THE INSTITUTE OF INTERNAL AUDITORS
CHAPTER COMPACT
Foundational Operating Agreement and Memorandum of Understanding

This Agreement (Compact) is the foundational operating agreement outlining the relationship between The Institute of Internal Auditors, Inc. (The IIA), a New York nonprofit corporation headquartered in Lake Mary, Florida, and a nonprofit corporation formed by members of The IIA and operating as a chapter of The IIA, known as East Tennessee Chapter (Chapter). It outlines the fundamental roles and responsibilities of each body, and by signing of this Compact, the parties acknowledge and agree to its terms herein, and abide other documents as developed by The IIA, including the Chapter Standards, Board Policy Manual, Chapter Manual, and Treasurer’s Manual. To the extent that an inconsistency exists, this Compact supersedes other operating agreements entered into between The IIA and the Chapter.

RELATIONSHIP BETWEEN THE PARTIES

The IIA is an international professional association, setting standards, providing guidance, offering professional development, and advocating on behalf of the internal audit profession and those who choose to become members. The Chapter is a vital servicing unit of The IIA, formed by The IIA and its membership, independently incorporated, to provide dynamic leadership opportunities, professional development opportunities, networking opportunities, training, and support to its designated members. Although separately incorporated, the Chapter agrees to abide by the tenets, decisions, and policies of The IIA as determined by its governing body, headquarters staff, volunteer leadership structure, Chapter Relations Committee, and as found in The IIA’s bylaws, Chapter Standards, manuals, guidebooks, memorandum, and policy statements.

The Chapter acknowledges that The IIA is the sole owner of all trademarks, membership lists, and intellectual property as developed, assigned, or registered on behalf of The IIA, and expressly disavows any ownership or interest in the same, except to the extent licensed to it by The IIA. License and use of The IIA’s trademarks, membership lists, and intellectual property is provided to the Chapter at the sole discretion of The IIA, with the expectation that the Chapter will make reasonable efforts to protect the brand and reputation of The IIA through its use of said marks, the conditions for use of which may be amended or modified by The IIA from time to time.

ROLE AND RESPONSIBILITIES OF THE IIA

The IIA, as the global association serving internal audit professionals, has the core purpose of advancing the profession and its value around the world. In North America, The IIA fulfills this core purpose by providing key services to support its members and chapters. The IIA’s members in North America are represented through the North American Board, a body elected by The IIA’s members in North America during its annual business meeting. The IIA’s responsibilities include, but are not limited to:

1. Providing appropriate insurance to directors and officers of the Chapter.
2. Providing professional standards, which govern the practice of internal auditing.

3. Issuing practice advisories, practice guides, and other forms of professional guidance related to internal audit.

4. Offering training and other professional development opportunities to serve The IIA’s members and others involved in internal audit activities.

5. Advocating on behalf of the internal audit profession and The IIA’s membership.

6. Establishing an office from which to coordinate The IIA’s services.

7. Retaining a professional staff to assist in delivering programs and services to achieve The IIA’s core purpose in North America and globally.

8. Coordinating qualified individuals to help with professional development opportunities for members at the local, national, and international levels.

9. Developing a consistent brand-image for The IIA.

10. Providing a website, board reporting tool, and other technology resources to serve members and chapters.

11. Collecting dues, payments, donations, and other revenue from its members and customers, to fund The IIA’s operations.

12. Developing and providing services deemed most appropriate to serve internal audit professionals.

13. Providing training and support to assist its volunteers at the chapter and other levels, including those serving as district representatives and advisors.

14. Assisting chapters in providing services for the benefit of The IIA’s members.

15. Enforcing The IIA’s Code of Ethics as applicable to all North American members.

16. Promoting ethical conduct among internal audit professionals.

17. Developing, administering, and promoting The IIA’s certification programs, including Certified Internal Auditor (CIA) and other professional designations.

18. Providing members with an opportunity to provide input into the strategic planning process of The IIA through its representatives on the North American Board.
19. Assisting in chapter leader support through the Chapter Relations Committee and headquarters staff.

20. Producing publications aimed at enhancing the profession of internal audit, including *Internal Auditor* magazine and other specialty publications.

21. Serving as a consistent voice for the profession of internal auditing to stakeholders and public policy makers.

22. Operating in a financially sound manner, effectively utilizing dues, payments, donations, and other revenue to provide member-centric services.

23. Promoting The IIA’s mission, member value proposition, and striving to achieve its strategic goals as determined by its governing bodies.

