

THINKING AHEAD...

INSURANCE MAY BE

GREEK TO YOU

IT'S *not to us*

HOUSE CORP.
BEST PRACTICES,
PG. 1

PREVENTING
WATER DAMAGE,
PG. 5

SLIPS, TRIPS &
FALLS, PG. 6

COVERAGE
CORNER, PG. 8

FPMA NEWS | FALL 2017, VOLUME 42 HOUSE CORPORATION BEST PRACTICES

Based on materials developed by Anne Emmerth | Beta Theta Pi
How well does your House Corporation operate? Do you follow best practices in the following areas?

- Governance
- Financial Management
- Facility Management
- Risk Management
- Volunteer Development
- Alumni/ae Relations
- Fundraising
- Collaboration and Communication with Alumni/ae
- Collaboration and Communication with the Chapter
- Collaboration and Communication with the Host Institution
- Collaboration and Communication with the Community

This article is the first in a series focusing on best practices for house corporations, and it will concentrate on governance and financial management. Ask yourself if your board complies with these recommendations. If it does not, or if you don't know, you have a road map for board development. Many thanks to Anne Emmerth of Beta Theta Pi for the development of these topics.



GOVERNANCE

Current articles of incorporation are on file with the state.

Reason: To be in compliance with legal requirements for a nonprofit corporation in your state.

A registered agent is on file with the state.

Reason: To be in compliance with legal requirements for a corporation. The registered agent is the person or law firm to whom official correspondence is sent.

State filings are updated annually with the secretary of state.

Reason: To be in compliance with legal requirements for a corporation (varies from state to state).

Bylaws are reviewed at least once a year and updated as needed.

Reason: To make sure that your current practices reflect what's in your bylaws, and vice versa.

A copy of current articles of incorporation and bylaws are on file at your Headquarters.

Reason: As a backup storage location, in case you lose or misplace yours.

Bylaws reflect current board practices.

Reason: The best legal protection you can have is to make sure your corporate and governance practices reflect what's in your bylaws.

Board members are elected or appointed as outlined in bylaws.

Reason: Protects you against any possible challenges from chapter or alumni/ae.

Current board makeup conforms to bylaws (number of active board members, officer positions filled, length of time on board).

Reason: You must conduct business in accordance with your bylaws.

Chapter president attends board meetings and receives all regular board communication.

Reason: Gives the undergraduate chapter a voice; promotes transparency and greater understanding of the working of the board.

House manager and Chapter Advisor are invited to board meetings and included in regular board correspondence.

Reason: Gives the undergraduate chapter a voice; promotes transparency and greater understanding of the working of the board.

Board meetings are held as outlined in bylaws.

Reason: Protects you against any possible challenges from chapter or alumnae.

Board meeting minutes are distributed to chapter exec, advisors, and larger group of alumnae or made available per the stipulations of the corporate bylaws.

Reason: Promotes transparency and may allow for greater engagement with a broader alumni/ae base; allows more people to understand the regular work of the house corporation.

All chapter alumni/ae are encouraged to attend at least one board meeting per year.

Reason: Typically required to elect board members. Also, engages a larger group of alumnae in the work of the corporation.

Conflict of interest policy is in place; it is reviewed and signed once a year by all board members.

Reason: Recommended by the IRS; ensures that all financial transactions are appropriately documented; protects board members from any possible challenges or allegations from alums or the chapter.

Whistleblower policy is in place; reviewed once a year by all board members.

Reason: Recommended by the IRS; gives assurance to board members and others that the work of the board is following nonprofit best practices.

Board documents are stored in a place where members can easily access current and historical documents.

Reason: Volunteers need access to all relevant documents that help them fulfill their roles.

FINANCIAL MANAGEMENT

Develops and works from an annual operating budget.

Reason: Every corporation should develop an annual budget and use it as a financial management tool.

Develops a long-term capital improvement budget.

Reason: This helps the house corporation plan and save for capital improvements. Budget should be tied to life expectancy of major systems in the facility. Also ensures that annual rent being charged is adequate to meet both operational and long-term financial needs (e.g., paying for monthly utilities and being able to afford a new roof in 8 years).

Board president and treasurer review balance sheet and income statement every month; entire board reviews financials at least quarterly.

Reason: Engages the entire board in the finances of the corporation; promotes transparency; protects the treasurer and president from accusations of financial impropriety; develops other volunteers for the treasurer role.

Board members review and sign off on IRS Form 990.

Reason: Required by the IRS; ensures that members of the board are aware of the tax documents being filed on behalf of the corporation.

