commission and its appropriate committee, and according to the procedures established in the Annual Oversight Plan.

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

D. On annual basis:

- 1) The operating budget for the loan program approved by the EdFund Board which complies with the Commission's Financial Planning and Annual Budget Policy and which is consistent with the loan program strategic and annual goals adopted by the Commission.
- 2) A financial, system, and compliance audit of the loan program performed by an independent auditing firm approved by the Commission and EdFund Board Audit Committees, including audited financial statements.
- 3) External audits or reviews performed by the federal Department of Education (e.g., FFEL program compliance audit, VFA review), and by state entities (e.g., annual FFEL program compliance audit performed by the Bureau of State Audits).
- 4) A schedule of planned internal audits and reviews of EdFund and its programs for the fiscal year. (Internal Auditor)
- 5) A report reviewing, and as necessary indicating updates to, procedures to ensure that all reasonable and prudent measures are being taken to ensure that the loan program's assets are protected, adequately maintained, and not unnecessarily risked (pursuant to the specific provisions in the Executive Parameters policies).

E. At each regularly-scheduled Commission meeting:

- 1) A summary report describing the organization's current financial condition, including summarized financial statements (or a "dashboard" report) any items of significance to the overall financial performance of the organization, including at a minimum:
 - a) Year-to-date expenditures, as compared to the annual budget, with projection for year-end results.
 - b) Any significant budget variances based on the categories determined by the Commission.
 - c) Year-to-date and projected use of the operating contingency established as part of the annual budget.

- d) Progress toward the attainment of the cost efficiency metrics established pursuant to the annual plan.
 - 2) A report, reviewed and approved by the EdFund Board, on the balance in the Federal Fund, Operating Fund, and Operating Reserve Fund, and the projected ability to meet the minimum reserve levels established by the Commission during the remainder of the fiscal year.
- F. Periodically as appropriate:
- 1) As scheduled, information on audits or reviews to be performed by the State or Federal government.
 - 2) As completed, audits or reviews performed or required by the State or federal government.
 - 3) As completed, summary of internal audit findings and resolutions to the satisfaction of EdFund management and the EdFund Board.

Monitoring Policy 7: Personnel Practices

Annual Executive Performance Reviews

At least annually, the Commission will conduct a performance evaluation of the Executive Director, pursuant to the specific provisions in Governance Policy 2-N above. At least annually, the Commission will receive and review from the EdFund Board a summary of its performance evaluation and subsequent-year goals for the EdFund President. This review will include assessment of compliance with Commission policies herein.

EdFund Board Performance Assessment

As part of the annual assessment and report described in Monitoring Policy 3 above, the Commission's committee responsible for governance practices will conduct an assessment of the EdFund Board's performance, in conjunction with the statutorily required Annual Report to the Legislature. This assessment will be based on the policies herein, and will include discussion with the EdFund Board regarding ways to improve governance practice and Commission and Board oversight of the loan program. This review will also include, based on input from the Executive Director, assessment of EdFund's performance with respect to the administrative services provided by EdFund to the grant program.

Monitoring Policy 8: Internal/External Communications and Commission Support

As part of the annual assessment and report described in Monitoring Policy 3 above, the Commission's committee responsible for governance practices will conduct an assessment of compliance with the Commission's policies regarding Internal and External Communications, specifically the following four Policies:

- Commission Governance Policy 2 (entitled "Commission's Role").
- Commission Governance Policy 4 (entitled "Commissioner Role and Code of Conduct").
- Executive Parameters Policy 5 (entitled "Internal Communications and Commission Support").
- Executive Parameters Policy 6 (entitled "External Communications").

This assessment will consider compliance by the Commissioners, the Executive Director, and the EdFund Board/President. It will assess the extent to which the Executive Director and EdFund Board/President have kept the Commission informed (e.g., regarding industry trends, staff points of view, etc.) and have supported the Commission in its external communication responsibilities (e.g., appropriately supporting Commission communication with government officials).

The report will identify any substantial lack of compliance, the reason for it, and steps that have been taken or that need to be taken, including any recommended Commission action, to achieve compliance.

In addition:

- A. The annual evaluation of the Executive Director and EdFund President (described above) will include assessment of compliance with the Commission's Communications Policies.

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

9.b

Information/Action Item

California Student Aid Commission

Consideration of the Commission's Annual Plan for Oversight of EDFUND

Article VIII of the new Operating Agreement between the California Student Aid Commission and EDFUND was added to address the Commission's oversight of the loan program and EDFUND. The Operating Agreement specifies that the Commission shall conduct its oversight responsibilities through independent audits, reports and an Annual Oversight Plan.

At the June 21-22, 2007 Commission meeting, the Ad Hoc Committee on Governance presented an outline of the draft Annual Oversight Plan. The Results Group later met with Federal Policy & Programs Division (FPPD) staff on June 28 to discuss the outline of the plan, including current oversight processes and reports. On July 9, the Ad Hoc Committee provided CSAC staff with a partially complete draft Annual Oversight Plan and requested that CSAC staff complete the missing areas. FPPD staff provided proposed revisions on July 13 and, based on additional meetings with the Ad Hoc Committee and CSAC staff, The Results Group incorporated those edits into subsequent iterations of the Plan. At the request of the Ad Hoc Committee, FPPD staff provided additional revisions to the draft Plan on August 13, 2007.

The Ad Hoc Committee and The Results Group will provide an update on the draft Annual Oversight Plan.

Responsible Parties: Ad Hoc Committee on Governance

- The Results Group
- Michael Wright, Project Coordinator

MEMORANDUM

August 28, 2007

From: Commission Ad Hoc Committee (Commissioners Johnston and Galligani)

To: All Commissioners

Re: Attached documents for your review before the Commission meeting.

Attached are two very important documents that will be discussed at the upcoming Commission meeting. Please review them and come prepared to discuss them.

It is imperative that these two documents be finalized and adopted at the meeting, if at all possible – the Bureau of State Audits has requested them and expects to have them immediately after the meeting, and other State agencies are anxious to see them as well.

1. Annual Oversight Plan. This document was developed by CSAC staff, with support from the consultants. EdFund staff reviewed it and provided comments. The Ad Hoc Committee then reviewed the document in detail, and prepared the attached draft. In a few cases, the Committee had conflicting input from CSAC and EdFund staff, or developed language of its own. In instances where the Committee considered these changes substantive enough to warrant it, language from CSAC or EdFund staff are included in italics.

2. Commission Policies. As you may recall, at the June meeting the Commission discussed this document and agreed to it in concept. This draft includes all changes agreed upon by the Commission at that meeting. Subsequently, CSAC and EdFund staff, as well as one Commissioner, have suggested some revisions. If there is time at the Commission meeting, the Committee is prepared to present these suggested changes for Commission discussion. If there is not time, it is suggested that this version be formally adopted and, recognizing that as a “living document” it will be revised periodically, changes be discussed at the next Commission meeting and, if necessary, a revised Policies document can be adopted.



CSAC Annual Plan
for Oversight of EdFund

DRAFT FOR COMMISSION REVIEW ONLY

August 27, 2007

CSAC Annual Plan for Oversight of EdFund

Draft for Commission Review Only

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Table 1: 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 on subsequent pages.

Annual Planning, Budgeting, and Periodic Performance Reviews

1. EdFund Strategic Plan
2. EdFund Strategic Plan Quarterly Updates
3. Annual Loan Program Business Plan
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 (USED) 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 Audit of Internal Controls
6. EdFund Internal Audit Reports
7. 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 and End of FFY Loan Program Statistics
 2. Report of EDFUND Market Share of California, Western Region, and Nationwide
 3. Monthly and Annual Listing of Participating Schools and Lenders
- C. Other Reports
 1. Compliance with Operating Agreement and Service Level Agreement
 2. Monthly Contract Log
 3. Staffing Analysis and Personnel Reports
 4. Quarterly Ombudsman Report
 5. Major Technology Projects Status Report
 6. EDFUND Policies

Oversight Meetings

1. Quarterly 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

CSAC Staff Certifications

1. Guaranty Agency Participation Documents
2. Lender Agreement Documents
3. Tax Offset Requirements
4. Audit Requirements
5. Operating Agreement and Amendments
6. Operating Fund and Federal Fund Financial Statement Audit
7. Invoices and Claims Schedules

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 the management decision-making of EdFund. 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 CSAC-EdFund Operating Agreement.

The Annual Oversight Plan

This Annual Oversight Plan is developed as specified in the California Student Aid Commission (CSAC)-EdFund Operating Agreement, 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 periodic Performance Reviews; 2) Audits; 3) Reports Submitted 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

CSAC is the state designated guaranty agency for California responsible for receiving any federal funds for administrative costs and payments of insurance obligations, for receiving funds collected from defaulted borrowers, and for 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 currently in the custody and control of CSAC.

