Monitoring Report VIII: Asset Protection

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I certify that the information contained in this report is true.

Christine M Keller, Executive Director & CEO

Date

Note: All data are from November 1, 2017 to October 31, 2018 unless otherwise noted.

Global Policy Language
The Executive Director will not cause or allow Association assets to be unprotected, inadequately maintained or unnecessarily risked.

Interpretation
The interpretations and evidence for Policy A thru Policy I reasonably demonstrate that the Executive Director does not cause or allow Association assets to be unprotected, inadequately maintained or unnecessarily risked.

Rationale
In aggregate, the interpretations and data for Policy A thru Policy I show evidence that the Executive Director has implemented or maintained appropriate and reliable safeguards, standards, processes, and systems in place to protect and maintain the Association assets necessary to accomplish the Ends—including financial capital, human capital, reputational, intellectual property, or material property.

Evidence
Evidence is provided within Policy A thru Policy I later in this report.

A. Policy Language
The Executive Director will not allow Board members, staff, and the Association itself to be inadequately insured against theft, casualty, and liability losses.

Interpretation 1
AIR will have an annual external review of existing insurance coverage by one or more certified insurance or risk management professionals to verify that AIR is adequately covered against theft, casualty, and liability losses.
**Rationale 1**
Due to the expansive array of potential insurance products, it is prudent to utilize the guidance of a certified insurance professional to determine the adequate level of insurance AIR should carry. The annual meetings provide AIR with the expert guidance to ensure that the Association, staff, and Board members are adequately covered in the event of theft, casualty, and liability losses.

**Evidence 1**
On September 27, 2018, the Executive Director, CFO, and Director of Finance met with representatives from BB&T and verified that the Association, staff, and Board members are adequately covered against theft, casualty, and liability losses.

**Interpretation 2**
AIR will continually carry adequate insurance to protect against typical business claims and losses.

**Rationale 2**
As continually maintained, the current list of insurance policies provide coverage that is (a) reasonable and prudent, and (b) of an adequate amount as judged by external advisor.

**Evidence 2**
The following insurance policies were in effect throughout the reporting period.
- Workers Compensation
- Commercial Umbrella
- Business Owners:
  - General Liability Insurance
  - Improvements/Betterments/Content Insurance former office space
  - Content Insurance at server farm
  - Content Insurance at current office space
  - Content Insurance at rented storage unit
  - Content Insurance at rented storage unit
- Employee Dishonesty
- Directors’ and Officers’ Insurance
- Building Insurance at former office space (policy holder is condominium association) for building and for general liability
B. Policy Language

_The Executive Director will not unnecessarily expose the Association, its Board or staff to claims of liability._

**Interpretation 1**

Once every two years, the AIR Employee Handbook will be reviewed by an attorney and/or a properly credentialed human resource professional to ensure that it does not unnecessarily expose AIR to claims of liability in employment cases.

**Rationale 1**

Interviews with association legal experts and the AIR insurance advisor identified employment claims and failures in business practices as areas of potential risk for organizations like AIR. They recommended keeping the Employee Handbook current and having clear written policies for business practices as effective methods to mitigate the risk of claims.

**Evidence 1**

The Employee Handbook was reviewed by an H.R. consultant in 2016 and 2017 and a revised version implemented in January of 2018.

**Interpretation 2**

Adequate levels of insurance will be maintained to protect the Association, staff, and Board members in the event of a liability claim.

**Rationale 2**

The levels of liability insurance selected are based on the advice of insurance professionals and verified through an annual evaluation process.

**Evidence 2**

The insurance policies related to liability were in effect throughout the reporting period.

- Workers Compensation
- Commercial Umbrella
- Business Owners General Liability Insurance
- Employee Dishonesty
- Directors’ and Officers’ Insurance
- Building Insurance at former office space (policy holder is condominium association)
Interpretation 3

- All licensed software used by AIR will be documented annually.
- Licensed software users will not exceed the number of permitted users for any of the software utilized by AIR.

Rationale 3

The Strategy Director for Technology maintains and monitors a master list of licensed software and the number of users to guard against the risk of liability claims for software license violations.

