

Coast Community College District
ADMINISTRATIVE PROCEDURE
Chapter 3 General Institution

AP 3600 Auxiliary Organizations

References:

Education Code Sections 70902,72670 et seq., and 76060;
Government Code Sections 12580 et seq.;;
Title 5, Sections 59250 et seq.

Definitions

- **Board of Directors:** The term Board of Directors as used herein means the governing board of an auxiliary organization.
- **Board:** The term Board as used herein means the Board of Trustees of the Coast Community College District (District).
- **Board of Governors:** The term Board of Governors as used herein means the Board of Governors of the California Community Colleges.
- **Chancellor:** The term Chancellor as used herein means the Chancellor of the District or designee.
- **District:** The term District as used herein means the Coast Community College District.
- **Associated Student Body:** An organization formed by any group of students from the following Colleges of the District in accordance with the provisions of Education Code Section 76060. At the District, this refers to:
 - Orange Coast College: *Associated Students of Orange Coast College (ASOCC)*
 - Golden West College: *Associated Students of Golden West College (ASGWC)*
 - Coastline Community College: *Associated Student Government Coastline Community College (ASGCCC).*
- **Master Agreement:** The written agreement or Charter between the District and the auxiliary organization as set forth in Title 5, Section 59251(b).

Recognition and Establishment of Auxiliary Organizations

An organization wishing to establish itself as an auxiliary organization shall make such request to the President of the College or the Chancellor if at the District Office. Such request must be accompanied by a draft Master Agreement as set forth below, as well as the articles of incorporation, if any, and bylaws. The requesting organization must ensure any agreements and/or governing documents comply with the relevant sections of Title 5 and the Education Code. The President or Chancellor

shall review the request and all accompanying documents within 60 business days of receipt and shall submit a recommendation to the Board within 30 business days of approving the request to establish an auxiliary organization that demonstrates it will serve the District's interests. The recommendation includes, but is not limited to:

- The purpose(s) for which the auxiliary organization is to be established;
- Whether the proposed auxiliary organization will primarily serve the District or a particular College;
- The recognized function(s) which the auxiliary organization is intended to perform;
- The proposed bylaws and articles of incorporation (Governing Instruments), if any, for the auxiliary organization, including the size and composition of the Board of Directors; and
- The proposed Master Agreement between the auxiliary organization and the District, or the founding Charter in the case of Associated Student Body, which addresses the requirements of Title 5 Section 59257(j).

The Board shall hold a public hearing on recommendations to recognize and establish auxiliary organizations. After the public hearing, the Board shall announce its approval or rejection concerning the establishment of the organization and all Governing Instruments. After approval, the District shall submit to the California Community Colleges Chancellor's Office all Governing Instruments related to the auxiliary organization for approval prior to the recognition of an auxiliary organization by the District.

Recognized Services, Programs and Functions

The following activities are appropriate for supporting the District and its Colleges:

- Student association or organization activities;
- Bookstores;
- Food and campus services;
- Student union programs;
- Facilities and equipment, including parking;
- Loans, scholarships, grants-in-aid;
- Workshops, conferences, institutes and federal and specially funded projects;
- Alumni activities;
- Supplementary health services;
- Gifts, bequests, devises, endowments and trusts; and
- Public relations programs.

This section shall not be construed to prohibit an auxiliary organization from taking actions essential to satisfy the non-profit corporation or tax laws of the State of California or the federal tax laws.

Operations of commercial services on a campus shall be self-supporting when operated by an auxiliary organization.

Authority and Responsibility of Auxiliary Organizations

All services, programs and activities that may be undertaken by an auxiliary organization shall be maintained for the general benefit of the educational programs of the District. Upon approval by the Board, an auxiliary organization may conduct any of the services, programs and activities listed in these procedures in order:

- To provide the fiscal means and the management procedures that allow the District to carry on educationally related activities not normally funded by State apportionment;

- To eliminate the undue difficulty that would otherwise arise under the usual governmental budgetary, purchasing and other fiscal controls except as expressly prohibited by the Education Code or Title 5, or the District's procedures; or
- To provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the District in accordance with sound business practices.

