

Action/Information Item

California Student Aid Commission

Consideration of:

- Request for Offers (RFO) to Obtain Consultant Services Regarding Roles and Responsibilities of CSAC and EDFUND; and
 - Authorizing Staff to Commence with the State Procurement Process for this RFO
-

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

As a result of the BSA finding and recommendation, at its June 23, 2006 meeting, the Commission directed staff to move forward to develop a request for proposal for consulting services to assist the Commission in delineating the roles and responsibilities of CSAC and EDFUND.

The Audit Committee met on August 8th and August 15th to discuss and revise the draft Request for Offer (RFO) for consultants through the State’s California Multiple Award Schedule (CMAS) process. The Audit Committee recommended approval of the enclosed RFO. CSAC and EDFUND staffs are developing a list of CMAS business consultants to whom the RFO will be sent. This list will be provided under separate cover.

- Recommended Actions:***
1. Approve the RFO to obtain consultant services regarding roles and responsibilities of CSAC and EDFUND.
 2. Authorize staff to commence with the State procurement process for this RFO.

Responsible Staff: Janet McDuffie
Chief, Management Services and
Acting Chief, Federal Policy &
Programs

REQUEST FOR OFFER

RFO #: _____

For:

**DELINEATION OF ROLES AND RESPONSIBILITIES BETWEEN THE CALIFORNIA
STUDENT AID COMMISSION AND ITS AUXILIARY, EDFUND, AND INTERNAL
MANAGEMENT ISSUES THAT AFFECT JOINT OPERATIONS**

For: ORGANIZATIONAL ASSESSMENT

Date: AUGUST 21, 2006

You are invited to review and respond to this Request for Offer (RFO). To submit an offer for these goods and/or services, you must comply with the instructions contained in this document as well as the requirements stated in the State's Scope of Work (SOW), Attachment A and B. By submitting an offer, your firm agrees to the terms and conditions stated in this RFO and your proposed MA or CMAS contract.

Read the attached document carefully. The RFO due date is: Friday, September 15, 2006 at 5:00 p.m. (Pacific). Responses to this RFO and any required copies must be submitted by mail and electronic mail, clearly labeled to the department contact noted below.

Department Contact:
Sue Powell
Management Services Division
California Student Aid Commission
10834 International Drive
Rancho Cordova, CA 95670
Phone: 916-526-8043
Fax: 916-526-8005
Email: SPowell@csac.ca.gov

General Information

1. Background and Purpose of the RFO

The California Student Aid Commission (Commission) has been serving California students and families with financial aid services for more than 50 years. The Commission is the primary state agency responsible for the administration of state-authorized student financial aid programs available to students attending all segments of postsecondary education. These programs include grant, work-study, loan assumption, and loan programs supported by the state and the federal government.

In 1977, the Commission's responsibilities significantly expanded when it became California's designated guaranty agency for the Federal Family Education Loan (FFEL) Program. A guaranty agency is responsible for ensuring that federally-insured loans are issued to eligible students attending eligible postsecondary educational institutions and that loans are borrowed through an approved FFEL Program lender. A guarantor also has specific responsibilities relating to the maintenance of borrower account information, for securing borrower repayment of delinquent and defaulted loans, and for payment of claims submitted by lenders when a borrower defaults. A guarantor may be either a state agency or a nonprofit corporation and is authorized to contract with third-party services for program administration. The U.S. Department of Education (USED) designates a guarantor for each state. The designation as a guarantor for a state is non-exclusive; that is, an educational institution may choose to work with any participating guarantor.

The Commission is the designated state guarantor for California. Legislation authorizing the creation of an auxiliary as a non-profit 501(c)(3) public benefit corporation (AB 3133) was motivated by the growing competition in the loan guaranty arena and the need for the Commission to improve its loan guarantee services and customer service capabilities. On January 2, 1997, the Commission founded EdFUND as its auxiliary. EdFUND was created to provide the Commission with operational and support services essential to the administration of the FFEL Program and other permitted activities that are related to student financial aid. This new structure converted a program totally within a state system to one administering competitively in the student loan guarantee industry under a non-profit corporate structure.

The Commission maintains its responsibility for financial aid program administration, policy leadership, program evaluation, and information development and coordination. (California Education Code (CEC) §69522 (c)(1) Through EdFUND, the Commission provides operational and support services essential to the administration of the FFEL Program nationwide. The Commission/EdFUND enterprise has become the second largest guaranty agency nationally.