Evidence 3

During the reporting period:

- Each of the licensed software programs used by AIR staff and on-AIR servers is documented on the master list.
- The total number of users does not exceed the number of software licenses on any licensed software program. All servers are licensed per software developers’ license requirements.

C1. Policy Language

*The Executive Director will not make any purchase *... *(1)* wherein normally prudent protection has not been given against conflict of interest.*

Interpretation

- AIR staff and Board members will annually provide a statement of potential conflicts of interest which will be used to compile a list of high concern vendors and clients, if any.
- Compliance with the executive limitations policies regarding large purchases and/or commitments provide transparency on financial activities and protection against conflict of interest.
- AIR staff will annually sign an acknowledgement of the policies and standards of conduct outlined in the current Employee Handbook – including policies related to conflict of interest such as acceptance of gifts, reward points, confidentiality, and obligating the organization.

Rationale

The nature of AIR’s business does not present a high risk for self-dealing - taking advantage of one’s position and acting in one’s own interest instead of in the Association’s interest - as large purchases are infrequent. Signing and updating a conflict of interest form each year by staff and Board members provides a reminder and documentation of any potential conflicts when the selection of a vendor or service-provider is required. In addition, the process and disclosure for large purchases are covered by executive limitation policies C(2) and C(3) below as well as Financial Conditions and Activities Policies F and G.
The annual process of disclosure and reminding staff, particularly those in decision making roles, that even the perception of a conflict of interest should be avoided adds another layer of protection. While not a significant financial risk, the most likely situations that pose perceptions of conflicts of interest for staff are when representatives from hotels, convention centers, and other meeting support providers send gifts to staff members. The policies and standards of conflict in the Employee Handbook are an effective protection against undue influence in AIR’s purchasing decisions.

**Evidence**
Taken together, the evidence below demonstrates prudent protection against conflicts of interest in purchasing.

- All AIR staff signed and updated (if applicable) a conflict of interest statement in January 2018 or during the new employee onboarding process, if hired after January 2018. All AIR board members signed and updated (if applicable) a conflict of interest statement during Board orientation at the 2018 Forum.
- The Financial Conditions and Activities monitoring reports (Policies F & G) within the reporting period (Q4 2017; Q1 and Q2 2018) provide evidence of Executive Director transparency in large purchases and prudent protection against conflict of interest.
- All AIR staff, including the Executive Director, signed an acknowledgement of the policies and standards (e.g., acceptance of gifts, reward points, confidentiality, and obligating the organization) outlined in the Employee Handbook in January 2018 or during the new employee onboarding process, if hired after January 2018.

**C2. Policy Language**

*The Executive Director will not make any purchase ... (2) of over $50,000 without having obtained comparative prices and quality.*

**Interpretation**
All payments for purchases over $50,000 will be supported with evidence of price and value comparisons.

**Rationale**
AIR does not routinely make single purchases in excess of $50,000. When such purchases occur, prudent practices such as price comparisons, open bidding, on-site inspection, reference checks with prior customers, national benchmarks/ratings of service, or expert advice are employed.

**Evidence**
Two purchases between $50,000 and $99,999 occurred during the reporting period. (Purchases of $100,000 and above are covered in C3 below.)

- Payment was made to an outside AV company for technical support during the 2018 Forum at Rosen Shingle Creek in Orlando. The company was selected based on a competitive RFP process,
interviews with references, price comparisons and the recommendation of the AIR conferences services staff.

- A four-year agreement with Dynamic Benchmarking for software as a service was signed. Dynamic Benchmarking was selected following a software comparison process which considered price, user-interface, live demos, experience with of higher education associations, and customer references.

C3. Policy Language

The Executive Director will not make any purchase ... (3) of over $100,000 without a stringent method of assuring the balance of long-term quality and cost. Orders shall not be split to avoid these criteria.

Interpretation

All purchases (or commitments to purchase) goods or services over $100,000 will include either comparative pricing and valuation or open bidding and will be subject to one or more of the following - on-site inspection, reference checks with prior customers, national benchmarks, ratings of service, and expert advice.

