ACA Bylaws and Policies

Bylaws and Policies – Overview

• **Bylaws** – inherently appropriate for Board approval

• **Policies** – HB 2001 requires the policies and requires Board approval of them; two general types:
  
  • Conduct:
    
    • (1) Conflicts of Interest, (2) Gifts, (3) Ethics
    
    • Statutes govern
  
  • Operations
    
    • (4) Accounting, (5) Procurement & Grants, (6) Travel & Entertainment, (7) Employment
    
    • Statutory Exemptions
Bylaws and Policies – Process

• Began in March, 2011 following passage of HB 2001 in February

• Bylaws and policies were drafted by the Arizona Department of Administration (Procurement & Grants), ACA accountants (Accounting), and ACA attorneys (all others)

• Bylaws and policies were reviewed by ADOA, ACA attorneys, Governor’s office and ACA staff

• Approval by ACA Board
ACA Bylaws and Policies

**Bylaws – Summary**

- Control ACA structure and operations, including Board composition, open meetings, quorum, and committees

- These issues are almost entirely governed by statute – the primary purpose of the bylaws is to provide a single point of reference
Policies – Conduct – Overview

- No statutory exemptions – Arizona law provides a baseline of standards
- Policies (i) restate or reference statutes, (ii) create supplemental (heightened) standards and (iii) create procedures for monitoring, reporting and investigating possible infractions
- Apply to “Stakeholders,” which includes all ACA Board members, Officers and Staff
Policies – Conduct – Overview

• Objectives:
  • Ensure that ACA decisions are made in the best interests of the ACA
  • Preserve the ACA’s reputation
Policies – Conduct – Conflict of Interest

• Includes statutory definition of COI: “a Substantial Interest in any contract, sale, purchase or service to the ACA, or in any decision of the ACA” (transactional)

• Adds two additional definitions, to cover personal interests that: (i) are “fundamentally at odds with the best interests of ACA or the impartial, objective and effective performance of the Stakeholder’s duties to ACA” (inherent); or (ii) “otherwise materially conflict with the best interests of the ACA” (catch-all)
Policies – Conduct – Conflict of Interest

• When conflicts or potential conflicts arise, (i) disclosure and (ii) disqualification from related ACA decision-making processes are both mandatory

• Management must evaluate whether additional steps are needed to mitigate the conflict

• Provisions for disclosure, staff consultation, investigation, and reporting to the Board
Policies – Conduct – Gifts and Ethics

- Reference or restate statutory baselines
- Address giving and receiving gifts, honesty, fair dealing, discrimination, confidentiality
- Provisions for disclosure, staff consultation, investigation, and reporting to the Board
Policies – Conduct – Ethics Compliance

- Policies are only one piece of the ethics puzzle; other pieces include:
  
  - Creating a culture of compliance – Staff education, leading by example
  
  - Vigilance in monitoring – Regular review of expenditures, Board oversight
Policies – Operations – Overview

• Statutory exemptions in each area, but policies must be “similar” to ADOA policies

• Effect: Very similar rules; main difference is that ADOA does not administer ACA operations functionally, which creates some dexterity in a competitive environment

• More detailed procedures will be drafted based on policies
Policies – Operations – Overview

• Objectives
  • Ensure consistency
  • Reduce staff time in administration
  • Promote accountability
  • Support ACA staff in advancing Arizona’s economy
ACA Bylaws and Policies

Policies – Operations – Accounting

• Based on widely accepted standards and practices

• Different from the state’s policy generally only where a different accounting standard applies due to the size or nature of the ACA

• Will result in greater controls:
  • Materiality
  • CFO review
Policies – Operations – Travel & Entertainment and Procurement & Grants

• Distilled from ADOA policies
• Same competition thresholds for procurement, including publicly-noticed solicitations for procurements in excess of $50,000
• Same standards for travel accommodations
• Better controls in both cases since tied to ACA’s internal, full cycle accounting
Policies – Operations – Employment Terms and Conditions

- Compensation, holidays, leave and insurance,
- Each term is less generous than corresponding state term, e.g.:
  - 10 fewer PTO days for starting employees
  - Approximately 20% less in health insurance
  - More than 50% less in retirement benefits