IRS Form 990 filed with IRS annually.

Reason: Required by the IRS.

Uses double signatures or dual approvals for all payments.

Reason: Promotes financial transparency and protects individual volunteers against accusations of financial impropriety.

Ensures that the person who receives/reviews the bank statement is not someone with check signing privileges.

Reason: Makes it more difficult for a check signer to conceal inappropriate expenditures.

Has policies in place that require board notification or approval for expenses above a certain dollar amount.

Reason: Financial thresholds and triggers protect individual volunteers against accusations of financial impropriety and engages the entire board in the financial health of the corporation.

Requires board notification or approval for asset transfers above a certain amount.

Reason: Financial thresholds and triggers protect individual volunteers against accusations of financial impropriety and engages the entire board in the financial health of the corporation.

Uses a competitive bidding process for all large contracts.

Reason: Ensures that the board is getting the best possible service and price; protects the board against accusations of favoritism or lack of fiduciary stewardship.

Has signed contracts with all employees and vendors.

Reason: Protects the board, employees and vendors from potential lawsuits; makes it easier to hold employees and vendors accountable for their performance; documentation contributes to corporate knowledge and makes it easier to rotate and replace board members.

Uses Holmes Murphy's Contracts Checklist before selecting a contractor.

Reason: It is not unusual for the terms and conditions of a contract to be very one-sided and to favor the party which you have contracted with to complete the work. It is important to take the time to review the contracts and make changes to the terms of conditions as it becomes necessary to protect the House Corporation.

Uses correct employment classification for all employees (e.g., employee versus independent contractor).

Reason: Required by law; protects board and the General Fraternity from employment lawsuits and liability claims.

Purchases workers compensation insurance for all employees.

Reason: Required by law in many states; protects board and the General Fraternity from employment lawsuits and liability claims.

Seeks external accounting and tax guidance as needed.

Reason: Ensures that the corporation is in compliance with current local, state and federal laws

Scans the local student housing market, including an analysis of room and board rates.

Reason: Many of our house corporations aren't charging enough in room and board. A periodic pricing analysis of on-campus housing, off-campus housing, and other Greek housing will help you correctly price your rent.

Other Holmes Murphy resources can be found on our website, HOLMESMURPHYFRATERNAL.COM, including links to our recorded webinars. Please don't hesitate to contact us for more information.



PREVENTING WATER DAMAGE: WHAT YOU CAN DO

Water damage is the most *frequently* reported claim in the FPMA Property Program. During a recent winter break, FPMA clients saw \$27 million in damage. To make yourself less susceptible to water damage, you can take the following precautions:

- **Turn the heat down to no less than 60 degrees, don't turn the heat off!**
- Make sure a house corporation officer or undergraduate member stops by the house **daily** to make certain the house is secure, there has not been a loss and the heat is working
- If a local undergraduate or alumnus can't be counted on to check on the house, hire someone to do it for you over the break
- Service your furnace or boiler before the break, and call your heating contractor immediately if there is a problem to take immediate action to prevent further damage
- It is important to also be aware of your outside property. To help reduce the risk of injuries of members, guests, or other people just passing by your house, make sure that snow is removed and ice is treated in a timely fashion.
- Consider installing a water detection system like PipeBurst Pro. If you are interested in the significant property premium discount you would receive for installing this system, contact Bob Hearn at bhearn@totalleak.com

The Claims department at Holmes Murphy's Fraternal Practice will be hosting a webinar for all local house corporations with tips on how to manage your property during the Winter Break. Look for an invitation, and check out our other resources at HOLMESMURPHYFRATERNAL.COM.



SLIPS, TRIPS & FALLS: MAKING YOUR FACILITY SAFE

Mary K. Mashek, Claims Service Consultant | Holmes Murphy

Nearly 25,000 slip, trip and fall accidents occur daily in the United States (National Safety Council). They have the potential to be a major cause of injury for your employees, as well as visitors to your premises. There is a common misconception that slip and fall injuries “just happen” and that there is little that can be done to prevent them. Three basic fundamental steps may help your prevention efforts:

- Understand how slip, trip and fall accidents happen
- Identify the physical hazards that exist
- Eliminate or minimize hazards contributing to slips, trips & falls

Slips happen where there is too little friction or traction between the footwear and the walking surface. Common causes of slips include the following:

- Wet or oily surfaces
- Slippery surfaces, such as a gloss-finished tile, polished stone, etc.
- Occasional spills
- Weather hazards
- Loose, unanchored rugs or mats
- Flooring or other walking surfaces that do not have same degree of traction in all areas.