Rationale

This interpretation provides assurance that large purchases will be made only after careful evaluation and consideration of value, pricing, expert advice, and alternative options. AIR does not routinely purchase or commit to purchase goods or services valued at more than $100,000 with one exception - the total cost for AIR-provided healthcare.

It is also important to note that per executive limitation F within the Financial Conditions and Activities policy, the Executive Director is obligated to disclose any purchase or commitment of more than $100,000 but less than $250,000 to the Board within seven working days. The Executive Director is prohibited from making purchases or commitments of more than $250,000 by executive limitation G within the same policy.

Evidence

The reporting period included several purchases and/or commitments over $100,000 – more than is typical.

1) 2018 employer-provided health insurance contract. No changes were made to the healthcare options provided to AIR staff in 2018 as compared to 2017. The decision was made after discussion with an independent insurance broker who monitors insurance pricing and provides pricing and services options during the annual review process. Consideration was also given to the potential disruption to staff’s current health care providers and/or services if a change was made.

2) Contracts for future Forum venues from 2022 to 2026. The evaluation and selection process followed standard practices in the conference and conventions industry, including an RFP, price/value comparisons, and site visits. The services of a venue selection consultant were used to assist with the RFP and site visits as well as to secure favorable contract terms. (Notification of
commitment over $100,000 and less than $250,000 was set via email to Board on 3/28/2018 and reported in the June Financial Conditions and Activity report for Q1 of 2018.)

3) **Upgrades to technology infrastructure - association management system (AMS).** The process for evaluating and selecting vendors to upgrade AIR’s technology included extensive background research, multiple vendor presentations, evaluation of features by staff, and comparisons of long-term costs. The selection process for the AMS began in August of 2016 and ACGI’s Association Anywhere was selected in December 2017, with the statement of work finalized in April of 2018. Key activities during the reporting period included multiple onsite demos from four finalists, input from AIR staff, cost and feature comparisons, system/software testing, reference calls, and a review of contract terms by the AIR attorney. *(On 11/14/2017, the Board authorized the Executive Office to spend up to $700,000 on upgrades to the association management system software and associated systems. The year-to-date payment amounts are reported quarterly as part of the incidental report.)*

4) **Upgrades to technology infrastructure - website platform.** The process for evaluating and selecting a web design company began after the AMS decision in early 2018. ACGI provided a list of vendors with compatible products and positive customer relationships. The list was vetted by AIR’s technology consultant and the resulting vendors were invited to submit an RFP. Three vendors were given the opportunity to respond to questions and to demo their product. Consideration was given the company’s project management experience, quality of previous work, and references from previous clients. The decision was made to hire American Eagle.com. *(On 11/14/2017, the Board authorized the Executive Office to spend up to $700,000 on upgrades to the association management system software and associated systems. Notification of commitment over $100,000 and less than $250,000 was set via email to Board on 4/12/2018 (day of contract signing) and reported in the September Financial Conditions and Activity report for Q2 of 2018. The year-to-date payment amounts are reported quarterly as part of the incidental report.)*

**D. Policy Language**

*The Executive Director will not allow intellectual property, information and files to be exposed to loss or significant damage.*

**Interpretation 1**
All contracts with subject matter experts to develop content for education services sold to consumers will contain a clear statement about the ownership of intellectual property rights: either the output is “work for hire” (solely owned by AIR) or shared copyright (both parties have ownership rights).
Rationale 1
Because AIR routinely contracts with members and other individuals to produce educational content, it is important that those agreements clearly state who owns the intellectual property produced with AIR’s funding. AIR’s standard contract includes standard legal language to define and clarify ownership rights regardless of whether the content is sold to consumers (e.g., online courses and books) or is produced and delivered at no cost for consumers.

Evidence 1
For the development of educational content, AIR uses a template contract signed by all parties and which states that the content or work performed is “work for hire” (solely owned by AIR) or shared copyright (both parties have ownership rights).

Interpretation 2
All data stored on AIR’s systems (website, financial/accounting data, documents, internal staff data, membership data, etc.) will be backed up at least once a day with a 99% success rate.