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 final section of this Plan entitled "CSAC Staff Certifications" lists and describes these documents.

Additional language suggested by CSAC staff:

The Commission's Executive Director, as the executive officer for CSAC, is responsible for policy leadership, financial and programmatic management of the day-to-day operations of the Commission, including its administration of the state's Cal Grant Program, specialized programs, and public awareness and outreach programs. The Executive Director is the chief executive officer of the guaranty agency, representing the State and the Commission, and is responsible for ensuring that CSAC's Federal Family Education Loan (FFEL) Program programmatic and fiduciary responsibilities are carried out in accordance with federal and state laws and regulations.

The Executive Director is responsible for fiscal management of all financial aid funds and programs administered by CSAC consistent with federal and state requirements and procedures and CSAC policies. The Chief of Management Services and the Fiscal Officer manage the day-to-day financial operations for CSAC. This responsibility includes the oversight of all funds appropriated to, and managed by CSAC.

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 conduct 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. Also, the Federal Policy and Programs Division FPPD is the primary staff division that supports the Commission's oversight activities

Additional language suggested by CSAC staff:

As the chief executive officer of the state's guaranty agency, the Executive Director is the state official responsible to the United States Department of Education for the administration of the federal student loan program. In that capacity, the Executive Director has the authority to seek any and all information required to verify such statements.

Federal Policy and Program Division (FPPD) is the primary division charged with providing oversight to the FFEL Program and EdFUND and reports directly to the Executive Director. 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 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.

The CSAC Chief Executive Auditor coordinates and oversees all internal and external audits of the Commission, and provides coordination in consultation with EdFUND of the audit program of EdFUND. The CSAC Chief Executive Auditor coordinates and consults with EdFUND on the audit processes and responses to findings on audits or reviews conducted by external audit agencies, e.g. Bureau of State Audits, Office of Inspector General, United States Department of Education (USED), and Office of State Audits and Evaluation; including, but not limited to, the independent audit of the Federal Fund and Student Loan Operating Fund, and program reviews conducted by the USED or contracted auditors of guaranty agency operations. The CSAC Chief Executive Auditor coordinates FFEL Program audits with

the EDFUND Vice President of Audit Services and reports to the Joint Commission/EDFUND Audit Committee on external FFEL Program audits.

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 provide timely and accurate data as required in this Plan and the Operating Agreement, and collaborate 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 FY 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 conducted in a timely manner, presented in written form, accurate, and as appropriate include recommendations for Commission action.
- 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 Performance Reviews
- Audits
- Documents and Reports Submitted by EdFund
- Oversight Meetings

The next section provides a listing of the items in each these categories.

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 (such as the section of the Operating Agreement or a citation of the statute) that establishes the requirement for this oversight item.
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 the 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. In most cases, staff will prepare an Issue Analysis Report. 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 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 and EdFund staff as necessary, in order to gain the most insight and develop the most informed reports and recommendations.

Additional language suggested by CSAC staff:

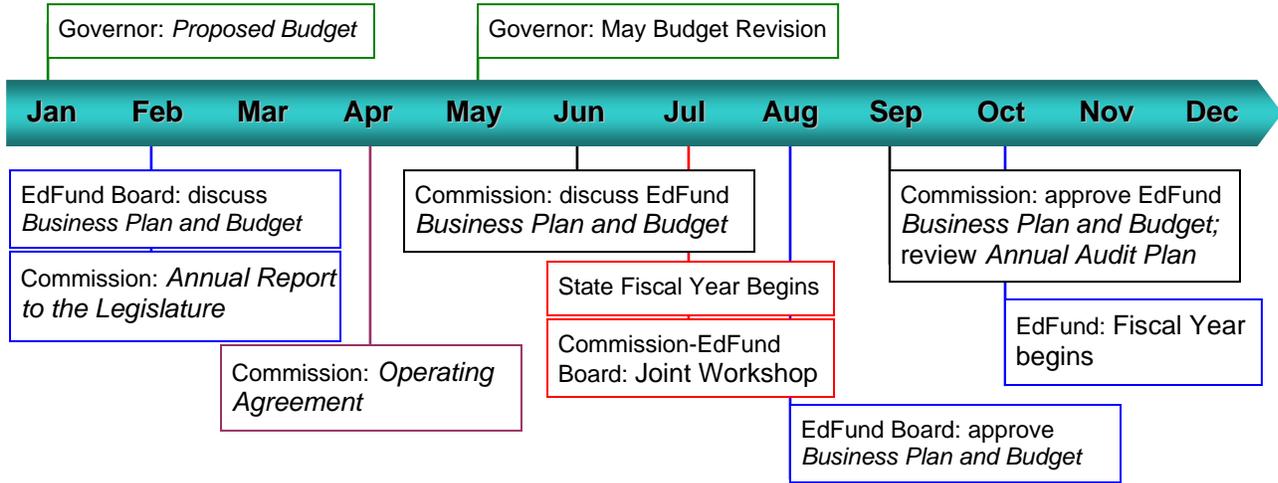
Although the Plan describes each of the specific items used for oversight, CSAC staff analyzes various EdFUND and loan program-related reports simultaneously in order to gain the most insight and develop the most informed recommendations. FPPD staff also discusses concerns with EdFUND. FPPD staff consults with the Executive Director, Chief Deputy Director and legal counsel to determine if an issue needs to be brought to the Commission's attention. The Executive Director may also consult with the Chair of the Commission during the deliberation of issues.

CSAC Staff Certifications

This section lists the documents requiring the endorsement of a state official representing the loan program. The authority to sign these documents on behalf of the Commission has been delegated to the Executive Director, who may in turn further delegate the authority to staff.

Annual Planning, Budgeting, and Reviews

Timeline



Plans/Reviews Item 1: EdFund Strategic Plan

Required by:	- Operating Agreement, Section III RO-1 - Governance Policies- Assignment Policy 2 and Monitoring Policy 5: EdFUND Board/President
Frequency:	Annually
Timeline/Due Date:	Completed by July 1 st
Description:	EdFUND's goals
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. FPPD staff identifies issues; consults with Executive Director, Chief Deputy Director and legal counsel; prepare Issue Analysis Report. 2. Provide Issue Analysis Report to EDFUND for their comments. 3. Present staff analysis and recommendations to the Commission at its next appropriate meeting for consideration and approval.
Commission Action:	Adopt, adopt with edits, or reject.

STRATEGIC PLANNING TIMELINE

Steps in the Process	Timeframe	Responsible Party
1. Approve the tentative timeline and five-year strategic planning process.		EdFUND and Commission
2. Brainstorming sessions (self-assessment of current strategic plan, including assumptions, goals and strategies)		EdFUND
3. Develop loan program goals and strategies.		EdFUND
4. Review drafts and finalize the strategic plan.		

Plans/Reviews Item 2: Annual Loan Program Business Plan

Required by:	- Operating Agreement, Article 4.6 - Governance Policies- Executive Parameters Policy 1: Strategic and Annual Planning; Executive Parameters Policy 2: Program Operations
Timeline/Due Date:	<u>EDFUND:</u> May 15 - 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 15 – EDFUND consults with CSAC staff & develops revisions; Commission and EDFUND Board review at the yearly July Joint Commission/EDFUND Board workshop; August 31 st - Final approval by EDFUND Board September 1 st - Submits final to Commission for review and approval. <u>CSAC:</u> June/July - Review proposed plan; provides perspective to Commission Sept.13 – 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 Commission and EDFUND Board for review and approval.
Purpose:	To ensure EdFUND’s administration of the FFEL Program maintains the fiscal viability, continued success of programs, and operates in alignment with its mission, goals, objectives, and activities.
Contribution to Oversight:	To ensure the Commission’s responsibilities are carried out appropriately for the Student Loan Programs.
Responsible Party:	EDFUND: President, Chief Financial Officer, and Vice-President for 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, as well as the long-range projections in the budget plan. The 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. The CSAC staff also utilizes external loan program resources in its analysis.
CSAC Staff Reports:	1. FPPD staff identifies issues; consults with Executive Director, Chief Deputy Director, and legal counsel; prepare Issue Analysis Report. 2. Provide Issue Analysis Report to EDFUND for their comments. 3. Present staff analysis and recommendations to the Commission at its next appropriate meeting for consideration and approval.
Commission Action:	Adopt, adopt with edits, or reject.

