2

Action/Information Item

Governance and Monitoring Committee

Consideration of Revisions to the California Student Aid Commission's Governance Policies adopted on September 6, 2007

The Governance and Monitoring Committee is in the process of reviewing and enhancing the Governance Policies that the Commission adopted on September 6, 2007 and revised on November 27, 2007.

On December 10, 2007, the Committee proposed additional changes to the beginning of Assignment Policy 1: Executive Director. The proposed edits are shaded and incorporated into the enclosed document.

The Committee will review the changes to Assignment Policy 1: Executive Director (pages 13-14) and consider additional changes recommended by Commissioner Hernandez, Executive Director Fuentes-Michel, EDFUND President Sam Kipp and Federal Policy & Programs Division staff as well as some additional edits that were not in the version approved by the Commission on September 6, 2007, but were in the revised document provided by The Results Group.

Please refer to the December 10, 2007 Governance and Monitoring Committee agenda, Tab 2 for the document entitled "CSAC Staff Analysis of Authority Cited in Proposed Revisions to Assignment Policies" and the copies of the cited authority, or excerpts of the cited authority, for the Committee's reference.

Governance Policies

Adopted by the Commission on

September 6, 2007

INCLUDES CHANGES APPROVED BY
THE COMMISSION AT ITS NOVEMBER 29, 2007 MEETING

AND
ADDITIONAL PROPOSED REVISIONS FROM THE FOLLOWING CONTRIBUTORS:

12/10/07 Governance and Monitoring Committee
Commissioner Lorena Hernandez **[LH]**
Executive Director Diana Fuentes-Michel **[DFM]**
EDFUND President Sam Kipp **[SK]**
Federal Policy & Programs Division Staff **[FPPD]**

(Noted by bold/underlined text followed by the above designated initials)

***Edits in *bold/italicized text* were contributed by The Results Group and have not been approved by the Governance and Monitoring Committee or the Commission.**

Table of Contents

Introduction **1**
Purpose and Types of Policies 1
Entity and Program Names 2
Reasonable Interpretation 2

Ends Policies **3**
Global Policy: Ends 3
Ends Policy 1: Grants and Specialized Aid to California Students 3
Ends Policy 2: Student Loans and Services* 4
Ends Policy 3: Maximizing of Services and Revenues* 4

Commission Governance Process Policies **6**
Global Policy: Commission Governance Process 6
Commission Governance Policy 1: Governance Philosophy 6
Commission Governance Policy 2: Commission's Role 7
Commission Governance Policy 3: Commission Chair's Role 10
Commission Governance Policy 4: Commissioner Role and Code of Conduct 10
Commission Governance Policy 5: Committees 11
Commission Governance Policy 6: Making Requests of Staff 11

Assignment and Responsibilities Policies **13**
Global Policy: Assignment and Responsibilities 13
Assignment Policy 1: Executive Director 13
Assignment Policy 2: EDFUND Board and President 19
Assignment Policy 3: Federal Policy and Programs Division or its Successor 21

Executive Parameters Policies **25**
Global Policy: Executive Parameters 25
Executive Parameters Policy 1: Strategic and Annual Planning 25
Executive Parameters Policy 2: Program Operations 26
Executive Parameters Policy 3: Fiscal Operations 26
Executive Parameters Policy 4: Personnel Practices 29
Executive Parameters Policy 5: Internal Communications and Commission Support 30
Executive Parameters Policy 6: External Communications* 31

Monitoring and Oversight Policies **33**
Global Policy: Monitoring 33
Monitoring Policy 1: Overall Compliance with Commission Policies 33
Monitoring Policy 2: Ends 33
Monitoring Policy 3: Commission Governance 35
Monitoring Policy 4: Assignment and Responsibility 35
Monitoring Policy 5: Strategic and Annual Planning 35
Monitoring Policy 6: Fiscal Operations 36
Monitoring Policy 7: Personnel Practices 38
Monitoring Policy 8: Internal/External Communications and Commission Support 38

Introduction

In April 2006, the California Student Aid Commission began working to develop the Governance Policies and to clarify the roles and responsibilities for itself, the EDFUND Board of Directors and their respective staffs.

On September 6, 2007, the Commission adopted Governance Policies. The Governance Policies are a result of an open collaborative process led by the Commission. The Commission developed the Governance Policies through the leadership of an Ad Hoc Committee and assistance of a consulting group with input from EDFUND and CSAC management and their respective staffs.

The Commission's Governance and Monitoring Committee is responsible for reviewing the policies and recommending to the Commission any further necessary enhancements. The goal of the Commission is to continue to strive to improve and refine its policies.