Rationale 2
The data, information, and files necessary for AIR operations, management, and interactions with stakeholders (including members) are critically important for the accomplishment of the Association Ends. AIR systems have redundancy and use commercial server software that perform systematic data protection, including incremental backups as frequent as every 30 minutes for key transactional data (e.g., finance/accounting/ecommerce data).

Evidence 2
Out of compliance – The server failure rate was 1.2% thus the back-up success rate was slightly under the 99% threshold at 98.8%. With the implementation of the new association management system, AIR’s data and back-up systems will not be reliant on servers in Tallahassee, and data instead will be stored within the company’s (ACGI) systems that have multiple redundancies and server back-up systems throughout the country. The change should result in a consistently higher back-up success rate.

E. Policy Language
The Executive Director will not receive, process, or disburse funds under controls that are insufficient to meet the Board appointed auditor's standards.

Interpretation
AIR annual audits (two parts) will result in the auditor’s issuance of a “clean” audit that has no negative opinion about the representation of financial position, and no matters that necessitate reporting under the Government Auditing Standards Board (GASB) auditing requirements.
**Rationale**
Because of federal contracts, AIR is required to have an OMB A-133 Single Audit and a standard financial audit every year. In addition to auditing AIR’s financial condition, the auditor also reviews the Executive Office internal financial controls and processes. As such, the auditor issues two separate opinions that combined, constitute the full audit authorized by the Board. This interpretation requires that both parts of the audit has no items cited in the auditor’s final reports to the Board.

**Data**
The auditor’s reports issued by Purvis, Gray and Company, LLP on May 22, 2018, included the *Independent Audit Report* (Financial report) and the *Independent Audit Report on Internal Control over Financial Reporting* (Internal Controls report). The Financial report states that AIR’s financial statements were “presented fairly, in all material respects” and “in accordance with accounting principles generally accepted.” The Internal Controls report states that during the audit the auditors “did not identify any deficiencies in internal controls that they consider to be a material weakness.”

**F. Policy Language**
*The Executive Director will not compromise the independence of the Board’s audit or other external monitoring or advice. Engaging parties already chosen by the Board as consultants or advisers is unacceptable.*

**Interpretation 1**
The annual audit reports will include a positive evaluation of the support of the Executive Office in the production of the audit, following the standards for independence that are normal and usual in financial audits.

**Rationale 1**
It is important that the Board-selected auditor remain independent and that the Executive Office provide the adequate support and information the auditor needs to render an opinion on AIR’s financial condition.

**Evidence1**
The independent auditor’s *Communication with Those Charged with Governance* issued by Purvis, Gray and Company, LLP on May 22, 2018, as part of the audit reports states that the auditors “encountered no significant difficulties in dealing with management in performing and completing [the] audit.”

**Interpretation 2**
The Executive Office will issue no additional payments or contracts to the Board’s selected auditor beyond the Board-authorized engagement.
**Rationale 2**
If the Executive Office engaged the Board-selected auditor in services beyond the annual audit, it could be perceived as a conflict of interest and could call into question the auditor’s ability to remain independent. It is prudent that the Executive Office not engage the Board-selected auditor in work beyond the audit.

**Evidence 2**
The Executive Office did not engage the Board-selected auditor of Purvis, Gray, and Company, LLP for any services beyond the annual audit during the reporting period.

**Interpretation 3**
The Executive Office will issue no contracts or payments to organizations or individuals selected by the Board to conduct independent evaluations of the Association and/or Executive Office staff.

**Rationale 3**
It would be both imprudent and unacceptable for the Executive Office to employ the services of a contractor who was hired by the Board to evaluate the Association or its staff.

**Evidence 3**
The Executive Office did not contract with or pay any organizations or individuals hired by the Board for evaluating either the office or staff.

**G. Policy Language**
*The Executive Director will not invest or hold operating capital in insecure instruments, including uninsured checking accounts and bonds of less than A- rating at any time, or in non-interest-bearing accounts except where necessary to facilitate ease in operational transactions.*

**Interpretation 1**
AIR’s checking account will be fully secured through FDIC insurance.

**Rationale 1**
FDIC insurance covers up to $250,000 of bank-held funds from loss. FDIC coverage is limited to $250,000 per bank.

