

AUXILIARY ORGANIZATION GOVERNANCE

CRITICAL FACTORS CHECKLIST

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Auxiliary Organizations Association

*Each auxiliary governing board member is required by law to be actively engaged in the affairs of organization. Whether large or small, single or multi-function, an auxiliary organization's effectiveness and compliance efforts are demanding and rest squarely with its governing board. This **Critical Factors Checklist** identifies key areas of common corporate and auxiliary governance responsibility.*

Role & Responsibility of Governing Board

- Does the Board hold a comprehensive governance orientation for new Board members and a periodic update to the Board on corporate and auxiliary governance requirements? Is there a Board Manual?
- Are you and the Board clear about the purpose(s) of your organization and its relationship to the University?
- Are you clear and confident about your legal duty-standards as a Board member, including the duty of care and duty of loyalty, and the fact that the board must act as a body, not through individual Board members?
- Do you understand that your organization, as a nonprofit public benefit corporation, is a public charity and subject to fiduciary standards distinct from other for-profit and nonprofit entities?
- Have the role of the officers and the function of management in relationship to the Board been explained to you? Do you understand these functions and relationships?

Major Corporate Instruments, Status & Reports

- Are the Articles of Incorporation up-to-date (changes in law or practice, or purpose) and properly filed with the Secretary of State? Are you familiar with and understand its content? Does your board follow its provisions? Is it reviewed periodically by the board?
- Has your organization filed the proper initial registration documents with the Registry of Charitable Trusts (RCT)? Are annual registration renewal reports (RRF-1) filed with the RCT?
- Does your organization file the biannual Statement of Information (SI-100) with the Secretary of State?
- Is the Operating Agreement and/or the Support Service Lease up-to-date? Are you familiar with the contents?
- Is the federal tax exempt determination letter for the organization on file and up-to-date? Are you familiar with its provisions? Is your "supporting organization" category still valid in relation to your operations?
- Are you familiar with the required annual federal tax return (IRS Form 990 series)? Do you review it with your board before it is filed? The State tax return (FTB 199 series)?
- Are you familiar with the required annual report to the Attorney General (Form RRF-1) on charitable fiscal accountability? Do you review it with your board before it is filed?
- Are you familiar with the required annual financial report prepared by an independent audit firm? Do you review it with your board prior to acceptance?

Policy Development, Implementation & Review

- Are the Bylaws comprehensive, up-to-date, and reviewed periodically by the Board?
- Has the Board considered and adopted key written policy statements across the full range of programs and services? Do these policies set adequate limits, yet provide implementation flexibility to management?
- Does the Board review these policies on a regular basis and keep them current? Does the Board have a clear understanding of the distinction between policy and procedures (and which are truly of governance concern)?

Standards of Conduct & Conflict of Interest

- Do you have a working understanding of the legal conflict of interest standards that apply to you as a Board member? Is there a conflict of interest policy or code of conduct?
- Do you know how to report a potential conflict and who enforces your policy? How the Board validates a transaction involving and interested director?
- Do you, as a Board member, preserve the confidentiality of material and information given or presented to the Board?
- Does the Board function effectively, with regular well-attended and well-run meetings addressing important issues?
- Does the Board periodically review its own effectiveness?

(See Over)

Oversight (External and Internal)

- Are you familiar with the authority of the University President over your organization? The oversight role of the campus Chief Financial Officer?
- Is there management development program and a succession plan approved by your Board?
- Are key staff members formally evaluated by the chief executive and those evaluations shared with the Board?
- Do committees function under Board-adopted charge statements that comply with the law (delegated authority, composition)?
- Are financial performance and budget documents timely, understandable and regularly monitored by the Board or a committee?
- Are you familiar with the basic recordkeeping, reporting and disclosure requirements that apply to your organization? Is there a records access and retention policy?

Investment Standards

- Has the Board adopted an appropriate investment policy? Do you understand it?
- Does the Board have a formal process for evaluating investment results and fund management performance?
- Are you familiar with CSU investment guidelines and “best practices” standards?

Board & Committee Meetings

- Are you familiar with Board and committee meeting requirements (i.e., frequency, proper notice, public and closed sessions)?
- Are Board meeting Minutes accurate, complete and submitted on a timely basis for Board review and approval?
- Do Board meeting agenda reports clearly analyze the issues, present alternatives, and include recommendations?
- Has an Audit Committee been established, properly charged with duties, and composed of individuals permitted by law?

Sale or Transfer of Substantial Assets and Dissolution

- Are you and the Board aware of the formal process required to transfer all or a substantially all of your organization’s assets to another entity?
- Are you and the Board aware of the formal process required to-wind up and dissolve an organization like yours?

Fundraising Standards and Practices

- If your organization accepts charitable assets, do you and the Board have a working understanding of the fund management requirements under the *Uniform Prudent Management of Institutional Funds Act*?
- Are there policies and practices in place on donor designations? Who is responsible for compliance?
- Do you have a working understanding of charitable solicitation rules, including the proper use of professional fundraisers?

Risk Management Key Factors

- Has your Board adopted a Risk Responsibility (including insurance) policy? Are risk management practices consistent with the policy?
- Does your Board regularly assess the risks your organization faces?
- Does your organization maintain Directors and Officers insurance coverage? Is this coverage reviewed on a regular basis?
- Has the Board adopted an indemnification policy covering Board members?

Reference: The critical governance factors on this checklist are treated in the professional monograph, “The Role and Responsibilities of Auxiliary Governing Boards” available to member organizations on the AOA website.