This document is subject to revision given the dynamic financial aid environment with pending and new federal and State legislation. For example, Senate Bill 89 (Chapter 182, Statutes of 2007), enacted on August 24, 2007, authorizes the sale, or an alternative financial arrangement to the sale, of the California Student Aid Commission's loan guarantee function and nonprofit auxiliary, EDFUND. This law authorizes the Director of the Department of Finance to act as the agent for the sale. The Commission recognizes that, in some instances, the provisions of this law may necessitate certain deviations from the policies.

Items noted with an asterisk (*) identify policies that may require modification.

Purpose and Types of Policies

By statute, the California Student Aid Commission is the governing body responsible for California's student State administered financial aid 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 State administered financial aid 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 Policy 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 State administered financial aid programs, including related specialized State administered financial aid, scholarship, loan assumption, and outreach programs administered by CSAC staff, are referred to as the "State administered financial aid 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.

  State administered financial aid staff: civil service staff who operate the State administered financial aid and outreach programs.

  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 State administered financial aid and loan programs.

Global Policy: Ends

The Commission's State administered financial aid 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.
- Serving and caring about each student and his or her family, 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 administered financial aid 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 State administered financial aid Program
- Law Enforcement personnel Dependents State administered financial aid 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 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 effectively administer 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.

E. Partner with external organizations in an effort to reach all students, especially underserved communities.

F. Identify ways to consistently collaborate with CSAC to work more effectively and efficiently.

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 to better serve students and our customers.

Third Priority: To the extent that funds are available, fund the administrative costs of the State administered financial aid 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 State administered financial aid 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 holds 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 State administered financial aid 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.

- Be objective and 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 State administered financial aid and loan programs, and the oversight thereof. Although the EDFUND Board, State administered financial aid 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, State administered financial aid 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.), encourage collaboration, 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.

<u>Governance Process</u>

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. This will create the opportunity for more collaboration.

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 State administered financial aid 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 State administered financial aid 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.

<u>Planning</u>

H. The Commission will ensure development of State administered financial aid 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 State administered financial aid 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.

<u>Program Oversight</u>

J. The Commission will conduct fiscal and programmatic oversight of the State administered financial aid and loan programs to ensure that program funds are spent economically and in accordance with State and federal laws and regulations, and will monitor organizational performance based on the policies herein.

K. The Commission will maintain effective regularly scheduled internal audits in the State administered financial aid programs and the loan program to ensure compliance with existing laws, regulations, policies and other applicable standards.

L. State Administered Financial Aid Program

1) The Commission will ensure that State administered financial aid 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 State administered financial aid operations, in furtherance of the Commission's fiscal and fiduciary responsibilities. These evaluations will assess: the efficiency and effectiveness of the State administered financial aid delivery system in reaching the intended beneficiaries; the extent to which the State administered financial aid staff 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 State administered financial aid, 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 State administered financial aid 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 State administered financial aid 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 State administered financial aid 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 Political Reform Act regarding conflict of interest.

D. The Commission will adopt for itself, and adhere to, an Incompatible Activities Policy.

E. Commissioners will engage in and support consensus-building. Commissioners will not communicate with individual Commissioners in a lobbying manner that generates discord and has the potential to divide the Commission into factions.

F. 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 a 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. If such a position is taken as, that Commissioner will inform the Commission Chair in advance whenever possible, or if not possible, within 24 hours 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. The Committees will also 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 will 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 State administered financial aid 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

CSAC's Executive Director is the executive officer for the Commission. The CSAC's executive officer is responsible for policy leadership, financial and programmatic management of the day-to-day operations of the Commission, including its administration of the State administered financial aid program, specialized programs, and public awareness and outreach programs. The Executive Director is the chief executive officer of the guaranty agency (which is the Commission), representing the State and the Commission, and has federal and state statutory responsibilities reflected in these policies with respect to the Commission's participation in the Federal Family Education Loan (FFEL) Program. The Executive Director also serves as an ex-officio member of the EDFUND Board of Directors.

Planning

A. The Executive Director, in collaboration with the Commission or its designated Committee, is responsible for developing strategic and annual plans for the State administered financial aid programs, using an approach described in the Executive Parameters Policies.

B. The Executive Director, in collaboration with the Commission or its designated Committee, will provide a recommended strategic plan for adoption by the Commission at three-year intervals with an annual review.

C. The Executive Director, in collaboration with the Commission's management, will develop and implement an annual plan for use in the operations of the Commission.

D. The Executive Director in collaboration with the Commission or its designated Committee and as permitted under State policy is responsible for developing a budget plan.

E. The Executive Director shall inform the Commission when Congress acts to establish a new scholarship or State administered financial aid program to ensure that participation by the State of California will not be jeopardized or interfere with the State's existing financial aid program. The Executive Director will provide analysis and make recommendations regarding the potential impact of a new program.