LOAN PROGRAM BUSINESS PLANNING TIMELINE		
Steps in the Process	Timeframe	Responsible Party
1. Begin developing the business plan, including revenue projections, long-term and positioning goals, marketing plan, financial plan, environmental scan, organizational overview, and executive summary.	Initiate in December.	EDFUND Executive Management Team (EMT)
2. Provide high-level conceptual presentation for CSAC staff on the business plan, budget and goals.	No later than May 15	EDFUND Staff
3. Prepare and provide to CSAC staff the first draft of business plan, budget and goals.	First business day of June.	EDFUND EMT
4. Review draft business plan and budget. Communicate concerns to Executive Director and submit questions to EDFUND staff.	June 1 - 27	FPPD Staff
5. Present an overview of the business plan, budget and goals to the Commission.	June Commission Meeting	EDFUND staff
6. Meet to discuss issues identified by CSAC staff.	No later than July 15	FPPD and EDFUND staffs
7. Discuss CSAC staff analysis and recommendations with EDFUND Finance & Budget Committee and staff. EDFUND Finance and Budget Committee adopt Annual Business Plan, Budget and Goals for recommendation to full Board for approval.	EDFUND Finance & Budget Committee Meeting	Executive Director, FPPD staff, EDFUND President and staff, and EDFUND Finance & Budget Committee
8. Revise draft business plan, budget and goals.	Mid-July	EDFUND EMT
9. Submit analysis report and recommendations for Executive Director, EDFUND President, Commission and EDFUND Board.	July Commission and EDFUND Board Workshop	FPPD staff
10. Present draft business plan, budget and goals to Commission and EDFUND Board.	July Commission and EDFUND Board Workshop	EDFUND staff
11. Discuss CSAC staff analysis and recommendations with EDFUND Finance & Budget Committee and staff.	EDFUND Finance & Budget Committee Meeting	Executive Director, FPPD staff, EDFUND President and staff, and EDFUND Finance & Budget Committee
12. Revise CSAC staff analysis and recommendations, as needed.	Mid-August	FPPD staff
13. Discuss CSAC staff analysis and recommendations with staff prior to review by EDFUND Board.	EDFUND Board Meeting	Executive Director, FPPD staff, EDFUND Board, President and staff.
14. Approve final business plan, budget and goals proposal, as amended.	No later than August 31	EDFUND Board
15. EDFUND staff presents final business plan, budget and goals proposal, as amended, to the Commission for review. CSAC staff presents analysis and recommendations (revised as needed) to the Commission for review.	No later than September 1	EDFUND and FPPD staffs.
16. Commission approves business plan, budget and goals proposal.	September Commission Meeting	Commission

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

Required by:	- Operating Agreement, Section III RO-1 - Governance Policies- Assignment Policy 2 and Monitoring Policy 5: EdFUND Board/President
Frequency:	Quarterly
Timeline/Due Date:	Typically presented at the following Commission meetings: [month, month, month, month]
Description:	Per the Operating Agreement; [t]he 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.
Purpose:	To update EdFund's strategic plan and ensure that it aligns with Commission policies, mission, goals, and objectives and to monitor the implementation of the strategic plan, including whether annual plan 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 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 strategic plan.
CSAC Staff Reports:	1. FPPD staff identifies issues; consults with Executive Director, Chief Deputy Director and legal counsel; prepare Issue Analysis Report. 2. Provide Issue Analysis Report to EdFUND for comments. 3. Present 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:	- Operating Agreement, Article 4.6 - Governance Policies- Executive Parameters Policy 3: Fiscal Operations
Timeline/Due Date:	<u>EdFUND:</u> May 15 - 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 15 – EdFUND consults with CSAC staff & develops revisions; Commission and EdFUND Board review at the yearly July Joint Commission/EdFUND Board workshop. August 31 st – final approval by EdFUND Board September 1 st submits final to Commission for review and approval <u>CSAC:</u> June/July – review proposed budget; provides perspective to Commission Sept.13 – 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 & CFO and VP 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, 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. The 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. The CSAC staff also utilizes external loan program resources in its analysis.
CSAC Staff Reports:	1. If any issues are identified, prepare Issue Analysis Report including recommendations to the Executive Director who shall consult with the Chair of the Commission and, if appropriate, the full Commission and/or its standing committee. 2. Communicate recommendations to EdFUND and its Board. 3. Present staff analysis and recommendations to the Commission at its next appropriate meeting for consideration and approval.
Commission Action:	Adopt, adopt with edits, reject.

LOAN PROGRAM BUDGET DEVELOPMENT TIMELINE		
Steps in the Process	Timeframe	Responsible Party
1. Begin developing the budget, including the core, project and discretionary budgets.	Initiated in December	EdFUND EMT
2. Provide high-level conceptual presentation for CSAC staff on the annual loan program business plan, budget and goals	No later than May 15	EdFUND staff
3. Prepare and provide to CSAC staff the first draft of business plan, budget and goals.	First business day of June	EdFUND staff
4. Review draft business plan, budget and goals. Communicate concerns to Executive Director and submit questions to EdFUND staff.	June 1 – 27	FPPD staff
5. Present high level general overview of business plan, budget and goals to the Commission.	June Commission Meeting	EdFUND staff
6. Meet to discuss issues identified by CSAC staff.	No later than July 15	FPPD and EdFUND staffs
7. Discuss CSAC staff analysis and recommendations with EdFUND Finance and Budget Committee and staff. EdFUND Finance and Budget Committee adopt Annual Business Plan, Budget and Goals for recommendation to full Board for approval.	EdFUND Finance and Budget Committee Meeting	Executive Director, FPPD staff, EdFUND President and staff, and EdFUND Finance & Budget Committee
8. Revise draft business plan, budget and goals.	Mid-July	EdFUND EMT
9. Submit analysis report and recommendations for Executive Director, EdFUND President, Commission and EdFUND Board.	July Commission and EdFUND Board Workshop	FPPD staff
10. Present draft business plan, budget and goals to Commission and EdFUND Board.	July Commission and EdFUND Board Workshop	EdFUND staff
11. Revise CSAC staff analysis and recommendations, as needed.	Mid-August	FPPD staff
12. Discuss CSAC staff analysis and recommendations with EdFUND Board and staff.	EdFUND Board Meeting	Executive Director, FPPD staff, EdFUND Board, President and staff.
13. Approve final business plan, budget and goals proposal, as amended.	No later than August 31	EdFUND Board
14. EdFUND staff presents final business plan, budget and goals proposal, as amended, to the Commission for review. CSAC staff presents analysis and recommendations (revised as needed) to the Commission for review.	No later than September 1	EdFUND and FPPD staffs.
15. Commission approves business plan, budget and goals proposal.	September Commission Meeting	Commission

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, CSAC Chief Audit Executive, FPPD
CSAC Staff Review:	Review the Plan for appropriate risk assessment.
CSAC Staff Reports:	1. CSAC staff identifies issues, prepare Issue Analysis Report. 2. Provide Issue Analysis Report to EDFUND for comments. 3. Present 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:	- Annual Loan Program Business Plan (Operating Agreement Section 4.6) - CSAC Policy Statement and Guidelines Memo “ EdFUND Incentive Compensation Plans” (Approved by the Commission 06/22/07)
Timeline/Due Date:	<u>Annual.</u> EdFUND : Mid-November CSAC: Mid-December Entire 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 the 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 the CSAC Policy Statement and Guidelines Memo "EDFUND Incentive Compensation Plans" (approved by the Commission 06/22/07), Commission Chair either concurs 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:	- California Education Code Section 69522(C)(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.
Purpose:	To provide the Commission with a mechanism to conduct an overall assessment 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 Legal Services & External Relations, Vice President Finance & Administration Division 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 applicable staff. Where possible FPPD staff will leverage 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:	- California Education Code Section 69529.5 - 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 administration of the loan program.
Responsible Party:	CSAC: Commission, Executive Director, Chief of Governmental and Public Affairs, and FPPD EdFUND: General Counsel and Vice President of External Relations Division
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 (USED) Audit

Required by:	- 34 CFR 682.410 (b) - Higher Education Act §432(f) - Operating Agreement Section 8.2.F
Timeline/Due Date:	Periodic, dictated by USED but usually one per year.
Description:	<u>External Audit</u> . The USED Financial Partners Guaranty Agency Review Guide provides a comprehensive description of the routine review performed by USED. USED (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: ED CSAC: Commission Audit Committee (in conjunction with the EdFund Audit Committee), Executive Director EDFUND: Vice President of Audit Services
CSAC Staff Review:	The Executive Director is the contact person for USED and is responsible for ensuring that staff provides USED with requested information in a timely manner and for management responses to audit findings. The Commission's Audit Committee works with USED during the course of the audit process. The Audit Committee reviews audit findings, with assistance as requested from CSAC staff and the EDFUND Vice President of Audit Services.
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:	If requested by USED auditors, 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.