The Commission and EdFUND have separate governing bodies. The California Student Aid Commission is governed by a 15-member commission which is entrusted with nominating and appointing a Board of Directors for EdFUND. The operations of EdFUND are conducted in conformity with an Operating Agreement approved annually by the Commission. The current operating agreement between the Commission and EdFUND has been extended for the past three fiscal years with minor revisions and is set to expire on September 30, 2006. The agreement may be extended to January 31, 2007. EdFUND functions and responsibilities are limited to activities specified in the operating agreement. Although the operating agreement between the Commission and EdFUND address some delineation of responsibilities, many provisions are subject to different interpretations.

The State has relied on this model of EdFUND administering the FFEL Program on behalf of the Commission since 1997. Consistent with the statutory constraints placed on it, the Commission has flexibility to govern EdFUND and the loan program within the constraints of state and federal laws and regulations. The Legislature placed relatively few constraints on the management of the FFEL Program and EdFUND as an auxiliary of the Commission. However, the Legislature granted the Commission custody and control of operating funds generated through the FFEL Program.

State law has not adequately delineated which entity is responsible for which FFEL Program operational functions which have led to disagreements about each entity's appropriate roles and responsibilities. Additionally, no framework has been established which specifies the method by which the Commission and Commission staff conduct oversight activities over EDFUND operations. The organizational structure has, at times, caused tension between the Commission, the EDFUND Board, and their respective management staffs.

The Commission is seeking consulting assistance in delineating the roles and responsibilities of the two organizations and their respective Boards towards the goal of increasing the effectiveness of the interactions between staff and management of the Commission and EDFUND.

2. Minimum Qualifications for Offerors

To compete in this RFO, the offeror's project team must include demonstrated management experience in the FFEL Program.

3. Key Dates

It must be understood that time is always of the essence, both for the RFO submittal and contract completion. Offeror's are advised of the key dates and times shown below and are expected to adhere to them.

Event	Date
1. Release of RFO	August 21, 2006
2. RFO Response Submission Due Date and Time	September 15, 2006, 5:00 p.m. (Pacific Time)
3. Contractor Presentations and Interviews	Week of September 25-29, 2006
4. Anticipated Contract Award	October 9, 2006

4. RFO Response Requirements

This RFO and the offeror's response to this document will be made part of the Commission's Purchase Order and procurement contract file.

Responses must contain all requested information and data and conform to the format described in this section. It is the offeror's responsibility to provide all necessary information for the Commission to evaluate the response, verify requested information and determine the offeror's ability to perform the tasks and activities defined in the Scope of Work, Attachment A and Cost Worksheet, Attachment B provided as required below.

The offeror must submit five (5) copies of their response, as well as one copy via electronic mail, to the Commission's contact name and address contained on the cover sheet to this RFO.

5. RFO Response Content

The majority of the information required to respond to this RFO is contained in the Scope of Work, Attachment A and Cost Worksheet, Attachment B.

a) Response to Commission's Scope of Work, Attachment A:

The offeror's "Statement of Work" responds to the Scope of Work and will be used to evaluate responsiveness to requirements. This Statement of Work response must map each task/deliverable item back to the Attachments. The response must include any additional information that the offeror deems necessary to explain how the contractor intends to meet the Commission's requirements. The Statement of Work needs to contain the following as appropriate:

1. Structure of the project team, including the role of each team member.
2. Background information on each team member:
 - a. Business management experience in federal, state, and non profit reporting and oversight activities and regulatory requirements.
 - b. Experience with, and understanding of, the FFEL Program and its related issues.
 - c. Knowledge in financial and operational reporting, oversight regulatory requirements and best practices in state agencies and non-profit corporations.
 - d. Location of office that will have primary responsibility for the effort.
 - e. Any prior consulting services or relationships with the Commission, EDFUND and their management staffs.
3. The approach and management of the services.
 - a. Overview of the required tasks and outcomes
 - b. Description of how the tasks will be performed
 - c. Work plan for each task, including sub-task description
4. The proposed timeline which identifies, but is not limited to, key milestones and deliverables.
5. An itemized budget, including total costs for each deliverable. These costs must be broken down by total hours and hourly rate for each consultant involved in the specific deliverable.
6. Resumes of each engagement team member are to be included in an appendix to the response.
7. Reference list of recent clients who may be contacted regarding your services. Provide at least three references. Include the name and title of the contact person and telephone number along with a description of the service provided.
8. If using subcontractors, then list the firm name, address, contact person and address. Subcontractors are subject to all the terms, conditions and requirements of this subsequent contract.