F. The Executive Director shall inform the Commission when the State acts to establish a new scholarship, State administered financial aid program. The Executive Director will provide analysis and make recommendations regarding the potential impact of a new program.

G. The Executive Director shall inform the Commission when a state agency requests assistance from the Commission in the administration of a financial aid program. The Executive Director will provide analysis and make recommendations regarding the potential impact of a state agency requesting assistance from the Commission.

Program Operations

H. The Executive Director is responsible for ~~**establishing**~~ **administering the Cal** ~~**g**~~**State administered financial aid** **and specialized** program**s as established in state and federal law and regulations. It is the responsibility of the Executive Director to establish and maintain** operational procedures, subject to periodic review and approval by the Commission~~**, and making operational decisions and conducting the State administered financial aid program organization's day-to-day operational activities required for the administration of the program.**~~ **[DFM]**

I. The Executive Director is responsible**, on behalf of the Commission, to provide all statutorily required reports and data to the Administration and Legislature by their required due dates each year. (Various Education Codes and current practice)** ~~**for arranging for State administered financial aid 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.**~~ **[DFM]**

Fiscal Operations

~~J. **The Executive Director is responsible for entering into budget-authorized State administered financial aid 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.** [DFM]~~

K. The Executive Director is responsible for fiscal management of ~~**the State administered financial aid**~~ **all financial aid funds and** program**s administered by the Commission**, consistent with **federal and** state requirements and procedures and Commission policies. **[DFM]**

L. **The Executive Director is responsible for the fiscal management of the Commission consistent with state and federal laws. This responsibility includes the oversight of all funds appropriated to, and managed by the Commission. While the Governor of the State of California does not directly appoint the Executive Director of CSAC, the Governor has authority over the CSAC's budget except when otherwise directed by Legislature. (See Section 7 of Article XVI and Section 12 of Article IV of the California Constitution, Education Code section 69518, 69766(c), 69766.1, and 69768(a) Government Code sections 13300, 13302, 13303, 13320-13321, 13324, 13332-13332.05, 13332.09, 13332.15, 13332.17, 13332.18, 13335-13340, Section 32 of the 2007 Budget Act, and State Administrative Manual sections 7000-19464.) [DFM]**

M. **CSAC is the designated state guaranty agency 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 state funds in the custody and control of the Commission. As the chief executive officer, the Executive Director is responsible for the fiscal management and accountability of these funds. All monies derived from the assessment of penalties shall also be administered by the Commission, under the direction of the Executive Director. (See Education Code sections 69766(c), 69766.1, and 69768(a), Government Code sections 13300, 13302, 13303, 13324, 13332.01, 13332.02, 13335-13340, Section 32 of 2007 Budget Act, and State Administrative Manual sections 7000-19464.) [DFM]

N. **The Executive Director is responsible for informing the Commission of any pending expiration of any Commission program and any statutory change impacting the administration of the Commission's programs. [DFM]**

O. **The Executive Director is authorized under state law, to enter into contracts with a third-party service or product vendors in an amount not to exceed $100,000 or more. 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. Such emergency approval shall be ratified at the next regularly scheduled Commission meeting, and if not ratified, the contract shall be canceled (Current Commission policy). [DFM]**

P. **The Executive Director, on behalf of the Commission, may contract for all or part of its administrative services in its participation in the federal student loan program (Education Code section 69776). The Executive Director, at the direction of the Commission, may enter into contracts to improve the distribution of State administered financial aids, fellowships, and loans through the use of electronic networks (Education Code section 69433(e)). The Executive Director will adhere to the state contract policies as stated under this provision. (Education Code sections 69776 and 69433(e). [DFM]**

Q. **The Executive Director, on behalf of the Commission, is responsible for notifying the Joint Legislative Budget Committee, by July 15 of each year, if the State Budget is not enacted and funds are necessary to make payments on the purchase of defaulted loans. (Education Code section 69766.1.) [DFM]**

R. **The Executive Director is responsible, with the assistance of the Attorney General's Office, for seeking refunds on any awards to students that resulted from the student or his or her parents, or both, reporting information concerning their status incorrectly, with the incorrect information leading to the establishment of the student's financial eligibility to receive an award. (See Education Code section 69517.5.) [DFM]**

Audit Operations [DFM]

S. **To enable the effectiveness and independence of the internal auditing activity and to meet the provisions of federal and State law, the CSAC's Chief Internal Auditor functionally reports to the Commission's Audit Committee and administratively, reports to the Executive Director. (See Education Code section 69527, Government Code sections 8548.9, 13885-13888.) [DFM]**

T. **The Executive Director is responsible for ensuring that staff provides internal and external auditors with requested information in a timely manner and for management responses to audit findings. [DFM]**

U. **The Executive Director is responsible for ensuring that action plans developed in response to audit findings are implemented. [DFM]**