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

Required by:	<ul style="list-style-type: none"> - Federal Office of Management and Budget Circular A-133 - Higher Education Act §428(b)(2)(D) - US Department of Education Title 34 CFR §682.410(b) - Public Law 104-156 - Operating Agreement Section 8.2E
Timeline/Due Date:	Entrance and Field work: August thru December Exit: January
Description:	<u>External Audit.</u> Federal Office of Management and Budget Circular A-133 provides a comprehensive description of the audit. OMB Circular A-133 is a rigorous, organization-wide audit or examination of an entity who expends \$500,000 or more of United States Federal assistance (commonly known as Federal funds, Federal grants, or Federal awards) received for its operations. Usually performed annually, the Single Audit's objective is to provide assurance to the US 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) auditors and agency staff to complete all the components that make up the "Single Audit Report." Report is reviewed by USED and findings may trigger subsequent audits or actions by USED.
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 practicable, rely upon and use audit work.
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 assess EDFUND's performance within the student loan industry.
Responsible Party:	External: Department of Finance and Bureau of State Audits CSAC: Commission, Executive Director EDFUND: 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:	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.
Commission Action:	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.

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

Required by:	<ul style="list-style-type: none"> - Government Code 12460 - Higher Education Act §428(b)(2)(D) - US Department of Education (USED) Title 34 CFR §682.410 - Annual memorandum from State Controller (SCO) to the Commission - 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 SCO: 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>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>Fulfill regulatory requirements. 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, Executive Director,</p> <p>EdFUND: Vice President of Audit Services, EDFUND Board</p>
CSAC Staff Review:	<p>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. FPPD 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:	- California Education Code Section 69527(a) - 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:	This audit 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 EdFUND: Vice President of Audit Services, EdFUND Board CSAC: Commission, Executive Director, FPPD
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:	- Employee Retirement Income Security Act (ERISA) Part 1 §103 - 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:	This audit 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 EdFUND: Chief Audit Executive Vice President of Audit Services CSAC: Commission, Executive Director, FPPD
CSAC Staff Review:	FPPD staff monitor 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. FPPD 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:	External Audit. 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 but rather 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 EdFund: Vice President of Audit Services, EdFund Board CSAC: Commission, Executive Director, FPPD
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. FPPD 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:	Internal Audit Reports: Operating Agreement Section 8.2 G
Timeline/Due Date:	Based upon approved Internal Audit Plan and upon completion.
Description:	Internal audits 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 the Commission, EdFUND and Management that its loan program has adequate internal controls.
Responsible Party:	EdFUND: Vice President of Audit Services, EdFUND Board CSAC: Commission, Executive Director, Chief Audit Executive, FPPD
CSAC Staff Review:	FPPD compares audit reports and follow-up to approved Internal Audit Plan to ensure required audits have been completed. The Commission's Audit Committee reviews audit findings, with assistance as requested from CSAC staff.
CSAC Staff Reports:	FPPD will report any potential issues or concerns to the Commission's Audit Committee as warranted.
Commission Action:	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 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:	EdFUND: Vice President of Audit Services CSAC: Commission, Executive Director, FPPD
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. The Commission's Audit Committee reviews audit findings, with assistance as requested from CSAC staff and the EdFund Vice President of Audit Services.
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:	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:	<u>Quarterly</u> : No later than 45 days after quarter-end. <u>Monthly</u> : 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 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. The 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 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. 2. Provide Summary Report and Issue Analysis Report to EdFUND for comments. 3. Present staff analysis and recommendations, including EdFUND responses, to the Commission at its next appropriate meeting for consideration and approval. <p>NOTE: The Committee also recommends this be reported to the Commission at each meeting as part of the "dashboard."</p>
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:	<u>Monthly</u> . 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 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. The 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. FPPD staff identifies issues; consults with Executive Director, Chief Deputy Director and legal counsel; prepare Issue Analysis Report. 2. Provide Issue Analysis Report to EdFUND for comments. 3. Present 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 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 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. 2. Provide Summary Report and Issue Analysis Report to EDFUND for comments. 3. Present staff analysis and recommendations, including EDFUND responses, to the Commission at its next appropriate meeting for consideration and approval. <p>NOTE: The Committee also recommends this be reported to the Commission at each meeting as part of the "dashboard."</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:	<u>Monthly.</u> 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 and Administration Division 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. The 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. FPPD prepares a 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. 2. Provide Summary Report and Issue Analysis Report to EDFUND for comments. 3. Present staff analysis and recommendations, including EDFUND responses, to the Commission at its next appropriate meeting for consideration and approval. <p>NOTE: The Committee also recommends this be reported to the Commission at each meeting as part of the "dashboard."</p>
Commission Action:	Review, discuss, and take action if necessary.

B. Statistical Reports

Statistical Reports Item 1: Monthly and 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:	<u>Annual</u> : No later than 75 days after federal fiscal year-end <u>Monthly</u> : No later than 30 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 opportunity.
Responsible Party:	EdFUND: Chief Financial Officer 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. The CSAC staff also utilizes external loan program resources in its analysis.
CSAC Staff Reports to the Commission:	<ol style="list-style-type: none"> 1. 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. 2. Provide Summary Report and Issue Analysis Report to EdFUND for comments. 3. Present staff analysis and recommendations to the Commission at its next appropriate meeting for consideration and approval. <p>NOTE: The Committee also recommends this be reported to the Commission at each meeting as part of the "dashboard."</p>
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 opportunity
Responsible Party:	EDFUND: Chief Financial Officer 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 staff identifies any significant issues, they consult with Executive Director, Chief Deputy Director and legal counsel; prepare Issue Analysis Report. 2. Provide Summary Report and Issue Analysis Report to EDFUND for comments. 3. Present staff analysis and recommendations to the Commission at its next appropriate meeting for consideration and approval. <p>NOTE: The Committee also recommends this be reported to the Commission at each meeting as part of the "dashboard."</p>
Commission Action:	Review, discuss, and take action if necessary.

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

NOTE: EdFund questions the need for monthly reporting.

Required by:	Annual: Operating Agreement Section 8.5 A.2 Monthly: Operating Agreement Section 8.5 C.2
Timeline/Due Date:	<u>Annual</u> : No later than 45 days after the federal fiscal year-end. <u>Monthly</u> : 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 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 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 issues are identified, CSAC staff consults with Executive Director, Chief Deputy Director and legal counsel; prepare Issue Analysis Report. 2. Provide summary report and, if issues are identified, an Issue Analysis Report, to EdFUND for comments. 3. Present summary report and, if issues are identified, staff analysis and recommendations to the Commission at its next appropriate meeting for consideration and approval. <p>NOTE: The Committee also recommends this be reported to the Commission at each meeting as part of the “dashboard.”</p>
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:	California Education Code 69522 (c)(1) and (d)(1) 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: EdFUND Administrative Director (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. FPPD staff identifies issues; consults with Executive Director, Chief Deputy Director and legal counsel; prepare Issue Analysis Report. 2. Provide Issue Analysis Report to EdFUND for comments. 3. Present 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 – General Counsel CSAC – FPPD Analyst
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. FPPD staff identifies issues; consults with Executive Director, Chief Deputy Director and legal counsel; prepare Issue Analysis Report. 2. Provide Issue Analysis Report to EdFUND for comments. 3. Present 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:	<u>Annual</u> : July 15 as part of annual budget process <u>Quarterly</u> : no later than the 2 nd week of the following quarter <u>Monthly</u> : no later than the 10 th day of each month
Description:	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. 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. 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.
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:	Annual Staffing Analysis - EDFUND: Chief Financial Officer CSAC: FPPD Associate Accounting Analyst Quarterly and Monthly Staffing Reports – EDFUND: Vice President of Human Resources CSAC: FPPD Analyst
CSAC Staff Review:	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. Quarterly and Monthly Personnel Reports: Analyze and monitor recruitment status of vacancies. Review and identify significant trends that could impact delivery of services.
CSAC Staff Reports:	1. FPPD staff identifies issues; consults with Executive Director, Chief Deputy Director and legal counsel; prepare Issue Analysis Report. 2. Provide Issue Analysis Report to EDFUND for comments. 3. Present 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:	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 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.
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 Borrower Appeal Analyst
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. FPPD staff identifies issues; consults with Executive Director, Chief Deputy Director and legal counsel; prepare Issue Analysis Report. 2. Provide Issue Analysis Report to EdFUND for comments. 3. Present 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:	<u>Quarterly</u> . 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, Technology Solutions and Services. CSAC: FPPD Technology Consultant
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. FPPD staff identifies issues; consults with Executive Director, Chief Deputy Director and legal counsel; prepare Issue Analysis Report. 2. Provide Issue Analysis Report to EdFUND for comments. 3. Present 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:	- California Education Code Section 69526 - Operating Agreement Section 4.5
Timeline/Due Date:	As needed - 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. Proposed policies having a potential material effect on the Operating Fund (see Operating Agreement, Section 6.1) shall 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 : General Counsel and Vice President of Legal Services 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:	1. FPPD staff identifies issues; consults with Executive Director, Chief Deputy Director and legal counsel; prepare Issue Analysis Report. 2. Provide Issue Analysis Report to EdFUND for comments. 3. Present 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: Quarterly Operating Agreement Meetings

The Quarterly Operating Agreement (OA) Meetings are intended 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.	EdFUND OA Liaison schedules meetings and reminds group of “update” items from previous meetings that need to be addressed.
2.	Discussion items are initiated by both CSAC and EdFUND staff.
3.	CSAC and EdFUND staffs meet as necessary to resolve issues and initiate new synergies and efficiencies.
4.	If issues cannot be resolved in the meetings, they are escalated to the Executive Director and EdFUND President for resolution.
5.	CSAC and EdFUND OA Liaisons provide minutes to group.