To effectuate the above responsibilities, The IIA has developed a governing structure over the association. As part of this structure, The IIA has established a headquarters and retained a professional staff to administer the affairs of the association. The IIA’s professional staff coordinates the volunteer servicing team of The IIA, collects information related to chapter activities, establishes programs and awards to recognize excellence among its chapters, communicates program offerings, promotes professional development opportunities, and assists in the effective dissemination of knowledge and thought leadership among its membership. The IIA is responsible for establishing appropriate policies, procedures, oversight and reporting mechanisms to reasonably ensure that the Chapter operates in a prudent manner, in compliance with The IIA’s bylaws, Chapter Standards, policies, and decisions of its governing bodies. The IIA reserves the right to adopt, change and otherwise modify its policies, procedures, oversight and reporting mechanisms, and the Chapter consents to abide by the same once it is provided notice of such by The IIA, whether written, electronic, or communicated by any other means.

From time to time, as determined by The IIA, chapters may be provided allotment funds to support/assist it in providing training and other services to its membership. Such funds are not intended to support the total cost of the Chapter’s operations. The distribution of these funds is contingent upon the Chapter conducting its affairs according to the Chapter Standards, including submitting the reports required by The IIA.

**ROLE AND RESPONSIBILITIES OF THE CHAPTER**

The Chapter acknowledges that it is a local servicing unit of The IIA, established by The IIA and The IIA’s membership, to provide services to its designated members. As such, its volunteers, officers, and governors and directors (Governors) have an obligation to provide appropriate services to its designated members, uphold the integrity of the profession, properly represent The IIA in its affairs, and safeguard the assets entrusted to it. The Chapter will obtain permission from copyright holders prior to using third parties intellectual property. The Chapter's responsibilities include, but are not limited to:
1. Abiding by The IIA’s policies, including bylaws, Chapter Standards, procedures, manuals, decisions, guidelines and communications (collectively, Policies).

2. Promptly and completely providing reports, operating information, financial, and other information related to Chapter Standards, Chapter’s leadership, activities, and standing as requested by The IIA’s headquarters, professional staff, and volunteer leadership structure, and Chapter Relations Committee having advisory responsibilities to its designated membership.

3. Filing all appropriate reports, documentation, and information in compliance with applicable laws as well as remitting any respective fees, as required by each unit of government having jurisdiction over the Chapter, to ensure that the Chapter remains a nonprofit corporation in good standing.

4. Conducting training regularly conduct to provide comprehensive professional development and networking opportunities to the Chapter’s designated members, and coordinating as appropriate, with the headquarters staff and volunteers with advisory responsibilities for the Chapter’s membership.

5. Assisting with the effective promotion of professional development, certification, and other programs and services of The IIA.

6. Providing onboarding and transition for new Chapter officers and Governors relating to their roles and responsibilities.

7. Supporting membership growth and retention by furthering the member value proposition.

8. Develop and maintain a succession plan.

9. Submitting a report in a form and manner as specified by The IIA, of the Chapter’s assets and its annual budget reflecting revenue receipts and expense disbursements on a break-even or revenue-positive basis, unless otherwise decided by the Chapter’s Governors with written rationale provided to The IIA.

10. Consulting with The IIA related to the Chapter seeking financial sponsorship, co-branding, or partnership with any outside organization in its events, activities, thought leadership, or communications to ensure the Chapter’s activities are in accordance with The IIA’s marketing and other branding guidelines.

11. Ensuring internal financial controls and procedures are established, and consistently executed to provide for the proper safeguarding, accounting, and use of the Chapter’s assets and the proper use thereof. This system must include, at minimum, a segregation of duties to provide oversight by Chapter officials over disbursements of Chapter funds, monthly reconciliation, and reporting to The IIA of the same in a
format and frequency as determined by The IIA. Further, this system must include the Chapter retaining, through payment or on a pro bono basis, an independent review of the Chapter's financial activities on an annual basis performed by a third party approved by the Chapter Governors, in a manner consistent with the requirements outlined in the Chapter Manual and reporting documents developed by The IIA. The process involved in this system of controls, as well as the name, title, and contact information for each individual involved with the financial management of the Chapter and the independent review, must be submitted to The IIA annually and as otherwise requested by representatives of The IIA.

12. Making Chapter financial transactions and operational records available and subject to review by The IIA or its agents at The IIA's discretion, with or without advance notice to the Chapter, to enhance transparency, accountability, and assurance to the membership and others as appropriate. The Chapter agrees to conduct best efforts to maintain financial and operational records in accordance with the requirements in the Chapter Manual and Treasurer's Manual.