Personnel Practices

V. The Executive Director is responsible for hiring, management, training, corrective action, and, as necessary, termination of ~~**State administered financial aid program**~~ **CSAC** staff **as prescribed in State law governing civil service employees**. **(See Education Code Section 69522.5, Government Code sections 3512-3524, 3525-3539.5, 18500-19799 and related administrative documents, especially 18573, 18574.) [DFM]**

W. The State administered financial aid program Internal Auditor will report administratively to the Commission's Executive Director and functionally to the appropriate Commission Committee. ***FPPD staff will report administratively to the Commission's Executive Director and functionally to the Commission and the Executive Director.***

X. The Executive Director is responsible for ~~**coordinating**~~ **administering** 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. **[DFM]**

Internal and External Communication

Y. The Executive Director is responsible for ~~**communicating Commission policy and actions taken by the Commission to the State administered financial aid program staff and, under the direction of and in coordination with the appropriate Commission committee, to FPPD staff**~~ **the development and implementation of a comprehensive plan for internal and external communication regarding policy and operational decisions for the Commission's programs**. **[DFM]**

Z. The Executive Director is responsible for representing the Commission **with respect to the State administered financial aid program [SK]** to the executive and legislative branches of state government, in collaboration with Commissioners and EDFUND representatives, as further defined in the Executive Parameters Policies.

AA. The Executive Director is responsible for representing the Commission's ~~**State administered financial aid**~~ program**s** to the media, the public, interest groups, and other outside parties, as further defined in the Executive Parameters Policies. **[DFM]**

LOAN PROGRAM

As the State's guarantee entity, the Commission is responsible for administering and providing direct oversight of the federal student loan program. By law, the Commission is responsible for the financial aid policy for the loan program. The Commission's direct supervision of its student loan program is accomplished through its oversight function. (See Education Code section 69761.5(a), 20 United States Code section 1708(b)(1)(K), and 34 Code of Federal Regulations section 682.401(b)(16).) [DFM]

This oversight function is determined through its approved oversight plan, which is reviewed and approved annually to correspond with the adoption of the Commission's goals for its loan program. The oversight plan must establish an accountability model that is transparent and rigorously assesses the Commission's participation in the federal student loan program through its chosen auxiliary model. [DFM]

As permitted under State law, the Commission established EDFUND, as CSAC's non-profit, tax exempt auxiliary organization, to provide operational and administrative services for CSAC's participation in the Federal Family Education Loan (FFEL) Program, and to provide support for non-loan program services (such as administrative support of its State administered financial aid program and outreach activities) of the Commission. The oversight plan must also account for the auxiliary's responsiveness and effectiveness in providing both loan and non-loan services identified in its Operating Agreement. [DFM]

The plan must also afford ready access to all necessary information and data needed to meet the statutory objectives of overseeing the federal student loan program. For its loan program to be successful, the Commission must annually align its goals for the performance of the federal student loan program with incentives. It must also adopt an accountability process, which fosters routine analysis and use of data in determining whether EDFUND's performance meets the Commission's stated objectives for its loan program. [DFM]

The Commission must also ensure that performance measures are being achieved through the independent review of requested information and data by the Federal Policy and Programs Division. [DFM]

~~**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:**~~ **[DFM]**

~~**Coordinating civil service procedures and personnel matters involving CSAC civil service employees assigned to EdFund, per H above.**~~ **[DFM]**

BB. **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. The Executive Director signs all documents requiring the endorsement of the state official responsible for the loan program. (See Education Code sections 69761.5(a), 69763(a), 69766, 69766.1 and 69768.) [DFM]**

CC. **The Executive Director is responsible for certifying that the federal and state laws and regulations governing the federal student loan program are being upheld in the administration of the program. In that capacity, the Executive Director has the authority to seek any and all information required to verify such statements. (See Education Code sections 69761.5(a), 69763(a), 69766, 69766.1 and 69768) [DFM]**

DD. **The Executive Director is responsible for deciding all appeals before the Commission on complaints being brought forth by student borrowers who had collection proceedings initiated. (See Education Code sections 69763.1(a)-(c), 69763.1(d).) [DFM]**

EE. **The Executive Director shall administer the provisions of Education Code section 69763 (b), which authorizes the imposition of civil penalties to an amount not to exceed $25,000 per violation against any financial or educational institution that violates any applicable law, rule, regulation, limitation, consent agreement, or school or lender agreement, relative to a state financial aid program. (See Education Code section 69763(b), 69763.1(a)-(c), 69763.1(d).) [DFM]**

FF. 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).**~~ **FPPD staff will report administratively to CSAC's Executive Director and functionally to the Commission and the Executive Director. FPPD staff report to 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, borrower appeals and the administration of Education Code section 69763(b). (See Education Code sections 69763(a), 69763(b), Government Code sections 3512-3524, 3525-3539.5, 18500-19799 and related administrative documents, especially 18573, 18574.) [DFM]**