b) Response to Attachment B:

Response to the Cost Worksheet, Attachment B. This Attachment will detail the staff hours by classification, hourly rate per classification, by task(s) and deliverable(s), see format in Attachment B. These costs must map by each classification to the offeror's Statement of Work. Travel shall be reimbursed in accordance with the State Travel Per Diem Schedule, which will be incorporated and made part of the agreement.

The cost for any one deliverable can be no more than 40% of the total cost. The total cost must not exceed \$250,000.00.

6. Presentations and/or Interviews

As noted in the Key Dates, consultants must be available at the Commission's offices during the week of September 25-29, 2006 for presentations/interviews with the selection committee. The proposed key project staff identified in the offeror's Statement of Work must be in attendance.

Review of Offers for Award

Responses to this RFO will first be reviewed for responsiveness to the requirements of Exhibit A and B. If a response is missing information required in either Attachment it may be deemed not responsive. Further review is subject to the Commission's discretion.

Award of a contract resulting from this RFO against a CMAS contract will be based on a "best value" method that includes cost as a factor.

The contract will be awarded to the consultant offering the best value based upon the following:

- Background experience;
- Specific expertise in the area of organizational assessment;
- Specific expertise in the FFEL Program;
- Knowledge in financial and operational reporting, oversight regulatory requirements and best business practices in state agencies and non-profit corporations;
- Proposed approach/management of services, timeframe, and cost.

ATTACHMENT A – SCOPE OF WORK

A. **Scope and Description**

The Commission is seeking consulting assistance in delineating the roles and responsibilities of the two organizations and their respective Boards towards the goal of increasing the effectiveness of the interactions between staff and management of the Commission and EDFUND. It is also the Commission's intent that the proposed solution identifies and clarifies responsibilities, eliminates or reduces duplicative activities and streamlines reporting, oversight, and monitoring activities between the organizations. It is important that the resulting definition of roles and responsibilities does not cede the Commission's ability to perform its statutory FFEL Program responsibilities, which include financial aid program administration, policy leadership, program evaluation, and information development and coordination; nor should it relinquish the Commission's fiduciary responsibilities.

The consultant should focus on the Commission's and EDFUND's roles in the following key activities, which include, but are not limited to:

- Business planning, including priorities, risks and market strategies
- Budget development and management
- Performance goal development and measurement
- Policy development
- Day-to-day administration of operations
- Interactions and communications with external parties including: customers (i.e. lenders, schools, and borrowers), California state agencies and officials, U.S. Department of Education, industry representatives, external auditors, and other business partners
- Representations made to industry partners, customers, and stakeholders

It is anticipated that contract work will begin approximately October 9, 2006 and finish by January 31, 2007. The consultant should consider the "Due Dates" listed in Section C – Deliverables when developing a proposed schedule for the project:

B. **Contractor Tasks and Responsibilities** – The consultant should, at a minimum:

- Review the April 2006 Bureau of State Audits (BSA) Report (2005-120) entitled, "Changes in the Federal Family Education Loan Program, Questionable Decisions, and Inadequate Oversight Raise Doubts About the Financial Stability of the Student Loan Program."
- Review the Legislative Analyst's Office (LAO) January 2006 report on "California's Options for Administering the Federal Family Education Loan (FFEL) Program" and the "Analysis of the 2006-07 Budget Bill - February 2006 - Student Aid Commission - Restructuring How the State Administers Grant and Loan Financial Aid Programs."
- Review the California Education Code, §69522-69529.5 and §69760-69779 pertaining to the Commission's FFEL Program responsibilities under California law and administrative and policy guidelines.
- Review federal, state, and non-profit laws relative to a 501(c)(3) public benefit corporation administering the FFEL Program on behalf of the State, including legal opinions from Latham and Watkins provided by EDFUND.

