1. For an auxiliary organization serving the District, periodic reviews shall be conducted of all auxiliary organization procedures and practices to determine compliance with policies, rules and regulations of the Board of Governors and the District. The Chancellor shall designate the individual to conduct this review, which shall be conducted at the end of the first complete fiscal year after its establishment and at least once every three years thereafter.

2. When the Chancellor’s designee determines, after inspection and review, that certain auxiliary organization procedures and practices are not in compliance with policies, rules and regulations of the Board of Governors and the District, a recommendation concerning the items of noncompliance shall be communicated in writing to the Chancellor and to the board of directors of the auxiliary organization. The board of directors shall reply in writing within one month, either describing the actions which will be taken, including time table, to bring said procedures and practices into compliance; or describing the reasons why the board considers the procedures already to be in compliance.

3. If the Chancellor’s designee considers the proposed corrective actions to be acceptable, the auxiliary organization shall be so informed. A second compliance review shall be held at the end of the time agreed to and the results communicated in writing to the Chancellor and to the board of directors.

4. When the auxiliary organization fails to provide an acceptable proposal for corrective actions or fails to implement successful corrective actions within the agreed upon time, the Chancellor shall inform the board of directors of such further action as he/she considers appropriate, which may include removal from the list of auxiliary organizations in good standing and a recommendation to the Board of Trustees for termination of the contract.