GG. **The Executive Director shall** ~~Providing~~ **provide** information to and coordinat**e**~~ing~~ with the EDFUND President in communicating with external parties regarding the loan program, as further described in Executive Parameter Policy 6 below. **[DFM]**

~~CC. **If requested, supporting the Commission, its appropriate committee, and FPPD staff in monitoring of loan program compliance with the Operating Agreement.**~~ **[DFM]**

HH. **As determined in the Operating Agreement and Service Level Agreement, the Executive Director shall ensure that (See Education Code section 69529): [DFM]**

1. **The requirements contained in the Operating Agreement and Service Level Agreements supporting the administration of the Commission's Cal Grant administered financial aid and Specialized Programs are satisfactorily met. [DFM]**

2. **The federal and state statutory requirements pertaining to the loan program are satisfied. They include, but are not limited to: [DFM]**

   a) **Any support services administrated by the auxiliary organization (see Education Code section 69529(a)); [DFM]**

   b) **The source of revenue available to the auxiliary organization including agreements concerning federal administration costs allowances, guarantee fees charged to borrowers, and retention of funds obtained through collections on defaulted loans (see Education Code section 69529(b)); [DFM]**

   c) **Support and administrative services to be provided by Commission staff including accounting, personnel, clerical, administrative support,**

and other services necessary for the administration of the auxiliary organization (see Education Code section 69529(c)); [DFM]

d) A process is established to ensure regular, annual credit reporting on the repayment status of borrowers whose loans are guaranteed by the Commission and whose paper has matured (see Education Code 69761.7); [DFM]

e) An annual report is provided on the Commission's participation in the loan program, including the number of students participating in the program, total loan volume, and the names of the postsecondary education institutions participating in the program (see Education Code section 69772); [DFM]

f) Student borrowers receive notification that for the purposes of collecting on student loans, the Commission is entitled to seek employment, wage and other information from the Employment Development Department (see Education Code 69774); [DFM]

g) The Commission distributes a single common method for informing prospective student borrowers of their consumer rights (see Education Code section 69775). [DFM]

~~II. 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.~~ **[DFM]**

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 ***~~this Joint Committee~~ 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 **and compliance** with state laws, rules, and bargaining unit contracts. **(See Education Code section 69522.5, Government Code sections 3512-3524, 3525-3539.5, 18500-19799 and related administrative documents, especially 18573, 18574.) [DFM]**

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 Policy 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 "State administered financial aid program staff" (defined above as those staff who operate the State administered financial aid program), nor the "loan program staff" (defined above as the employees of EdFund who operate the loan program).~~ [FPPD]

~~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 Executive Director~~ ~~[FPPD], and is subject to all policies herein~~. [FPPD]

~~The responsibilities of FPPD or its successor consist of three components:~~ [FPPD]

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.~~ [FPPD]**
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.~~ [FPPD]**
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.~~ [FPPD]**

The Commission's loan program oversight division, currently known as the Federal Policy and Programs Division (FPPD), was established in 1998, in response to a State audit that required that the Commission provide oversight of EDFUND because CSAC did not retain sufficient staff to adequately protect the public funds entrusted to it. As stated in the Commission Governance Policy 2, the Commission retains the ultimate authority and fiduciary responsibility for the loan program and the oversight thereof. [FPPD]

FPPD is the primary division charged with providing oversight of the FFEL Program and EDFUND, FPPD reports directly to the Executive Director, but 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 to fulfill the oversight responsibilities. [FPPD]

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 provides periodic reports to the Commission. 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. [FPPD]

~~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.~~ FPPD will fulfill these oversight responsibilities in accordance with the Commission's Governance Policies, the Operating Agreement, and the Annual Oversight Plan. [FPPD]

LOAN PROGRAM [FPPD]

Planning [FPPD]

A. **FPPD is responsible for reviewing, analyzing and making recommendations to the Executive Director and the Commission on EDFUND's proposed annual strategic plan and the annual loan program business plan, budget and goals according to the process and timeline set forth by the Commission. [FPPD]**

Program Operations [FPPD]

B. **FPPD is responsible for monitoring, analyzing and making recommendations to the Executive Director and the Commission on national and/or federal issues, activities, proposals, legislation, and programs that affect or could affect financial aid for California students or educational institutions. [FPPD]**

C. **FPPD is responsible for reviewing Guaranty Agency Basic Agreements and Amendments; Agreements for Federal Advances for claim payments; Agreements for Federal Reinsurance of Loans; Agreements to participate in the Loan Rehabilitation Program and preparing documents for signature by the Executive Director. [FPPD]**

