

Information/Action Item

Joint Meeting of the CSAC and EDFUND Audit Committees

Approval of January 8, 2008 Meeting Minutes

Minutes of the joint meeting of the Commission and EDFUND Audit Committees held on January 8, 2008 are provided for the Committees' review and approval.

Staff Recommendation: Approve

Sample Motion: "I move that the Committee approves the January 8, 2008 minutes of the Audit Committee" ("with agreed upon edits", if applicable).

Responsible Staff: Diane Manning, Vice President
Audit Services

DRAFT

**STUDENT AID COMMISSION AND EDFUND
AUDIT COMMITTEES JOINT TELECONFERENCE MEETING**

3300 Zinfandel Drive
Rancho Cordova, CA 95670

January 8, 2008

Committee Members Present:

EdFUND Audit Committee

Sally Furay, EDFUND Audit Committee Member
Molly Greek, EDFUND Audit Committee Member

Commission Audit Committee

Dean Johnston, Commission Audit Committee Chair
Dennis Galligani, Commission Audit Committee Member

Absent:

Fritz Weis, EDFUND Audit Committee Chair
Antonio Solorzano, Jr., Commission Audit Committee Member

Others Present:

Tina Treis, Perry-Smith

Staff Present:

Sam Kipp, EDFUND President
Diane Manning, EDFUND Vice President Audit Services Division
Tina Kilgore-Goodwin, EDFUND Assistant Vice President Audit Services Division
Martin Scanlon, EDFUND CFO, Vice President Finance & Administration Division
David Reid, EDFUND General Counsel
Brett Kelsey, Chief Security Officer Consultant for EDFUND
Gloria Lopez, Commission Liaison
Leanna Sinibaldi, Associate Management Auditor, Federal Policy & Programs

CALL TO ORDER

California Student Aid Commission Audit Committee Chair, Dean Johnston, called the meeting to order at 4:05 p.m. The roll was called and a quorum for each committee was established.

AUDIT CHAIRS' REPORT

There were no chairs' reports.

APPROVAL OF MINUTES FOR SEPTEMBER 26, 2007 AND NOVEMBER 8, 2007

Chair Johnston asked for a motion to approve the minutes of the September 26, 2007 Commission and EDFUND Audit Committees joint meeting. Member Dennis Galligani MOVED to APPROVE the minutes dated September 26, 2007 as presented for the Commission Audit Committee. Chair Johnston SECONDED the motion. Member Sally Furay MOVED to approve the minutes of September 26, 2007 for the EDFUND Audit Committee and Member Molly Greek SECONDED the motion.

Chair Johnston asked for a motion to approve the minutes of the November 8, 2007 Commission and EDFUND Audit Committees. Member Sally Furay MOVED to APPROVE the minutes dated November 8, 2007 as presented for the EDFUND Audit Committee and Member Greek SECONDED. Member Galligani MOVED to approve the November 8, 2007 minutes as presented for the Commission and Chair Johnston SECONDED the motion. The motion CARRIED for approval of the September 26, 2007 and the November 8, 2007 minutes from both committees UNANIMOUSLY.

FORMAL ACCEPTANCE OF EDFUND'S AUDITED FINANCIAL STATEMENTS

Tina Treis of Perry-Smith presented a draft of EDFUND's audited financial statements for the fiscal years ended September 30, 2007 and 2006 which includes the independent auditor's report. Ms. Treis explained the changes in account balances between fiscal years and discussed the footnotes to the financial statements. Ms. Treis communicated that EDFUND staff was very diligent in their preparation for the audit. She also informed the Committee members of new auditing standards that will take effect for the next fiscal year which will result in an increase in hours and fees to conduct the audits.

Chair Johnston asked for a motion to formally accept the audited financial statements. Member Furay MOVED to accept the financial statements as presented. Member Greek SECONDED. Member Galligani MOVED to accept the financial statements as presented. Chair Johnston SECONDED. The motion CARRIED from both committees UNANIMOUSLY.

FORMAL ACCEPTANCE OF THE EDFUND 401(k) PLAN AUDITED FINANCIAL STATEMENTS

Tina Treis of Perry-Smith also presented EDFUND's 401(k) audited financial statements as of December 31, 2006 and 2005. Ms. Treis explained the limited scope nature of the audit. Chair Johnston asked if there was a motion to formally accept the 401(k) audited financial statements. Member Galligani MOVED to accept the EDFUND 401(k) audited statements as presented for the Commission Audit Committee. Chair Johnston SECONDED the motion. Member Greek MOVED to accept the EDFUND 401(k) audited statements as presented for the EDFUND Audit Committee. Member Furay SECONDED the motion. The motion CARRIED from both committees UNANIMOUSLY.

PUBLIC COMMENT

Chair Johnston asked if there was any public comment. There being none, Chair Johnston moved to the next agenda item.

PRESENTATION BY EDFUND'S CHIEF SECURITY OFFICER

Brett Kelsey, Chief Security Officer and Consultant for EDFUND, presented an update to the Committees on the progress in enhancing EDFUND's information security program. Mr. Kelsey stated that a guidance manual has been published and training material is being developed for security awareness. The security office has been combined to include information security, business continuity and physical security. Current projects include assessments and reviews of internal controls over information security. Mr. Kelsey aks pointed out that the security office has been working with the Bureau of State Audits (BSA) regarding prior audit findings and is working to address the matters by June 30, 2008. Mr.

Kelsey indicated that BSA is aware of the progress being made to address the findings. Mr. Kelsey also gave an update on future security projects.

EXTERNAL AUDIT UPDATE

Diane Manning, Vice President of Audit Services, informed the Committee members that BSA is in the final stage of completing their work on the annual FFEL Program compliance audit. Once completed, BSA will conduct an exit conference with staff and the state-wide compliance audit report is expected to be released to the public no sooner than March. No other external audits are currently in progress.

INTERNAL AUDIT UPDATE

Diane Manning provided the Committee members with a written summary and tracking report of all current internal audits as coordinated with the approved audit plan. Member Sally Furay stated the material was very thorough and indicated her appreciation for the work performed by EdFund's Internal Audit staff.

Chair Johnston indicated the Commission had two possible candidates for the Commission's Internal Audit department, however, both candidates declined to join CSAC and the Commission will need to search for more candidates.

LEGAL UPDATE

David Reid, EDFUND's General Counsel, reported that currently there are two cases regarding bankruptcy. One of which is on-going where the borrower claims the former employer agreed to pay the student loan. The other case involves a borrower that claims his student loan was discharged. There is one other case in small claims court regarding a fair credit issue,

ADJOURNMENT

With no further business to discuss, Chair Johnston asked for a motion to adjourn the meeting. Member Furay MOVED to adjourn the meeting and Member Galligani SECONDED. The joint meeting of the California Student Aid Commission Audit Committee and EDFUND Audit Committee adjourned at 5:18 p.m.

Fritz Weis, EDFUND Audit Committee Chair

Dean Johnston, Commission Audit Committee Chair