**Evidence 1**
AIR uses a “sweep account” to adjust the checking account balance so that funds are under $250,000 at the close of each business day. This ensures that the account is fully insured.

**Interpretation 2**
The “sweep account” used to adjust the operating account will be fully insured by U.S. Treasury Funds that meet the A- rating.
**Rationale 2**
The “sweep account” funds are held in a U.S. Treasury Fund, which historically has been rated better than A-.

**Evidence 2**
The “sweep account” funds were invested in a U.S. Treasury Fund rated A- or better throughout the reporting period.

**Interpretation 3**
The money market account will be less than $250,000.

**Rationale 3**
FDIC insurance covers up to $250,000 of bank-held funds from loss. FDIC coverage is limited to $250,000 per bank, so the combined total of accounts within an entity must remain below $250,000.

**Evidence 3**
The balance of the money market account was below the $250,000 threshold throughout the reporting period.

**H. Policy Language**
*The Executive Director will not endanger the organization’s public image, credibility, or its ability to accomplish Ends.*

**Interpretation**
The Executive Director will ensure the following.

- Products and services will be delivered as described to members and other consumers.
- Contract deliverables will be met for the RTI subcontract.
- There will be no credible allegations that AIR engaged in criminal activity.
- There will be no credible legal actions against AIR for breach of contract.
- There will be no actions by any governmental agency that limits AIR’s activities as a recognized 501(c)3 non-profit educational association.

**Rationale**
The Executive Director is ultimately responsible for the activities and achievements of the Executive Office, including its public image, credibility, and accomplishment of Ends. The public image and credibility of AIR is based, in part, on the Association’s successful delivery of products and services. The accomplishment of Ends and the protection of AIR’s positive public image are also based on the fulfillment of obligations to stakeholders, which in turn builds a foundation of trust. The interpretations above serve as proxies for gauging the effectiveness of AIR’s interactions with members, consumers, external constituents, and
governmental regulators. Ineffective delivery of products and services endanger the organization’s capacity to accomplish Ends and may tarnish its public image. Credible allegations of criminal activity or breach of contract could signal inadequate management and/or poor business performance and could negatively impact the Association’s credibility. In total, these indicators serve as proxies for a wide range of issues that would negatively impact trust in AIR and therefore its public image and ability to produce Ends.

**Evidence**

Taken together, the indicators below demonstrate that AIR’s public image, credibility, and its ability to accomplish the Association’s Ends were not compromised during the reporting period.

- Results from a 2018 association-wide member survey indicated that the AIR membership met the expectations of 88% of respondents and another 89% were satisfied with their AIR membership.

- The deliverables within the RTI subcontract for a comprehensive set of IPEDS training activities were achieved during the most recent reporting period (August 2017 to July 2018).

- No credible allegations of criminal activity occurred during the reporting period.

- No credible legal action for breach of contract occurred during the reporting period.

- No actions were taken by any governmental agency that curtails AIR’s activities or endangers AIR’s position as a recognized 501(c)3 non-profit educational association.

I. **Policy Language**

_The Executive Director will not change the organization’s name or substantially alter its identity in the community._

**Interpretation**

The Association’s legal and recognized name – the Association for Institutional Research, or AIR – will continue to be used. Further, the Executive Office will promote a professional and coherent identity for the Association through the consistent use of branding, messaging, and other marketing strategies to enhance AIR’s visibility within the higher education community toward the accomplishment of the Ends.

**Rationale**

While changes to the Association’s name or radical alterations to the Association’s identity are prohibited by this policy, it is important that AIR’s marketing and communication strategies reflect changes in the field of institutional research and the increased use of data and analytics within higher education. To accomplish the recently updated Ends – the empowerment of higher education professional to use data and analytics to make decisions and take actions for the benefit of students and institutions – AIR must gain increased visibility, and its messaging and brand must effectively attract individuals with a larger variety of roles and responsibilities than in the past.
Evidence
No changes to the use of the Association’s name or substantial alterations to its identity occurred during the reporting period.

A marketing and communication plan to support the accomplishment of the updated Ends will be developed and in place by October 31, 2019.