Composition of Boards of Directors

The Board of Directors of each type of auxiliary organization shall have the following composition:

- Student Associations or Student Organizations: The Board of Directors shall consist primarily of students. Each College President or designee(s) may attend and participate in meetings of the Board of Directors in order to advise on applicable policy and law, and to provide for the control and regulation required by Education Code Section 76060.
- Other Auxiliary Organizations: Any other District approved auxiliary organization that is established pursuant to Section 72670 et seq. of the Education Code shall have a Board of Directors appointed in accordance with the organization's articles of incorporation, if any, or bylaws, and consisting of voting membership from one or more of the following categories: administration, staff; members of the community; students.

The size of the Board of Directors of an auxiliary organization shall be at least large enough to accommodate the one or more categories from which board members are selected.

Conduct of Boards of Directors

Members of the Board of Directors are expected to comport to the provisions of Education Code Section 72677, which states: "No member of the Board of Directors of an auxiliary organization shall be financially interested in any contract or other transaction entered into by the board of which he or she is a member. Any contract or transaction entered into in violation of this section is void."

In order to document compliance, members of the Board of Directors for each auxiliary organization shall complete a conflict of interest disclosure on an annual basis and include a commitment of each board member that should a conflict of interest arise at any point during business before the Board, that the board member will disclose the conflict during the public meeting and abstain from voting.

However, no member of the Board of Directors shall be disqualified or deemed guilty of misconduct in office if such member complies fully with the specified exceptions set forth in Education Code Section 72678, specifically:

- a) The fact of such financial interest is disclosed or known to the Board of Directors and noted in the minutes, and the Board thereafter authorizes, approves, or ratifies the contract or transaction in good faith by a vote sufficient for the purpose without counting the vote or votes of such financially interested member or members.
- b) The contract or transaction is just and reasonable as to the auxiliary organization at the time it is authorized or approved.

However, the provisions of Education Code Section 72678 above shall not be applicable if any of the following conditions are met:

- a) The contract or transaction is between an auxiliary organization and a member of the Board of Directors of that auxiliary organization.

- b) The contract or transaction is between an auxiliary organization and a partnership or unincorporated association of which any member of the governing board of that auxiliary organization is a partner or in which he/she is the owner or holder, directly or indirectly, of a proprietorship interest.
- c) The contract or transaction is between an auxiliary organization and a corporation in which any member of the Board of Directors of that auxiliary organization is the owner or holder, directly or indirectly, of five percent or more of the outstanding common stock.
- d) A member of the of an auxiliary organization is interested in a contract or transaction within the meaning of Education Code Section 72677 and without first disclosing such interest to the Board at a public meeting of the Board, influences or attempts to influence another member or members of the Board to enter into the contract or transaction.

It is unlawful for any person to utilize any information, not a matter of public record, which is received by the person by reason of his/her membership on the Board of Directors of an auxiliary organization, for personal pecuniary gain, regardless of whether he/she is or is not a member of the Board at the time such gain is realized.

Bylaws

The bylaws of an auxiliary organization shall include, but shall not be limited to, specifying:

- The number of members of the Board of Directors, the categories from which members shall be selected and the method by which they shall be selected.
- That at least one public business meeting will be held each quarter.
- The time table for the preparation and adoption of its program and annual budget.
- That an attorney admitted to practice in this state and a licensed certified public accountant shall be selected to provide advice and counsel to the Board of Directors. Each shall have experience appropriate to the responsibility and shall have no financial interest in any contract or other transaction entered into by the Board which he/she serves. Neither the attorney nor the certified public accountant needs to be a member of the Board of Directors.
- The procedures for approving expenditures.
- The procedures for accepting gifts, donations, bequests, trusts and specially funded grants and other income.
- Code of Ethics statement

Master Agreement or Charter between District and Auxiliary Organizations

In the recognition and establishment of an auxiliary organization, there shall be a written Master Agreement between the District and the auxiliary organization, or a written Charter of the Student Government Organization, which sets forth the purposes of the auxiliary organization as permitted under this Procedure, and Title 5 Section 59259.

An auxiliary organization shall provide only those services, programs or functions authorized by a Master Agreement. No other service, program or function shall be permitted or performed unless a Master Agreement between the District and the auxiliary organization is amended to provide otherwise.