D. **FPPD is responsible for monitoring student/borrower complaints referred to EDFUND and preparing formal appeal responses for signature by the Executive Director. [FPPD]**

E. **FPPD is responsible for reviewing Tax Offset Program Requirements and preparing documents for signature by the Executive Director. [FPPD]**

F. **FPPD is responsible for reviewing Lender Participation Agreements and preparing documents for signature by the FPPD Chief. [FPPD]**

Fiscal Analysis [FPPD]

G. **FPPD is responsible, in consultation with CSAC's Chief of Management Services and Fiscal Officer, for evaluating, monitoring and making recommendations to the Executive Director and the Commission on the financial condition of the Student Loan Operating Fund and the Federal Student Loan Reserve Fund. [FPPD]**

Internal and External Communication [FPPD]

H. **FPPD is responsible for providing information to entities such as State control agencies, the Legislature, and the Governor's office as requested by the Commission or Executive Director. [FPPD]**

I. **FPPD is responsible for preparing and presenting Commission, Committee and Loan Advisory Council meeting agenda material. [FPPD]**

J. **FPPD is responsible for reviewing, analyzing and making recommendations to the Executive Director and the EDFUND Board on Board agenda items. [FPPD]**

OVERSIGHT OF EDFUND [FPPD]

Planning: [FPPD]

K. **FPPD is responsible for negotiating with EDFUND on the Operating Agreement, including the Service Level Agreement and making recommendations on these documents to the Executive Director and the Commission. [FPPD]**

L. **FPPD is responsible for reviewing, analyzing and making recommendations to the Executive Director and the Commission on EDFUND reports on projections (including long-range projections) and actual:**
   - **new loan guarantees**
   - **defaulted loan**
   - **collections**
   - **claims**
   - **school and lender activity**
   - **market share of loan volume [FPPD]**

Program Operations [FPPD]

M. **FPPD ensures that EDFUND fulfills its contractual obligations and administers the Commission's participation in the FFEL Program in compliance with State and Federal laws and, assesses the performance of EDFUND towards achieving the Commission's goals for the loan program. [FPPD]**

N. **FPPD is responsible for reviewing, monitoring and authorizing reimbursement for monthly EDFUND invoices. [FPPD]**

O. **FPPD is responsible for reviewing, monitoring and making recommendations to the Executive Director and the Commission on EDFUND's internal audit reports. [FPPD]**

P. FPPD is responsible assisting CSAC's Governmental and Public Affairs Division with the development of the Annual Report to the Legislature on EDFUND. [FPPD]

Q. FPPD is responsible for monitoring the contractual obligations as specified in the Operating Agreement between the Commission and EDFUND. [FPPD]

R. FPPD is responsible for conducting performance reviews of EDFUND as directed by the Commission. [FPPD]

Fiscal Analysis [FPPD]

S. FPPD is responsible for reviewing, analyzing and making recommendations to the Executive Director and the Commission on the financial statements prepared by EDFUND, including monitoring expenditure forecasts to approved budget. [FPPD]

T. FPPD is responsible for reviewing, analyzing and making recommendations to the Executive Director and the Commission on EDFUND proposed budget adjustments. [FPPD]

U. FPPD is responsible for evaluating, monitoring and making recommendations to the Executive Director and the Commission on the cash flow forecasts prepared by EDFUND. [FPPD]

V. FPPD is responsible evaluating and making recommendations to the Executive Director and the Commission on EDFUND policies that have a fiscal impact on the FFEL Program. [FPPD]

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 State administered financial aid 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.

From page 13. 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. [12-10-07 Governance and Monitoring Committee requested the language moved from page 13)

Executive Parameters Policy 1: Strategic and Annual Planning

STATE ADMINISTERED FINANCIAL AID PROGRAM

A. The Executive Director will work with the Commission to develop a State administered financial aid program strategic plan, which will include a vision statement, goals, strategies, ~~and~~ objectives, **and measurable outcomes/matrix [LH]**. The Commission will establish the vision statement looking long term, and set broad three-year goals, with input from the Executive Director and State administered financial aid 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**, and a measurable matrix to determine the success [LH]**. 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**, and measurable outcomes.** The Commission will review and adopt the strategic plan. **The Commission will monitor the implementation of the plan and conduct an annual review to determine the success of the plan. [LH]**

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**, and measurable outcomes**. The Commission will review and adopt the annual plan. **The Commission will monitor the implementation of the plan and conduct an annual review to determine the success of the plan. [LH]**

Executive Parameters Policy 2: Program Operations

STATE ADMINISTERED FINANCIAL AID PROGRAM

A. The Executive Director will develop State administered financial aid program operational procedures, subject to periodic review and approval by the Commission. These procedures will be consistent with the Commission's policies, and will contain provisions that specifically support the Commission's implementation of the Monitoring and Oversight Policies herein.

