MINUTES OF THE BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

Violet Varona-Lukens, Executive Officer
Clerk of the Board of Supervisors
383 Kenneth Hahn Hall of Administration
Los Angeles, California 90012

All Department/District Heads

At its meeting held February 8, 2005, the Board took the following action:

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Supervisor Burke made the following statement:

"In light of numerous high profile private and nonprofit sector fiscal scandals, the State Legislature, in an effort to curb fraud and increase accountability in the nonprofit and charitable giving industry, has adopted the Nonprofit Integrity Act of 2004 (SB 1262). Effective January 1, 2005, SB 1262 has addressed and imposed new mandates in the areas of governance and fundraising for nonprofit corporations, unincorporated associations, and charitable trusts.

"Mirroring the Federal Sarbanes-Oxley Act of 2002 which dictates corporate financial disclosure and fiscal accountability in the private sector, SB 1262 extends similar requirements to certain charitable organizations. In summary, SB 1262 requires:

- Mandatory audit of annual financial statements by an independent certified public accountant(s) and an appointment of an audit committee for those charitable organizations which receive or accrue a gross annual revenue of $2 million or more ('...exclusive of grants from, and contracts for services with, governmental entities for which the governmental entities require an accounting of the funds received...');

- Public disclosure of any audited financial statements;

- Review and approval of executive compensations by the Board of Directors;

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- Full disclosure and proper representation of intended and actual use of solicited charitable contributions; and

- Numerous revisions, recasts and additions to the preexisting laws regulating commercial fundraisers and fundraising counsel.

"While I fully embrace the intent of this legislation, I am concerned it will be local governments that will be burdened with potential associated consequences and/or costs. Furthermore, this legislation focuses more on the reactive measures, without proactive ones that seek to assist and/or prevent organizations from noncompliance with SB 1262. As seen too often, when an agency faces fiscal mismanagement and/or dissolution, it is ultimately our County residents that are adversely affected. Thus, it is imperative that this Board take every step necessary to ensure our County nonprofit contractors are made aware of these new State requirements, and if feasible, provide guidance and compliance training."

Therefore, on motion of Supervisor Burke, seconded by Supervisor Knabe, unanimously carried, the Board took the following actions:

1. Instructed each Department/District Head to:

   - At the time of granting or renewing contracts, to review County contracts to identify and inform those organizations that are subject to the Nonprofit Integrity Act of 2004 (SB 1262) regulations; and

   - Institute a standardized SB 1262 compliance statement, in a format approved by County Counsel, for all existing and future contractors; and

2. Instructed the Chief Administrative Officer to report back to the Board within 120 days on the following:

   - Developing a Countywide and/or Department specific "incubator" type program that seeks to mentor and develop proper organizational capacity for our small- to mid-sized nonprofit contractors, so they may be better prepared to comply with State, Federal and existing or new County policies;

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- Exploring funding and/or cost-effective mechanisms, such as Community Services Block Grant funding and collaborations with State and/or nonprofit entities such as the State Attorney General or Board of Equalization, to fund the program; and

- Reviewing and assessing the effectiveness of current County contract policies and guidelines, and determining whether additional County requirements similar to SB 1262 are warranted to strengthen existing contract monitoring and accountability; and

3. Instructed the County's Legislative Advocates in Sacramento to monitor SB 1262, specifically its implementation and enforcement plan, as they are developed by the Attorney General, and to pursue and support any efforts for fiscal appropriations and/or commitments to this mandate.

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Each Supervisor