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. FPPD staff identifies issues; consults with Executive Director, Chief Deputy Director and legal counsel; prepare Issue Analysis Report. 2. Provide Issue Analysis Report to EdFUND for comment. 3. Present 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:	Commission Governance Policies Assignment Policy 1 – Executive Director’s Role – Loan Program
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. FPPD staff identifies issues; consults with Executive Director, Chief Deputy Director and legal counsel; prepare Issue Analysis Report. 2. Provide Issue Analysis Report to EdFUND for comments. 3. Present 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.

Steps in the Process	Timeframe	Participants
1. Provide meeting agendas to CSAC staff.	10 days prior to meeting	EdFUND Board Liaison
2. Review agenda material, perform necessary research, contact EdFUND staff for clarification, document any additional background information.	Prior to meeting	FPPD Staff
3. Prepare briefing report. Review with Chief and Executive Director.	Prior to meeting	FPPD Staff
4. Submit questions and concerns to EdFUND staff and, after staff review, to the Board (including EdFUND staff comments).	48 hours prior to meeting	FPPD Staff
5. Attend meeting, take notes, communicate concerns and recommendations.	Day of meeting	FPPD Staff

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, prepare bill analysis including recommendations regarding positions. 2. Present 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 US Department of Education; federal and other pertinent websites, members of the financial aid community, borrowers, and news articles.

Required by:	Governance Policies – Assignment Policy 3: Federal Policies and Programs Division or its Successor
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. FPPD staff identifies issues; consults with Executive Director, Chief Deputy Director and legal counsel; prepare Issue Analysis Report. 2. Provide Issue Analysis Report to EdFUND for comments. 3. Present 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.

Steps in the Process (FPPD)
1. Receive pertinent information.
2. Review, validate and analyze as needed.
3. Research and gather additional information acquired from federal and/or other pertinent websites.
4. Consult with appropriate EdFUND staff.
5. Consult with appropriate CSAC staff.
6. Identify other information and documentation needed and continue consultation process.
7. If an issue is identified that CSAC staff anticipates reporting to the Commission, follow steps noted below in “CSAC Staff Reports.”

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.

1. EDFUND High Level Organizational Metrics (Plans/Reviews Item 6): As prescribed by the 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): 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.

NOTE: The Committee recommends that information from the following reports be included in a "dashboard" report at each Commission meeting.

4. Unaudited Financial Statements and Analysis (Financial Reports Item 1): FPPD prepares a 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.
5. Quarterly Long-Range Forecast (Financial Reports Item 3): FPPD prepares a 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.
6. Monthly Detailed Cash Flow Forecast for the Federal and Operating Funds (Financial Reports Item 4): FPPD prepares a 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.
7. Monthly and End of FFY Loan Program Statistics (Statistical Reports Item 1): 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.
8. 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.
9. Monthly and Annual Listing of Participating Schools and Lenders (Statistical Reports Item 3): FPPD staff prepares 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 issues are identified, CSAC staff consults with Executive Director, Chief Deputy Director and legal counsel; prepare Issue Analysis Report.

For all other items listed in the sections above, 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. Listing of Documents/Processes: list of documents reviewed and/or meetings attended.
2. Statement of the Issue: a very succinct statement summarizing the issue.
3. Background and Significance: presents 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 1. Documents Regarding EdFund Submitted to State/Federal Agencies on Behalf of the Commission

PARTICIPATION IN FAMILY EDUCATION LOAN PROGRAM			
Item	Title	Current Responsibilities	Legal Requirements
1	<p>Guaranty Agency Participation Documents</p> <ul style="list-style-type: none"> • Guaranty Agency Basic Agreement and amendments to the Basic Agreement • Agreement for Federal Advances for claim payments • Agreement for Federal Reinsurance of Loans • Agreement to Participate in the Loan Rehabilitation Program 	<p>The Executive Director currently signs the guaranty agency participation documents confirming that the Commission is entering into an agreement with the United States Department of Education to fulfill its responsibilities regarding the Federal Family Education Loan Program.</p>	<ul style="list-style-type: none"> • Individuals who sign basic guaranty agreement documents are establishing an agreement between the Commission and the United States Department of Education to participate in Federal Family Education Loan Programs in order to receive the various payments and benefits related to that participation. • Individuals who sign federal advances for claim payment documents are establishing an agreement between the Commission and the United States Department of Education for Federal advances for claim payments. • Individuals who sign Federal Reinsurance of Loan documents are establishing an agreement between the Commission and the United States Department of Education to receive reimbursement for losses on default claims. • Through the United States Department of Education, individuals who sign the agreement to participate in the Loan Rehabilitation Program give the Commission authorization to sell rehabilitated loans to eligible lenders. <p>Applicable Citation(s)</p> <ul style="list-style-type: none"> • Code of Federal Regulations §682.400(1) • Code of Federal Regulations §682.400(2) • Code of Federal Regulations §682.400(3) • Code of Federal Regulations §682.400(4)

PARTICIPATION IN FAMILY EDUCATION LOAN PROGRAM

Item	Title	Current Responsibilities	Legal Requirements
2	<p>Lender Agreement Documents</p> <ul style="list-style-type: none"> • Standard Agreements • Certificates of Comprehensive Insurance • Blanket Certificates • Lender of Last Resort <p>Certificates of Guarantor</p>	<p>The Executive Director delegates to appropriate staff, currently the acting Chief of the Federal Policy and Programs Division, the signing authority to endorse agreements between the Commission and lending institutions wishing to participate in the Commission's Federal Family Education Loan Program (FFELP). Additionally, the acting Chief of Federal Policy and Programs Division confirms that loan program volume data, to be used by lenders in bond underwriting, is true and accurate.</p>	<p>On behalf of the Commission, the individual signing lender agreement documents authorizes lenders to participate in the loan program.</p> <p>Applicable Citation(s)</p> <ul style="list-style-type: none"> • Part B of Title IV of the Higher Education Act of 1965 • California Education Code - 69761.5
3	<p>Tax Offset Requirements</p> <ul style="list-style-type: none"> • Internal Revenue Service Treasury Offset Program Addendum • Franchise Tax Board Interagency Intercept Collections Program 	<p>The Executive Director currently signs tax offset requirement documents confirming that the Commission agrees to participate in the Interagency Intercept Collections program for the State of California. The Executive Director also confirms that the Commission agrees to notify individuals in order to collect defaulted student loans through offsets of federal tax refunds and other eligible federal payments of individuals indebted to the U.S. Government.</p>	<ul style="list-style-type: none"> • As the designated guaranty agency for the State of California, the Commission is responsible for entering into various tax offset agreements to fulfill the obligation to the FFEL Program. • Pursuant to the Debt Collection Act of 1982 and the Debt Collection Improvement Act of 1996, on USED's behalf, guaranty agencies are required to notify individuals to collect defaulted student loans. <p>Applicable Citation(s)</p> <ul style="list-style-type: none"> • Government Code Section 12419.5 • Government Code Section 12419.7 • Government Code Section 12419.9 • Government Code Section 12419.10 • Government Code Section 12419.11 • Debt Collection Act of 1982 • Debt Collection Improvement Act of 1996