13. The Chapter acknowledges the significance of confidentiality, and agrees to maintain the confidential nature of any data or information that The IIA designates confidential or proprietary prior to its disclosure to the Chapter. This obligation remains in effect even in the event this Compact is terminated.

14. The IIA and Chapter agree not to hold the officers, Governors, members, agents, employees, contractors, or assigns of the other personally liable for any breach of this Compact, should the same be executing their duties in good faith and due diligence. Likewise, the Chapter agrees that The IIA will not be responsible for any damages incurred by the Chapter for any claim, liability or issue whatsoever.

15. The Chapter acknowledges that The IIA does not offer any warranty of any kind on any of its educational materials, programs, publications, or services.

16. The Chapter acknowledges that neither it nor its officers, Governors, or members are authorized spokespersons for The IIA. Should potentially adverse or sensitive reputation matter arise related to The IIA the Chapter agrees to coordinate its efforts with The IIA in determining the most appropriate party to respond to such request as well as the most proper response to such request.

17. Establish a policy related to conflicts of interest for its officers, Governors, and staff. The IIA expects every Chapter to be constantly vigilant to perceive the dangers inherent in situations that give rise to a conflict of personal interests. The scope of the conflicts of interest policy must prohibit the following:

   a. Place (and the appearance of placing) one’s own self-interest or any third party interest above that of the chapter.
b. Provide goods or services to their chapter as a paid vendor. This may be waived after full disclosure to, and advance approval by the Board of Governors.

c. Engage in any outside business, professional or other activities that conflict with, and/or would directly or indirectly materially adversely affect the chapter.

d. Abuse their position by improperly using the Chapter’s staff, membership information, service, equipment, resources, property, or events for their personal or third-party gain.

e. Use IIA chapter training events, such as Leadership, to promote their services while attending in the role as chapter leader or officer.

f. Use IIA conferences, for which they are speaking or being compensated to provide training, to promote their services beyond the use of exhibitor space to do so.

18. Other responsibilities as assigned or communicated to it by The IIA, required by the jurisdiction in which the Chapter is incorporated, or determined by vote of the Chapter’s membership consistent with the mission and Policies of The IIA.

**MUTUAL COORDINATION AND COOPERATION**

The IIA and the Chapter agree to work collaboratively to provide appropriate services to advance the internal audit profession, and serve in the Chapter's designated membership. It is in this light that the parties have entered into this Compact and pledge their mutual cooperation and best efforts in seeing it successfully executed.

The IIA and Chapter acknowledge that they are not an agent of the other, and as such, do not have the right to obligate or bind in any way the other party to any contractual or other obligation. Further, The IIA and Chapter may not assign any of their rights, duties, or any part of their relationship with the other party to any third party without written consent.

The IIA and Chapter agree to indemnify each other’s officers, Governors, members, agents, employees, independent contractors, licensees, licensors, suppliers and customers (collectively, Indemnitees) against any and all claims, liability, loss, damage, or harm suffered by such Indemnitees arising from or in connection with this Compact.

This Compact shall remain in force until terminated in writing by either party and notice provided to the other party, to the attention of The IIA’s General Counsel and President of the Chapter, at the most recent address provided.

Should Chapter fail to comply with any provision of this Compact, The IIA may terminate this Compact through written notice to Chapter. Chapter will have the opportunity to cure that
breach within thirty (30) days of receipt of notice. If the breach is not cured within that time, termination will be effective as of the thirty-first (31st) day after receipt of notice.

Termination of this Compact will not impair any accrued rights of The IIA. Should The IIA or Chapter terminate this Compact, Chapter acknowledges that it has relinquished any affiliation with The IIA, any representation of The IIA's members in its servicing area, any right or license to use its name, trademarks, or intellectual property, and that The IIA is entitled to establish a new chapter to service the members previously assigned to Chapter.

Chapter may provide a written appeal of any termination to The IIA's North American Board within fifteen (15) days of receiving termination notice.

Further, the Chapter acknowledges that its assets are held to benefit its designated members, and if it ceases to be an active corporation or for any other reason ceases operations, or for terminating this Compact, that its assets and records must be transferred to The IIA to be used accordingly by The IIA to provide services to the designated membership.

This Compact shall be interpreted under the laws of the State of Florida, with venue only proper in Seminole County, Florida.

Signed and executed on behalf of the parties on _________.

15 August 2018

On behalf of The Institute of Internal Auditors, Inc.: On behalf of the Chapter, as authorized by vote of the Chapter's Board of Directors/Governors:

Richard F. Chambers
President and Chief Executive Officer

Tracy L. Riggins
President, East Tennessee Chapter of The Institute of Internal Auditors