The agreement shall include, but is not limited to, the following provisions:

- The recognized services, programs, or functions the auxiliary organization is to manage, operate or administer.
- A statement of the reasons for administration of the functions by the auxiliary organization instead of by the District under usual District procedures.

- The areas of authority and responsibility of the auxiliary organization and the District or College.
- The facilities and services to be made available by the District to permit the auxiliary organization to perform the services, programs or functions specified in the Master Agreement.
- The charge or rental to be paid to the District by the auxiliary organization for the facilities used or services provided in connection with the performance of its function. The charge or rental specified shall be identified in sufficient time before it is incurred so that the organization may determine to what extent it is liable.
- Full reimbursement to the District for services performed by the District or by District employees in support of the auxiliary organization. No more than 50% of the reimbursement may be made in the form of non-monetary benefits that the auxiliary organization provides to the District, such as increased community awareness or other such benefits that are agreed upon by authorized District officials and the auxiliary organization. The District shall assign a good-faith reimbursement value to such non-monetary benefits. Student body auxiliary organizations may be exempt from reimbursing all or any portion of the costs for such services. Methods of proration where services are performed by District employees for the organization shall be as mutually determined.
- A mutually agreed upon method of determining in advance to what extent the organization shall be liable for indirect costs relating to specially funded programs (including federally sponsored programs).
- The responsibility for maintenance and payment of operating expenses.
- Proposed expenditures for public relations or other purposes which would serve to augment District appropriations for operation of the District. With respect to these expenditures, the auxiliary organization may expend funds in such amount and for such purposes as are approved by the Board of Directors of the auxiliary organization. The Board of Directors shall file with the Chancellor a statement of such policy on accumulation and use of public relations funds. The statement shall include the policy and procedure on solicitation of funds, source of funds, amounts, and purpose for which the funds will be used, allowable expenditures, and procedures of control.
- The disposition to be made of net earnings derived from the operation of the auxiliary organization, including earnings derived from facilities owned or leased by the auxiliary organization, and provisions for reserves.
- The disposition to be made of net assets and liabilities on dissolution of the auxiliary organization or cessation of the operations under the agreement.
- The covenant of the auxiliary organization to maintain its organization and to operate in accordance with Education Code Sections 72670-72682 and with Title 5 Sections 59250 et seq., and with Board Policy.
- The understanding that the auxiliary organization shall not enter into any contract or other business arrangement involving real property either by lease involving payments of more than \$25,000 per annum and duration terms of more than one year, or by purchase without prior notification and consultation with the Chancellor.

Should an auxiliary organization provide more than one service, program, or function, such service, program, or function may be authorized in one of more written contracts with the District. Such services, programs, and functions thereby performed by an auxiliary organization may also be part of a joint powers agreement in accordance with Education Code Section 72671 and Government Code Sections 6500 et seq.

Accounting and Annual Financial Audits

The fiscal year of the auxiliary organization shall coincide with that of the District. Each auxiliary organization shall develop an accounting system that is in accordance with generally accepted accounting principles (GAAP).

The Board of Directors of an auxiliary organization shall approve or ratify all expenditures. The auxiliary organization shall implement financial practices that will assure its fiscal viability. Such practices shall include professional management, adequate working capital, adequate reserve funds for current operations, capital replacements, contingencies, and adequate provisions for new business requirements.

Each auxiliary organization shall have an annual fiscal audit of any and all funds. The audit shall be performed by a certified public accountant and include assurance statements that the accounting system complies with GAAP, organizations are self-supporting, and financial operations are viable as defined above. Copies of the annual audit report shall be submitted by the auxiliary organization to the District Fiscal Office, who submits all reports together to the Board and to the California Community Colleges Chancellor's Office within 30 days after it is received by the auxiliary organization. Thereafter, it shall be a public record, except as otherwise provided by law. Such audits may be conducted as part of a fiscal audit of the District itself.