PARTICIPATION IN FAMILY EDUCATION LOAN PROGRAM

Item	Title	Current Responsibilities	Legal Requirements
4	<p>Audit Requirements</p> <ul style="list-style-type: none"> • Single Audit Management Representation Letter • Request for Information on Federal Awards • California Single Audit: Status of Prior Audit Findings • Management Representation Letter for the Audited Financials – Operating Fund and Federal Fund • Annual State Internal Control Report and Certification Letter 	<p>The Executive Director currently signs audit requirement documents certifying that the Commission is responsible for submitting various documentation that accurately reflects financial operations in order to assist the Department of Finance or State Controller's Office in the preparation of annual financial reports/reviews.</p>	<ul style="list-style-type: none"> • Each entity head is required to submit annually, to the Department of Finance, a single representation letter on the entity's operations. • All state agencies are required to submit certain financial information related to federal awards received and disbursed to the Department of Finance. • The entity head is required to provide a document with detailed written responses related to the corrective actions taken by the California Student Aid Commission and its auxiliary (EdFund) regarding the reportable conditions in the previous fiscal year's Single Audit Report. • The entity head is required to provide a letter used to assist the State Controller's Office with the preparation of annual financial reports in accordance with generally accepted accounting principles. • The entity head is required to prepare and sign a report on the adequacy of the Commission's systems of internal accounting and administrative control in accordance with the guide prepared by the Department of Finance. <p>Applicable Citation(s)</p> <ul style="list-style-type: none"> • State Administrative Manual 20020 • State Administrative Manual 20070 • Reporting requirements of OMB Circular A-133 • Government Code Section 12460 • Government Code Section 13405

PARTICIPATION IN FAMILY EDUCATION LOAN PROGRAM

Item	Title	Current Responsibilities	Legal Requirements
5	Operating Agreement and Amendments to the Operating Agreement	Currently the Commission authorizes the Executive Director to sign operating agreements certifying that the Commission will carry out responsibilities as the designated guarantor of the FFEL Program for the State of California and take action if terms of agreement are not fulfilled.	<ul style="list-style-type: none"> • The Commission delegates to the Executive Director, authority/power to enter into and sign contracts on behalf of the Commission. • The Operating Agreement is the legally binding contract between the Commission and its non-profit auxiliary organization (EDFUND). <p>Applicable Citation(s)</p> <ul style="list-style-type: none"> • California Education Code - 69513.1 • California Education Code - 69522(d)(1) • California Education Code - 69529

FINANCIAL RESPONSIBILITIES FOR FEDERAL FAMILY EDUCATION LOAN PROGRAM

Item	Title	Current Responsibilities	Legal Requirements
6	<p>Financial Statements</p> <p><u>Fiscal Officer signs:</u></p> <ul style="list-style-type: none"> • Report of Accruals to Controller's Accounts • Accrual Worksheet • Adjustments to Controller's Accounts • Statement of Revenue • Final Reconciliation of Controller's Accounts with Final Budget Report • Pre-closing Trial Balance • Post-closing Trial Balance • Analysis of Change in Fund Balance • Report of Accounts Outside the Treasury System • Reconciliation of Agency Accounts with Transactions per State Controller • Statement of Changes in General Fixed Assets • Statement of General Fixed Assets • Statement of Financial Condition <p><u>Fiscal Officer and Executive Director sign:</u></p> <ul style="list-style-type: none"> • Final Budget Report 	<p>The Fiscal Officer and Executive Director signing the financial statements, who represents the State agency, is required to certify under penalty of perjury that financial statements are true and correct. The Student Aid Commission's financial statements reflect all funds supporting grant and loan program activities.</p>	<ul style="list-style-type: none"> • State agencies are required to submit reports and financial statements (on a legal basis) to the State Controller's Office (SCO) annually. • SCO requires the Commission to also submit SLOF and federal funds on a Generally Accepted Accounting Principles (GAAP) basis. • Agencies must retain detailed documentation to support the general ledger account balances shown on the financial statements for audit by the Department of Finance (DOF) and Bureau of State Audits (BSA) • Pursuant to the Government Code (GC) agencies must provide written certification, under penalty of perjury, that the information provided on the financial statements is true and correct. <p>Applicable Citation(s)</p> <ul style="list-style-type: none"> • State Administrative Manual (SAM) 7230 • SAM 7930 • SAM 7950 • SAM 7951 • Government Code (GC) 1090 Article 4, Chapter 1, Division 4, Title 1

FINANCIAL RESPONSIBILITIES FOR FEDERAL FAMILY EDUCATION LOAN PROGRAM

Item	Title	Current Responsibilities	Legal Requirements
7	<p>Invoices and Claim Schedules</p> <p><u>Federal Fund</u></p> <ul style="list-style-type: none"> • Claim Payments and Adjustments (CPA) Fixed Assets • Default Prevention Activity • Special Deposit Fund • Form 2000 <p><u>Student Loan Operating Fund</u></p> <ul style="list-style-type: none"> • EdFund Operating Expenses • Form 2000 • Non-Loan Program Expenses 	<p>The Financial Integrity and State Manager's Accountability Act holds agency heads accountable for activities carried out by their agency. The individual approving payment of invoices may be held financially liable in case of inappropriate authorization. The Executive Director has authority to sign invoices and delegates that authority to appropriate individuals. The Claim Schedules submitted to the State Controller's Office for payment of invoices are signed by Fiscal Management.</p>	<p>State agency heads are accountable for activities carried out in their agencies.</p> <p>The Financial Integrity and State Manager's Accountability Act (FISMA) was enacted to inhibit waste of resources and create savings.</p> <p>Individuals signing purchase documents should have knowledge in the procurement laws, policies, and procedures pertaining to the goods or services being procured.</p> <p>Individuals with signature authority who do not possess sufficient procurement knowledge and expertise, should prior to signing, have the document reviewed by someone who possesses such knowledge and expertise.</p> <p>Individuals who sign purchase invoices are responsible for determining that the invoice complies in form and content with rules and regulations of the State Board of Control.</p> <p>Internal accounting and administrative control procedures are methods through which management can give reasonable assurance that measures are being taken to safeguard assets, verify the accuracy and reliability of accounting data, and promote operational efficiency.</p> <p>Applicable Citation(s)</p> <ul style="list-style-type: none"> • Financial Integrity and State Manager's Accountability Act (FISMA) • SAM 1208 • SAM 3507 • SAM 8422.1 • SAM 8422.104 • SAM 20050 • SAM 20060 • Government Code (GC) 13400 -13407

Addendum 2. Loan Program Background Documents

NOTE: The Ad Hoc Committee suggests that Addendum 2 is not needed.

FEDERAL FAMILY EDUCATION LOAN PROGRAM MAJOR REVENUES AND EXPENSES

Student Loan Operating Fund (SLOF)

A guaranty agency may use the Student Loan 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.

Pursuant to California Education Code Section 69766, the contents of the SLOF are state funds in the custody of the Commission.

The FFEL Program revenue is derived from six specific primary sources authorized and regulated by the United States Education Department (USED). In addition to the six primary revenue sources, the Commission has also generated revenue under a Voluntary Flexible Agreement between the Commission and USED. FFEL Program revenue is initially received by EdFUND and then is deposited into the SLOF in the State Treasury.

Revenue

- **Loan Processing and Issuance Fee** – 0.40 percent of the principal of new loans guaranteed and disbursed is paid to the guaranty agency from USED on a quarterly basis.
- **Account Maintenance Fee** – 0.10 percent of the original principal in the outstanding loan portfolio is paid to the guaranty agency from USED on a quarterly basis. Various federal proposals could alter or reduce the amounts paid from this fee beginning October 1, 2007.
- **Net Collection Retention** – Collection dollars after USED's fair share is deducted. The Collection Retention from borrower payments has been gradually reduced in recent years from 27 percent to 23 percent as of October 1, 2003, while retention from collection payments obtained through borrowers' loan consolidations decreased from 18.5 percent to 10 percent in October 2006. Various Federal proposals could reduce the net collection retention rate from 23 percent to 16 percent for borrower payments beginning October 1, 2007.
- **Default Aversion Fee** – 1 percent of the principal and interest on accounts more than 60 days delinquent that are brought current by working with borrowers before their accounts become 270 days delinquent. This fee is currently paid from the Federal Fund.
- **Lender Premium Fee** – This fee represents a premium paid by lenders to the Commission for purchasing rehabilitated defaulted loans where EdFUND collection efforts have made the loans and borrowers eligible for reinstatement under the federal guarantee. This initiative began in 2005-06.
- **Investment Earnings** – Interest income from funds held in the Student Loan Operating Fund (SLOF).
- **Voluntary Flexible Agreement (VFA) Payments** – Performance-based payments made to the Commission by USED under the terms of the Commission's VFA. In fall 2004, USED requested renegotiation of the terms of the Commission and EdFUND's VFA. After the renegotiation, the Commission submitted a revised VFA to USED but no action has been taken. Under current the VFA terms, the Commission is only receiving payment from one of the three revenue streams.