B. The Executive Director will **~~conduct~~ manage** the State administered financial aid program in a manner that maintains the organization's **positive** public image and credibility to support its ability to accomplish its mission. **[LH]**

C. The Executive Director may not initiate a new State administered financial aid 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. **[LH]**

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.

STATE ADMINISTERED FINANCIAL AID PROGRAM

A. *Financial Planning and Annual Budgeting*. In conducting State administered financial aid 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 State administered financial aids 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 State administered financial aid program in relationship to the total amount of State administered financial aids 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**~~ **[LH]**. 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. *State administered financial aid Program Operational Expenditures*. The Executive Director will take all reasonable and prudent measures ~~**within the Executive Director's control**~~ **[LH]** to ensure that State administered financial aid program activities and expenditures will not cause or allow the development of fiscal jeopardy. These measures will include ensuring that:

1) State administered financial aid 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 State administered financial aid program).

2) State administered financial aid 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. *State administered financial aid Program Local Assistance*. The Executive Director will:

1) Provide sufficient information to the Commission to demonstrate credible State administered financial aid Program (Local Assistance) expenditure projections.

2) Clearly articulate to the Commission all critical projection assumptions.

3) Present a State administered financial aid 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 State administered financial aid 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 State administered financial aid 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**~~ **[SK]**, 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 and EDFUND Board/President~~**, and EdFund internal audit staff**~~ **[SK]** will do so under the guidance and direction of the Commission and its appropriate committee, and according to ~~***normal procedures for State agencies***~~ ***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.

5) **Finalize an annual financial plan and annual budget for the loan program and present them to the EDFUND Board and the Commission for review and approval. [LH]**

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

1) Loan program expenditures remain within the multi-year expense projections and efficiency targets established by the EDFUND Board and the Commission, and result in a total year-end variance amount (budget-to-actual) that does not exceed the operating contingency established in the approved budget.

2) Loan program purchases have been made such that prudent protection has been ~~***given***~~ ***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.

G. It is anticipated that continued legislative and regulatory changes will likely occur and will alter and/or reduce revenues paid to guaranty agencies. EDFUND will **~~not fail to~~** update and provide to the Commission its multi-year projections for the Federal Fund, Operating Fund and Operating Reserve Fund within 90 days of such changes. **EDFUND will also prepare a contingency plan to prepare for any reductions of federal revenues. [LH]**

H. *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

STATE ADMINISTERED FINANCIAL AID 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. **In the case of civil service staff, EDFUND will also follow state civil service provisions. [LH]**

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 ~~**developed**~~ **adopted** by the EDFUND Board and~~**, in the case of executive**~~ **incentive** compensation~~**,**~~ **will be consistent with policies adopted by the EDFUND Board and approved by [SK]** 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. ~~**Cause**~~ **Ensure that** the Commission ~~**to be**~~ **is** aware of relevant trends, anticipated adverse media coverage, and ~~**material**~~ **pertinent** external and internal issues or changes, particularly issues or changes, which may impact the assumptions upon which any Commission policy or strategic **and/**or annual plan has been based. **[LH]**

C. ~~***The Executive Director and EDFUND President will p***~~ ***Provide information*** **in a timely manner [LH]** to the Commission that is accurate, honest, and complete.

D. Provide for the Commission as many staff and external points of view, issues and opinions as needed for ~~***fully informed Commission choices and decisions***~~ ***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. **[LH]**

G. **Immediately ~~R~~**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. **[LH]**

Executive Parameters Policy 6: External Communications*

A. ***Collaboration***. **~~As appropriate~~ [SK]** In communicating with external parties **about the other's program [SK]**, the Executive Director and EDFUND President will provide each other information, coordinate communication, and **as necessary [SK]** 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 ***~~convey~~ 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 ***~~without informing~~ 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, **~~within~~** but no later than **~~two working days~~ one business day** thereafter. **[LH]**

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 [LH]** agencies **regarding the State administered financial aid program [SK]**, 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 State administered financial aid and loan programs. The Commission cannot delegate the ultimate responsibility for this oversight to the Commission's Chair or its committees, the Executive Director, FPPD staff, the EDFUND Board, or the EDFUND President. To fulfill this responsibility, the Commission will ~~**conduct**~~ monitor~~**ing to ensure that**~~ the State administered financial aid and loan program organizations ~~**comply**~~ **to ensure compliance** with all Commission policies and applicable **state and federal** laws **and regulations**. **[LH]**

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**, as well as issue areas and solutions to address them [LH]**. The Commission will review these reports and take action as appropriate.