Auxiliary organizations shall annually publish an audited statement of their financial condition, which shall be disseminated as widely as feasible and be available to any person on request. A reasonable fee may be charged to cover the costs of providing a copy. An auxiliary organization shall comply with this requirement by posting financial statements on the District website, in addition to the website for each established auxiliary organization, in such a manner that the auxiliary organization is identifiable and discernable from the District's financial statements.

The audited financial statements shall be available for inspection by the Attorney General and shall be made available to members of the public. Audit reports should be completed in a manner such that final reports are presented to the Board of Directors of the auxiliary organization prior to the organization's annual report to the Board.

Records and Annual Report of Auxiliary Organizations

Personnel and payroll records shall be maintained as permanent records by each auxiliary organization.

The Board of Directors, or an authorized committee of the board, shall review and approve the compensation, including benefits of the President or Chief Executive Officer and the Treasurer or Chief Financial Officer to assure that it is just and reasonable. This review and approval shall occur initially upon the hiring of the officer, whenever the term of employment, if any, of the officer is renewed or extended, and whenever the officer's compensation is modified. Separate review and approval shall not be required if a modification of compensation extends to substantially all employees.

Adequate records of all other transactions of an auxiliary organization shall be maintained for a minimum of seven years. Transactions of the organization include, but are not limited to, purchases, disbursements, and investments.

An annual report shall be submitted to the Board of Directors of the Foundation auxiliary organizations and to the Chancellor and Board by the second Board meeting in February, for the

Enterprise Corporation, by the second Board meeting in March., and ASBs will present to the Board at the June meeting. The report shall include, if not previously provided, but is not limited to:

- All financial statements required to be filed with the California Community Colleges Chancellor's Office.
- A comparison of budgeted and actual expenditures including prior year audited actuals.
- A description of major accomplishments of the organization.
- A description of improvements proposed for operation of the organization.
- A description of programs and associated budgets for current and/or future fiscal year.
- A description of funds derived from indirect cost payments and the uses of such funds.
- Assessment of good standing using the checklist in Appendix 1 or the results of the compliance review.

Records maintained by an auxiliary organization shall be available to the public to inspect or copy at all times during the office hours of the auxiliary organization, pursuant to and with the exceptions provided in Education Code Sections 72690 et seq.

Insurance

An auxiliary organization shall secure and maintain insurance adequate to protect its operations from catastrophic losses and as required by law. In any insurance policy secured by the auxiliary organization, the District shall be named as additional insured. A copy of each policy or endorsement or insurance certificates setting forth the coverage and limits shall be provided to the District within 30 days from the receipt of the document. In obtaining the insurance coverage, the auxiliary organization shall secure the insurance through the District's Risk Services Department.

Auxiliary Organizations: Use of Facilities

Facilities may be made available by the District to an auxiliary organization to perform the functions specified in these regulations or in an agreement, under the following circumstances:

- The auxiliary organization may occupy, operate and use such District facilities as are mutually identified as appropriate for the functions and/or activities that have been undertaken by the auxiliary organization.
- The auxiliary organization shall pay to the District a charge or rental for the District facilities to be used by it in connection with the performance of its function or functions. The charge or rental to be paid by the auxiliary organization shall not require involved methods of computation, and shall be identified by the District and the auxiliary organization in sufficient time before it is incurred so that the auxiliary organization may determine to what extent it shall be liable.
- The charge or rental to be incurred by an auxiliary organization for use of District facilities in excess of five days shall be incorporated into the agreement between the parties. An auxiliary organization shall provide full reimbursement to the District for any services performed by District employees under the direction of the auxiliary organization. Methods of proration where services are performed by District employees for the auxiliary organization shall be simple and equitable.

List of Auxiliary Organizations in Good Standing

The District shall maintain a current list of auxiliary organizations in good standing. With assistance from District Internal Audit, auxiliary organizations self-assess in even numbered years, using the checklist in Appendix 1, their compliance with Master Agreements, bylaws, articles of incorporation, if any, and applicable laws, regulations, and District policies and procedures. All auxiliary organizations which, after review, are found in compliance with applicable laws, policies and regulations shall be

included in the list of good standing. Any changes to the list of good standing shall be submitted by the District Fiscal Office to the California Community Colleges Chancellor's Office.