Expenses

- **EdFUND** - In January 1996, the Commission provided a cash advance of \$20 million from the SLOF to EdFUND for working capital. EdFUND pays monthly operating and loan program expense from its working capital and submits an invoice to the Commission for reimbursement from the SLOF in order to maintain adequate working capital. Per the 1999 and 2000 Operating Agreements, EdFUND received \$25,767,012 from the SLOF, which was deposited into an Equity Account held by EdFUND. The Equity Account has only been used for the purchase of assets over \$5,000.
- **CSAC** - From 2003-04 through 2006-07, the Commission's administration costs and Cal-SOAP program were funded from the SLOF. The Commission's Public Awareness campaign and Cash for College program have also been funded from the SLOF.
- **Federal Default Fee** - The federal default fee replaced the insurance premium (aka: guaranty fee) July 1, 2006. Since 1996, the Commission had waived the guarantee fee (which would have been charged to borrowers). Honoring the long-standing commitment to waive the insurance premium fee, the Commission paid the new federal default fee on behalf of borrowers from July 1, 2006 through September 30, 2006 – a period which accounts for the bulk of the fee for the remainder of the academic year (October 1, 2006 through June 30, 2007) on behalf of the borrowers whose loans the Commission guarantees. Many lenders agreed to pay the fee on behalf of borrowers from October 1, 2006 through June 30, 2007. The EdFUND is partnering with lenders on a zero default fee strategy for new loans guaranteed after July 1, 2007.

The Federal Student Loan Reserve Fund (Federal Fund)

The Federal Fund is held in the State Treasury and is the property of the United States government and is regulated by the Secretary of Education. The Federal Fund largely reflects transactions related to the Commission's student loan insurance activity. These transactions include payments to lenders for defaulted loans. Revenue from the claim purchase complement of collection recoveries and the federal default fee are recognized in the Federal Fund.

In addition, pursuant to Section 428(c)(9) of the HEA, a guaranty agency is required to maintain a minimum Federal Fund reserve level of at least 0.25 percent of the total original principal amount of all outstanding loans guaranteed by such agency. The minimum reserve amount is calculated as of October 1 of each year. The purpose of the reserve is to ensure that guaranty agencies are able to fulfill obligations relative to the overall outstanding portfolio as amended.

Revenue

- **Federal Default Fee** - As of July 1, 2006, guarantors must deposit into the Federal Fund a Federal Default Fee of 1 percent of the principal on Stafford and PLUS loans disbursed.
- **Claims Reinsurance** - After a loan reaches a default status, the lender submits a claim to the guaranty agency. The guaranty agency then purchases the defaulted loan from the lender at rates determined by federal statute. The guaranty agency is in turn reimbursed by the federal government a percentage of the payment made by the guaranty agency to the lender. For all loans guaranteed after October 1, 1998 which later default, the guaranty agencies receive 95 percent reimbursement from USED.
- **Collection Retention** - USED's "federal fair share" of collection recoveries is to help cover the federal reinsurance costs of prior loan defaults. With the introduction of guarantor risk-sharing, the federal "fair share" changed from being simply the complement of the agency's default collection retention amount on all except 100 percent reinsured loans. It is the equivalent to 74.5 percent of collection recoveries on 98 and 72.2 percent of recoveries on 95 percent reinsured loans. Various Federal proposals could increase the USED "fair share" on net collections beginning October 1, 2007.

Expenses

- **Claim Payments to Lenders** - Payments made to lenders in the FFEL program vary. Lenders retain 97% of revenue generated from defaulted loans, 99% of the revenue generated for Exceptional Performers, and 100% of all other claims including death, disability, bankruptcy, and Lender of Last Resort. These payments occur twice a month.
- **Default Aversion Fee** – Default Aversion Fee is equal to 1 percent of the principal and interest on accounts more than 60 days delinquent that are brought current by working with borrowers before their accounts become 270 days delinquent. This fee is currently paid from the Federal Fund to the SLOF.
- **USED** - USED's "federal fair share" of collection recoveries is paid to USED monthly.

CASH FLOW

The following diagrams detail the revenue streams and payments relating to the Federal Fund and the SLOF.

FFEL PROGRAM FEDERAL FUND & STUDENT LOAN OPERATING FUND

REVENUE STREAMS

- (1) Federal Default Fee = 1% of the principal of every new loan guaranteed
- (2) Claim Reinsurance Payments = 95%-85%-75% of defaulted claim amounts/ disbursement date on or after 10-01-98
- (3) Collection Retention Complement = the difference between the claim amount paid to the lender and the amount reimbursed by the U.S. Department of Education
- (4) Interest income from investments

- (1) Loan Processing & Issuance Fee = 0.40% of principal of new loans guaranteed is paid to the guarantor quarterly after disbursement
- (2) Account Maintenance Fee = 0.10% of original principal in the outstanding loan portfolio is paid to the guarantor annually
- (3) Net Collection Retention – 23% of collection dollars retained after USED’s fair share is deducted from borrower payment. Retention from collection payments obtained through consolidations will decrease from 18.5% to 10% after 10/1/06. Collections from rehabilitations continue at rate of 18.5% of principal and interest, plus an applied collection cost rate up to 18.5%.
- (4) Default Aversion Fee = 1.0% of principal and interest on accounts more than 60 days delinquent that are brought current by working with borrowers before their accounts become 270 days delinquent. This one-time fee is currently paid from the Federal Fund and must be returned if the loan later defaults.
- (5) Investment Earnings – Interest income from funds held in the Student Loan Operating Fund. (received quarterly)
- (6) Voluntary Flexible Agreement (VFA) Payments – Performance-based payments made to the CSAC/EdFund by the USED under the terms of the agreement.

FEDERAL FUND
Minimum Reserve Balance Requirement of .25% of the original principal balance outstanding of guaranteed loans

- PAYMENTS TO OPERATING FUND
- Default Aversion Fee
 - Account Maintenance Fee subsidy

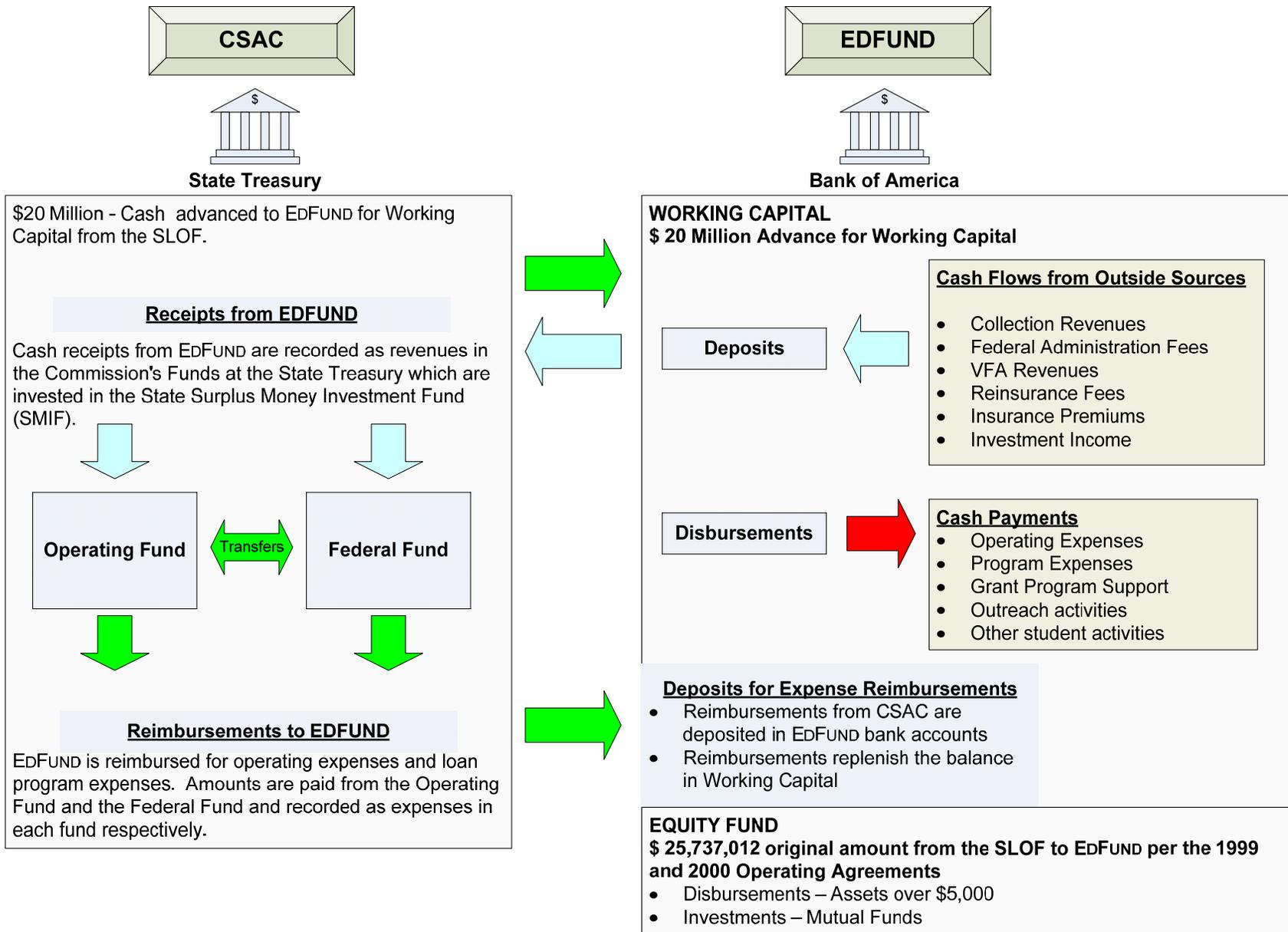
STUDENT LOAN OPERATING FUND

PAYMENTS

- (1) Claim Payments to Lenders = Varies 97% of each defaulted loan; 99% for Exceptional Performers (EP); 100% of all other claims - death, disability, bankruptcy, Lender of Last Resort.