- Review Title 34, Part 682: FFEL Program, §682.401 Basic Program Agreement pertaining to a State loan guarantee program administered by a third party under the supervision of a single State agency.
- Review the “Roles and Responsibilities in the CSAC/EdFUND Relationship Background Materials and Items for Discussion” developed by Commissioner and EdFUND Board Chair Sally Furay and presented at the July 26, 2006 CSAC/EdFUND Joint Workshop.
- Review how other states perform their fiduciary and oversight responsibilities as designated guarantors in the federal loan program, especially those that rely on separate not-for-profit corporations to perform loan program functions, those that contract for the provision of loan program administration and services, and those that use auxiliary organizations.
- Interview key EdFUND and Commission staff, Commissioners, and Board members to gain an understanding of existing interactions and the exchange of information between the two organizations in the management of the FFEL Program and the oversight of EdFUND.
- Review input from external stakeholders (as designated by the Commission’s Audit Committee), based on a survey developed by staff/Audit Committee and approved by the Audit Committee.
- Review various materials provided by staff of both organizations, and/or as requested by the consultant, related to the administration of the FFEL Program, including the oversight of EdFUND.
- Request and review additional material, as needed.

C. **Deliverables** – The consultant must confer on a weekly basis with the staff liaisons, be available to answer questions regarding the consultant’s work, and provide the following (to be formatted into one final report) by the stated due dates:

1. Provide:

- a) A listing and explanation of federal, state, and non-profit regulations and statutory requirements applicable to the Commission’s responsibilities in overseeing EdFUND and its administration of the FFEL Program.
- b) Written summaries of CSAC and EdFUND staffs perspectives on their roles and responsibilities in the administration of the FFEL Program and the key activities that are currently performed to fulfill those roles and responsibilities.
- c) Written recommendations on the roles and responsibilities for each organization with respect to the key activities, which include, but are not limited to the following. Provide a brief analysis of the advantages and disadvantages of each recommendation
 - Business planning, including priorities, risks and market strategies
 - Budget development and management
 - Performance goal development and measurement
 - Policy development
 - Day-to-day administration of operations
 - Interactions and communications with external parties including: customers (i.e. lenders, schools, and borrowers), California state agencies and officials, U.S. Department of Education, industry representatives, external auditors, and other business partners
 - Representations made to industry partners, customers, and stakeholders

2. Provide:
 - a) Written recommendations on a framework that defines the oversight activities that should be conducted by or on behalf of the Commission, including requirements for the staff in regards to the reporting relationship and accountability to the Commissioners. This framework should include, but not be limited to, the types and level of information that should be regularly monitored, the timing of such activities, and the reporting of oversight results to the Commissioners.
 - b) Written recommendations regarding ineffective, inefficient and redundant interactions between the two organizations which could be reduced, eliminated, or altered which supports the Commission's and EDFUND's roles and responsibilities as required by law, regulations and statute.

3. Perform the following:
 - a) Submit final report and present to the Audit Committee in mid-January 2007 (actual date TBD)
 - b) Present final report to the Commission in late January 2007 (actual date TBD).

Deliverables		Due Date
1	Written report that includes the following: a – Listing of relevant regulations, statutes, etc. b – Summaries of staff perspectives c – Recommendations	December 8, 2006 or earlier
2	Written report that includes the following: a – Oversight Framework b – Identify inefficiencies	December 22, 2006 or earlier
3	a – Final written report and Presentation to Audit Committee b – Presentation to the Commission	a: Mid – January 2007* b: Late January 2007* *actual dates TBD

- D. **Acceptance Criteria** – It shall be the Commission's sole determination as to whether a deliverable has been successfully completed and acceptable. There must be a signed acceptance document for each deliverable before invoices can be processed for payment.

Acceptance criteria shall consist of the following:

1. Reports on written deliverables are completed as specified and approved.
 2. All deliverables must be in a format that can be used by the Commission.
 3. If a deliverable is not accepted, the Commission shall provide the rationale in writing within 5 days of receipt of the deliverable or upon completion of acceptance testing period.
- E. **State Responsibilities** – The Commission/EDFUND will provide access to business and technical documents as necessary for the contractor to complete the tasks identified in the department's purchase document.

SAMPLE

ATTACHMENT B – COST WORKSHEET

Deliverable A:

Job Title or Classification	Hours	Rate Per Hour	Extended Total
Total Deliverable A			

Deliverable B:

Job Title or Classification	Hours	Rate Per Hour	Extended Total
Total Deliverable B			

Subtotal	\$ _____
Other Costs, Travel, (if allowed) etc.	+ _____
Total Costs	\$ _____