When the Chancellor has reason to believe that a particular organization should be removed from the list of auxiliary organizations in good standing, a notice shall be sent to the Board of Directors and a conference shall be held to determine whether such grounds for removal do in fact exist. The Board of Directors of such organization shall be entitled to participate in this conference, and shall have a minimum of 30 days to prepare for the conference and respond to the issues which have been raised. Based upon such conference, the Chancellor shall decide whether the particular organization shall be removed from the list of auxiliary organizations in good standing.

An organization so removed shall not be permitted to do any of the following:

- Use the name of the District;
- Have as a director any official in the District acting in his/her official capacity;
- Operate a commercial service for the benefit of the District or any of its Colleges; and
- Receive gifts, property or funds to be used for the benefit of the District or any of its Colleges.

If the auxiliary organization is dissolved or ceases operations upon removal from the list of organizations in good standing, its net assets and liabilities shall be distributed according to the terms of the Master Agreement between the organization and the District.

Limitation on Transfer of Funds to Auxiliary Organizations

No funds or resources, other than funds or resources derived from gifts or bequests, shall be transferred by the District to any of its auxiliary organizations for the purpose of either avoiding laws or regulations which constrain community college districts or providing the District with an unfair advantage with respect to the application of any state funding mechanism. Such state funding mechanisms include, but are not limited to, general apportionment funding, capital outlay funding, Extended Opportunity Programs and Services funding, and funding for programs and services for disabled students.

Compliance Review by the Chancellor

The Chancellor shall ensure that all auxiliary organizations are reviewed at least once every five years to determine compliance with Education Code Sections 72670 et seq., the policies, rules and regulations of the Board of Governors, and of the District, as well as Master Agreements, Charters, Articles of Incorporation, if any, and bylaws. The Chancellor designates the selected external audit firms, as approved by the auxiliary organizations, to conduct this review. This review may be conducted in conjunction with the annual fiscal audit. The compliance review shall include, but is not limited to the following:

- Summary of the requirements reviewed for compliance
- Results of any transactional testing used to confirm approvals and allowable of expenditures
- Verification that data, information, or other reports provided to the Board of Directors, the Chancellor and/or the Board is accurate, complete, and supported.

The results shall be presented to the Board either at the time of the financial audit report or the annual report. The results of this review may also be used to make a determination of good standing. The self-assessment does not need to be completed in the year when the compliance review is conducted.

If it is determined that after inspection and review, that certain auxiliary organization procedures

and practices are not in compliance with policies, rules and regulations of the Board of Governors and the District, a recommendation concerning the items of noncompliance shall be communicated in writing to the Chancellor and to the Board of Directors of the auxiliary organization. The Board of Directors shall reply in writing within 30 days, either describing the actions which will be taken, including time table, to bring said procedures and practices into compliance; or describing the reasons why the Board of Directors considers the procedures already to be in compliance.

If the Chancellor considers the proposed corrective actions to be acceptable, the auxiliary organization shall be so informed. A second compliance review shall be held at the end of the time agreed to and the results communicated in writing to the Chancellor and to the Board of Directors.

When the auxiliary organization fails to provide an acceptable proposal for corrective actions or fails to implement successful corrective actions within the agreed upon time, the Chancellor shall inform the Board of Directors of such further action as he/she considers appropriate, which may include a recommendation to the Board of Trustees for termination of the contract.

Revision of Rules and Procedures and Reports to the California Community Colleges Chancellor's Office

Rules and procedures for the administration of auxiliary organizations may be revised as necessary by the Chancellor. The Board of Directors of each auxiliary organization in good standing shall be promptly notified in writing of such revisions and be informed of the date by which any changes in the organization's procedures must be accomplished.

Any such revisions shall be submitted by the District Fiscal Office to the California Community Colleges Chancellor's Office for approval. The District shall report, as may be required from time to time, on the operation of its auxiliary organizations.

Appendix 1. Checklist to be Used for Determining Good Standing

Review
Date: _____

Name of Organization: _____

Instructions: Please answer the following questions in order to complete the annual self-review for compliance and good standing in accordance with BP/AP 3600. Some answers may require an explanation, or in instances where non-compliance was identified, an Action Plan. Use the space below to provide a response. For Foundations and Enterprise, this review must be completed and presented to the Board no later than the second Board of Trustees meeting in February. For Associated Student Bodies, this review must be completed and presented to the Board of Trustees no later than the June Board meeting.