STATE ADMINISTERED FINANCIAL AID PROGRAM

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

A. The number of:

   1) State administered financial aid applicants in each of the State administered financial aid and outreach programs for the current quarter and fiscal year to date. **Include comparisons to other states' programs (e.g., xxx had xxx students eligible and xxx applied). [LH]**

   2) The amount of State administered financial aids or services, in total and by category of students (as specified by the Commission), provided in each of the State administered financial aid 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 State administered financial aid 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.

E. **Information on competitive and political actions that could: (i) materially affect the availability of State administered financial aids to students and families provided through the State administered financial aid program, and (ii) materially affect state and federal revenues for the State administered financial aid program. [LH]**

LOAN PROGRAM.

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

F. The number of loans guaranteed by program and category, as specified by the Commission, for the current quarter and fiscal year to date, as compared to budgeted amounts, and compared to actual data for the same periods in the previous three fiscal years.

G. The total dollar amount of loans guaranteed by program and category, as specified by the Commission, for the current quarter and fiscal year to date, as compared to budgeted amounts, and compared to actual data for the same periods in the previous three fiscal years.

H. Information on any processing backlogs or other delays that are resulting or could result in a delay of the delivery of funds to students.

I. Costs incurred in providing loan guaranty programs reported by major cost center, as specified by the Commission, for the current quarter and fiscal year-to-date, as compared to the budgeted amounts and same periods in the previous fiscal year.

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

K. Financial statements in sufficient detail, as specified by the Commission, for the current quarter and fiscal year as compared to the same periods in the previous fiscal years.

L. Portfolio performance data, as specified by the Commission, that will include default aversion, claims paid, and ~~***recoveries in***~~ ***recovery of*** defaulted loans disaggregated by collection type.

M. Any potential impact of the above information on the annual budget.

N. 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)[concept by SK, wording by MW]**.

O. 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 ~~***appropriate***~~ 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

STATE ADMINISTERED FINANCIAL AID PROGRAM

On an annual basis, the Commission will review and adopt an annual update to the State administered financial aid 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**~~ **[LH]** 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 State administered financial aid and loan programs. This overall strategic plan will focus on the linkages between the two organizations and how synergies can support the overall mission of the Student Aid Commission.

~~***STRATEGIC AND ANNUAL PLAN REPORTING AND UPDATING***~~

The Executive Director and EDFUND Board/President will provide the Commission with quarterly updates reviewing progress in implementing the 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 State administered financial aid and loan programs. The Executive Director and/or State administered financial aid 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.

STATE ADMINISTERED FINANCIAL AID PROGRAM. The Executive Director (or, where indicated below, the State administered financial aid program Internal Auditor), will provide to the Commission:

A. On an annual basis:

   1) The proposed operating budget for the State administered financial aid program which complies with the Commission's Financial Planning and Annual Budget Policy and which is consistent with the State administered financial aid program strategic and annual goals adopted by the Commission.

   2) A schedule of planned internal audits and reviews of the State administered financial aid 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 State administered financial aid program's assets are protected, adequately maintained, and not unnecessarily risked.

B. On a quarterly basis:

   1) A summary or "dashboard" report describing the State administered financial aid 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 State administered financial aid program to be performed by the State or federal government.

2) As completed, audits or reviews of the State administered financial aid program performed or required by the State or federal government.

3) As completed, summary of internal State administered financial aid program audit findings and resolutions to the satisfaction of State administered financial aid program management and the Commission's Audit Committee.

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

At appropriate times throughout the year, the Executive Director, in collaboration with the EDFUND Board/President and EDFUND internal audit staff, will present to the appropriate Commission committee draft reports and documents to be submitted as necessary to the appropriate state agencies in regard to the Student Loan Operating Fund and Federal Fund. The Executive Director, EDFUND Board/President, and EDFUND internal audit staff will complete these reports and documents, and will submit them to the appropriate state agencies, under the guidance and direction of the Commission and its appropriate committee, and according to ***~~normal procedures for State agencies~~ 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 ***~~the policy that defines the commission's role~~ 2-N***. At least annually, the Commission will receive and **~~accept~~ review** **[LH]** from the EDFUND Board a summary of its performance evaluation and subsequent-year goals for the EDFUND President. This review will include assessment of compliance with Commission policies herein.

EDFUND Board Performance Assessment

~~On an annual basis, the Commission~~ 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 State administered financial aid program.

Monitoring Policy 8: Internal/External Communications and Commission Support

~~On an annual basis, the Commission~~ 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).***

~~***It***~~ ***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. ***B. The report described in the Commission Governance Monitoring Policy will focus on the extent to which the Executive Director and EDFUND Board/President have kept the Commission informed (e.g., regarding industry trends, staff points of view, etc.) and supported the Commission in its external communication responsibilities (e.g., appropriately supporting Commission communication with government officials).***~~

~~***C.***~~

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 **and applicable state and federal laws and regulations** **[LH]** on the part of the Commission, the Executive Director, or the EDFUND Board/President.