



Item: AF: A-1

AUDIT AND FINANCE COMMITTEE

Wednesday, October 19, 2011

SUBJECT: REQUEST FOR APPROVAL OF REGULATION 6.013, UNIVERSITY DIRECT SUPPORT ORGANIZATIONS.

PROPOSED COMMITTEE ACTION

Review and recommend that the Board of Trustees approve Regulation 6.013 governing University Direct-Support Organizations.

BACKGROUND INFORMATION

University direct-support organizations (DSOs) are governed by Florida Statute s. 1004.28 and Board of Governors Regulation 6.013. University DSOs are Florida not-for-profit organizations organized and operated exclusively to receive, hold, invest, and administer property and make expenditures to or for the benefit of the university or an affiliated research and development park or authority and certified by the university board of trustees to be operating in a manner consistent with the goals of the university and in the best interest of the state. Each board of trustees is required to establish conditions with which a support organization must comply in order to use university property, facilities or personal services, and may establish additional conditions, controls and requirements as each board deems appropriate for oversight.

The proposed regulation establishes the conditions, controls and requirements for Florida Atlantic University DSOs, including requirements for certification, operations, and reporting. The director or chief operating officer of a DSO shall report to the president or his or her designee and any amendments to the DSOs bylaws and articles of incorporation must be submitted to this Board for approval. The chair of this Board may appoint a representative to the DSO's board of directors and the University president or his/her designee will also serve on the DSO board. All FAU DSOs shall prepare an annual budget for review and approval by this Board, as well as provide for an annual audit. This Board may decertify a DSO if the organization is no longer serving the best interest of the University.

FAU currently has 4 DSOs, including the Florida Atlantic University Foundation, Inc., the FAU Research Corporation, the Harbor Branch Oceanographic Institution Foundation, Inc., and the FAU Finance Corporation.

IMPLEMENTATION PLAN/DATE

Upon approval of the Board of Trustees.

FISCAL IMPLICATIONS

Upon certification by the Board, a DSO is authorized to use the property, facilities and personal services of the University to the extent permitted by applicable law.

Supporting Documentation: Proposed Regulation 6.013, University Direct Support Organizations

Presented by: Mr. David Kian, Senior Vice President-Strategic Relations and General Counsel

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Florida Atlantic University

Regulation 6.013 University Direct Support Organizations

- (1) A Direct Support Organization is an organization that is certified by the Florida Atlantic University Board of Trustees as organized and operating to serve the best interests or missions of the University, including the University's research, education and service missions, in a manner consistent with the goals of the University and the best interest of the State.
- (2) To obtain certification as a Direct Support Organization, the organization must submit to the Board of Trustees the proposed Articles of Incorporation and the proposed Bylaws, which shall describe the operating procedures and specific individual responsibilities of the Board of Directors, committees, and officers of the organization. Any subsequent amendments to the Articles of Incorporation or Bylaws of the organization must be submitted to the Board of Trustees for approval prior to becoming effective.
- (3) The Director or Chief Operating Officer of the organization shall be selected and appointed by the President of the University in consultation with the governing board of the organization. The Director or Chief Operating Officer shall report to the President of the University or the President's designee. The governing board of the organization shall provide the President an annual assessment of the Director or Chief Operating Officer's performance, which shall be considered by the President when conducting the Director or Chief Operating Officer's annual evaluation.
- (4) The chair of the Board of Trustees may appoint a representative to the board of directors and executive committee of the organization, and the President of the University or his/her designee will serve on the board of directors and executive committee of the organization.
- (5) Upon certification by the Board of Trustees, a direct support organization is authorized to use the property, facilities and personal services of the University to the extent permitted by applicable law.
- (6) The President of the University shall have the authority to monitor and control the use of University name and resources by the organization, monitor compliance of the organization with state and federal laws and rules and regulations of the Board of Trustees and the Board of Governors, as applicable, and approve salary supplements and other compensation or benefits paid to the University faculty and staff from organization assets. Persons employed by the organization shall not be considered to be employees of the State of Florida solely by virtue of employment by the organization.

- (7) A Direct Support Organization shall prepare, at least annually, a budget to be reviewed and approved by the organization's governing board and submitted to the Board of Trustees for review and approval. Significant changes in planned expenditures in the approved budget must be reported to the President of the University as soon as practicable, but in no event later than thirty (30) days after the organization's governing board approves the changes.
- (8) A Direct Support Organizations shall provide for an annual audit by an independent certified public accountant pursuant to University regulations and policies, which shall be forwarded to the Board of Trustees or designee, the Board of Governors, and the Auditor General for review.
- (9) The Board of Trustees may decertify a direct support organization if it determines that the organization is no longer serving the best interest of the University. The resolution of decertification shall include a plan for disposition of the organization's assets and liabilities and the return of all University property and facilities as requested by the University.
- (10) The organization shall comply with all other obligations required by law, including but not limited to those required by Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011.

*Specific Authority: BOG Regulations 1.001 and 9.011; Fla. Stat. 1004.28. History: New
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