Trips happen when your foot collides (strikes, hits) an object causing you to lose your balance and eventually fall. Common causes of tripping include the following:

- Holes or broken surfaces
- Uneven walking surfaces
- Obstructed view
- Poor lighting
- Clutter in your way
- Wrinkled carpeting
- Uncovered extension cords and cables
- Bottom drawers not being closed



CREATING A SAFE PASSAGE

Routine inspection and maintenance should be a regular part of your safety program to help prevent falls for both your visitors and employees.

- Conduct periodic walkthrough surveys of your premises to help insure your property is kept in safe condition
- Maintain all flooring surfaces at all times
- Use slip-resistant floor treatments, especially in areas proven to be wet
- Schedule maintenance of all floor surfaces during times of low traffic
- Have spill cleanup supplies readily available, and clean all spills immediately
- Mark spills and wet areas
- Mop or sweep debris from floors
- Remove obstacles and clutter from walkways
- Secure (tacking, taping, etc.) uneven mats, rugs and carpets
- Always close file cabinet or storage drawers
- Cover cables and extension cords that cross walkways
- Keep working areas and walkways well lit
- Replace used light bulbs and faulty switches

In addition to inspecting the premises and addressing potential physical hazards, there are other steps aimed at preventing employee injuries.

- Ensure personnel who are hired are physically capable of performing the required job functions
- Have detailed job descriptions that outline the required job functions
- Once an injury occurs, partner with the insurance carrier to control the claim and get the employee back to work

It makes no sense to hire a cook who will be required to bend, squat and lift a certain amount of weight if he/she has physical limitations or pre-existing conditions which will inevitably result in an injury. As an example, hiring a cook who has a history of back problems that will prevent her from completing the required job functions is not a good hiring decision as it may result in a future injury and workers compensation claim. It is important to keep in mind that an aggravation of a pre-existing condition is generally a compensable claim under workers compensation.

The appropriate application and interview questions should be asked to ensure the individual being considered for the position is physically capable of performing the job functions outlined in the job description.

If an injury occurs, it is important for the organization to work with the employee to return to work. Studies have shown that Indemnity (loss time) benefits are less in situations where employers maintain contact with the employee while the person is unable to work. Studies have also shown that claim costs are considerably less when employers have a reasonable Return to Work policy. In other words, they are willing to accommodate restrictions placed on an injured employee on a temporary basis so they can return to work in some capacity. If restrictions are not accommodated, loss time benefits add up quickly and employees tend to get comfortable receiving their work comp loss time benefit while they are at home and are less motivated to return to their normal job functions.

Holmes Murphy is ready to assist you with any questions you might have about preventing slips, trips and falls. Please also visit our website for additional resources: HOLMESMURPHYFRATERNAL.COM.

<https://www.travelers.com/resources/workplace-safety/preventing-slips-trips-and-falls-in-the-workplace.aspx>



COVERAGE CORNER

Mick McGill, VP Client Service | Shareholder, Holmes Murphy

The Commercial Property coverage provided as part of the Fraternal Property Management Association (FPMA) includes numerous manuscript changes to ensure that the unique loss exposures related to collegiate student housing are effectively addressed. A number of coverage enhancements were recently made to the FPMA Guaranteed Replacement Cost (GRC) policy which became effective on April 1, 2017. While not all inclusive, below are the material coverage enhancements recently made to the FPMA – GRC Policy:

- **Law & Ordinance** limit increased from \$1,000,000 - \$2,500,000 and includes increased construction costs incurred to comply with building codes and infrastructure improvements.
- **Mold** coverage increased from \$50,000 per occurrence to \$100,000 per occurrence.
- **Fire Department Service Charge** now provided with no sublimit.
- **Fire Equipment Recharge** coverage now provided with no sublimit.
- **Claim Data Expenses** incurred now coverage subject to limit of \$25,000.
- **Public Relations Crisis Management Services** subject to \$10,000 limit.
- **Emergency Evacuation Expense/Boarding Students or Hotel Guest** is subject to \$100,000 limit.
- **Accounts Receivable** coverage increased to \$1,000,000.
- **Extended Business Income** coverage increased from 365 days to 730 days.
- **Newly Acquired Locations** coverage increased to \$500,000.

We are pleased to offer these FPMA – GRC breadth of coverage enhancements to all clients who have incepted this coverage. If you have any questions regarding these coverage enhancements, please do not hesitate to contact our office.