- (2) Federal Recalls paid to the US Secretary. Amount remaining \$8,207,730 payable by 9/1/07.

- (1) FFEL Program Expenses
- (2) Other student financial aid-related activities for the benefit of students as selected by the guaranty agency.



9.c

Action/Information Item

California Student Aid Commission

Consideration of the New Commission Committee Structure

At the April 18-20, 2007 meeting, the Commission briefly discussed the Ad Hoc Governance Committee's recommendation to restructure the Commission's standing committees. The Commission did not take action at that meeting.

At the July 27, 2007 meeting, the Ad Hoc Governance Committee presented a revised draft of the Commission Standing Committee structure to the Commission for review. After discussion and modification, the Commission adopted the following new committee structure but indicated that the revised description of the committees should be presented and considered at the September 6-7, 2007 meeting:

- Audit Committee;
- Personnel, Evaluations and Nominations Committee;
- Governance and Monitoring Committee; and
- Planning and Budget Committee.

The Commission also decided that, at its September 6-7, 2007 meeting, it would revisit the Governance and Monitoring Committee's responsibility for monitoring with regard to the oversight of EDFUND.

For some time, the Commission has been conducting meetings of the Full Commission. CSAC staff notes that, as a result, the Fiscal Policy & Long-Range Planning (Fiscal), Governmental Relations, Grants & Programs (Grants) and Outreach Committees have outstanding meeting minutes that still require approval. Since it is unlikely that these committees will be meeting due to the new standing committee structure, CSAC staff recommends that the Commission authorize the chairs, or vice chairs, of these committees to approve any outstanding minutes. Additionally, CSAC staff recommends that in the absence of a chair or vice chair, the Commission Chair approve any outstanding minutes.

Recommended Action: Authorize the chairs, or vice chairs, of the Fiscal, Governmental Relations, Grants and Outreach Committees to approve any outstanding minutes. In the absence of a chair or vice chair, authorize the Commission Chair to approve any outstanding minutes.

Responsible Party: Ad Hoc Governance Committee

STANDING COMMITTEES

The four committees of the Commission will be: Audit; Personnel, Evaluation and Nominations (PEN); Governance and Monitoring; and Planning and Budget.

The Audit Committee ensures that the Commission maintains the proper monitoring and oversight of all audits conducted on any aspect of the Commission. The committee also insures that all internal operations of the Commission are monitored and reviewed through appropriate internal audits.

The Audit committee is responsible for ensuring that the required audits of the Commission and EDFUND are completed, for assessing the status of audit findings, and for ensuring that corrective actions are taken.

The Audit Committee membership would be composed of five (5) Commissioners.

The Personnel, Evaluation, and Nominations (PEN) Committee conducts regular evaluations of the Executive Director, nominates the annual slate of officers for the Commission, and recommends appointments to the Commission's advisory bodies and the EDFUND Board. This committee also develops and oversees the orientation process of new Commissioners. In addition, this committee exercises general oversight of the administrative concerns of the Commission and its staff.

The PEN Committee membership would be composed of five (5) Commissioners.

The Governance and Monitoring Committee annually assesses the overall functioning of the Commission as a body and its agreed upon policies. It regularly makes recommendations to enhance the effectiveness of the Commission and its policies. This committee also is charged with ensuring appropriate involvement of Commission members with key elected and appointed officials; this necessitates ensuring effective channels of communication and understanding with the state and federal governments. The committee is responsible for the review of relevant legislation, the development of the Commission's official position on legislation, the development of the Commission's sponsored legislation, as well as updating the Commission's annual Statement of Legislative Principles.

In addition, the committee reviews and monitors the development and implementation of the Annual Oversight Plan of EDFUND.

Membership of the committee would be composed of five (5) Commissioners and should include at least three public members of the Commission appointed by the Governor, the Assembly and the Senate.

The Planning and Budget Committee reviews the long and short term planning documents of the grant and loan program, including outreach and the five year strategic plan; the Commission's budgets to implement these plans; and monitors the extent to which these plans and budgets are in consonance with the Commission policies. The committee is also responsible for oversight of the strategic plan on an annual basis. This committee reviews the fiscal implications of plans proposed by other committees, and

Tab 9.c.1

reviews the specifics of the Commission's Budget Change Proposals. The committee recommends Commission initiatives as appropriate.

In light of the workload of this committee, there should be five to seven Commissioners appointed to serve.

Ad Hoc Committees may be appointed by the Chair as appropriate to meet Commission needs not covered by the four standing committees.

STANDING COMMITTEES

(Committee Structure prior to July 27, 2007)

Audit

Dean Johnston, **Chair**
Dennis Galligani
Diane Manning, Staff Liaison

Grants and Programs (Grants)

Daniel Friedlander, **Chair**
Alice Perez
Catalina Mistler, Staff Liaison

Fiscal Policy and Long-Range Planning (Fiscal)

Daniel Friedlander, **Vice Chair**
Chad Charton
Alice Perez
Janet McDuffie, Staff Liaison

Outreach

Michele Dyke, **Chair**
Dennis Galligani
Lorena Hernandez
Steve Caldwell, Staff Liaison

Governmental Relations

Daniel Friedlander, **Chair**
Chad Charton
Steve Caldwell, Staff Liaison

Personnel, Evaluation and Nominations (PEN)

Sally Furay, **Chair**
Michele Dyke
Keith Yamanaka, Staff Liaison

Executive Committee

Louise McClain, **Chair**
Dean Johnston, **Vice Chair**
VACANT, **Treasurer**
Michele Dyke, **Secretary**

Advisory Bodies Commissioner Liaisons

Grant Advisory Committee
Louise McClain

Cal-SOAP Advisory Committee
Michele Dyke

Loan Advisory Council
Dean Johnston

9.d

Action/Information Item

California Student Aid Commission

Consideration of Draft Outline of the Annual Report to the Legislature on EDFUND

Commissioner Galligani requested that the draft outline of the California Student Aid Commission's Annual Report to the Legislature on EDFUND be provided to the Commission. Enclosed is the outline of the April 2007 report prepared in accordance with the State statute.

California Education Code Section 69529.5 requires the Commission to report to the Legislature by April 1 of each year the following information about the operations of EDFUND:

1. A description of the services provided by EDFUND.
2. EDFUND'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 are required to reflect all changes, both positive and negative.
4. The level of compensation of managers and executives of EDFUND.
5. Description of the actions taken, and report of the costs incurred and the revenues realized, by EDFUND in disbursement services, loan servicing and repayment, secondary market, and private lender activities that EDFUND undertakes pursuant to subdivision (a) of Education Code Section 69522.

Draft Outline
California Student Aid Commission's Annual Report to the Legislature on EDFUND

The outline is based upon the April 1, 2007 Annual Report.

I. Executive Summary

II. Background

III. Services Provided by EDFUND

- A. Guarantee agency services in keeping with competitive business services
- B. Functions that are central to competitiveness and success
- C. Summary of Key Measurements

IV. Changes in Delivery of Loans ~ Program Enhancements

- A. Federal Legislation
- B. Proposed Federal Legislation
- C. Voluntary Flexible Agreement
- D. EDFUND Improvement Initiatives
- E. Summary of Achievements

V. Annual Budget

- A. Commission and EDFUND Student Loan Operating Fund Statement of Revenues and Expenses
- B. Revenue
- C. Personnel

VI. Level of Compensation of Managers and Executives

VII. Conclusion