#	Question	Yes	No	N/A	Explanation Action Plan
1	Articles of Incorporation, if any, filed with the Secretary of State of California and Auxiliary Organization (AO) attests to be in compliance with the provisions of its Articles of Incorporation?				Date submitted: _____
2	Services provided to the District are "recognized service" under AP 3600?				
3	Commercial services are self-supporting?				Date expires: _____
4	Services, programs, activities are for the benefit of the educational programs of the District? (For example: provide means for educational activities not normally funded by the State; eliminate undue financial difficulties that may arise under the usual budgeting, purchasing mechanisms).				
5	Composition of the Board of Directors compliant with governing rules and regulations (Bylaws/Articles of Incorporation, if any,), including provisions of AP 3600?				
6	AO has a Code of Ethics Statement? (Note: District employees must comply with the District's Code of Ethics, BP 3050)				
7	Annual conflict of interest disclosure on file for each Board Member?				Date expires: _____
8	When conflict of interest disclosed, did the Board Member abstain from voting and is such disclosure and abstention noted in the public meeting minutes?				Date(s): _____
9	Bylaws contain the required provisions as noted in AP 3600 and AO attests to be in compliance. This includes: a. procedures for appointing Board Members and adopting annual program and budget b. procedures for selecting an attorney and CPA, and approving expenditures c. procedures for accepting gifts, donations, etc, d. procedures for holding at least one public meeting per quarter and ensure compliance with Brown Act provisions.				
10	Master Agreement/Charter contains required provisions as stated in AP 3600 and AO attests to being in compliance with the terms of the Agreement/Charter?				
11	Master Agreement/Charter current? For example, any Master Agreements should be renewed and approved by both the AO Board and the Board of Trustees prior to expiration.				
12	AO Board approves all expenditures? (If needed for audit and/or self-assessments, support documentation is maintained and available for inspections)				
13	Annual fiscal audit showing fiscal viability, as performed by a CPA, approved by AO Board, posted on the website (such that it is discernable from District Financial Statements), and submitted to the Board of Trustees.				Date Approved: _ Date Submitted: _
14	Financial Audit submitted to the State Chancellor's Office within 30 days of receipt?				

15	Board of Directors review and approve compensation and benefits for the Executive Officer and the Treasurer/Chief Financial Officer? (Applies if AO directly hires employees)				
16	Payroll and Personnel Records are maintained on a permanent basis and all other records maintained for a period of seven years? Maintenance and availability of records compliant with McKee Act?				
17	Financial records and other records that are required to be maintained and available for inspection for the period time specific in any laws and regulations and/or District policies and procedures, and AO attests compliance with AP 3600 and the Richard McKee Transparency Act?				
18	Annual report submitted timely to the AO Board, Board of Trustees, inclusive of the elements required under AP 3600 as well as self-assessment of good standing, by March 1 for Enterprise/Foundations and June 1 for ASBs?				
19	Reimbursement for facilities usage and District services and/or personnel made as required by AP 3600 and other Master Agreements? (If needed for audit and/or self-assessments, support documentation is maintained and available for inspections)				
20	List of AO in Good Standing and changes to Master Agreements, bylaws, articles of incorporation, if any, and other policies and procedures (if any) submitted to State Chancellor's Office? If changes to policies and procedures, AO Board notified in writing.				Date Submitted: Notice Date: _____
21	Legal status as nonprofit confirmed and annual statement of information filed with the Secretary of State; Enterprise as a for-profit also filed annual statement of information?				Date Submitted: _____
22	Compliance Review conducted every five years by an audit firm selected by the AO? Results presented to the Board of Trustees?				Last Review Date: _____ Date Conducted: Date Reported to Board of Trustees: _____

I certify that the information provided above is true and correct and documents of such assurance can be provided upon request.

Print Name/Title: _____

Signature: _____

Ratified December 11, 2013

Ratified April 15, 2015

Ratified June 20, 2018

Ratified November 6, 2019