

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
-----------	---------	-------

SECTION 1

1 POLICY REQUIREMENTS FOR AUXILIARY ORGANIZATIONS

1.1 Mandatory Board of Trustees' Requirements for Auxiliary Organization Status

1.1.1 The Board of Trustees, through the references indicated, has established certain characteristics that an organization must have in order to be qualified to become or continue to be a CSU auxiliary organization. Auxiliary organizations are those nonprofit organizations that:

Title 5, Section
42400
(Appendix C)

conduct campus activities "...essential to the educational program of a campus...and are an integral part of a campus program...";

have "...agreed to comply with the applicable requirements of the Board of Trustees and campus";

Executive Order
698
(Appendix E)

are "...included in the list of officially recognized auxiliary organizations in good standing maintained by the Chancellor...", and;

"...maintain the status of an auxiliary organization in good standing."

The Board of Trustees has established the above parameters for the purpose of providing a reasonable and effective administrative system for certain non-state funded activities essential to the educational mission of the campus.

1.2 Statutory Criteria and Requirements

1.2.1 The Education Code provides some descriptive qualities of an auxiliary organization. Even though an entity meets these code descriptive qualities, it must also meet the specific criteria and requirements of the Board of Trustees in order to become an auxiliary organization of the CSU.

Education Code,
Section 89901
(Appendix B)

"Any entity in which any official of the California State University participates as a director as part of his or her official position.

"Any entity formed or operating pursuant to Article 1 (commencing with Section 89300) of Chapter 3.

"Any entity which operates a commercial service for the benefit of a campus of the California State University on a campus or other property of the California State University.

"Any entity who's governing instrument provides in substance both of the following:

(1) "Its purpose is to promote or assist any campus of the California State University, or to receive gifts, property and funds to be used for the benefit of such campus or person or organization having an official relationship therewith.

(2) "Any of its directors, governors, or trustees are either appointed or nominated by, or subject to, the approval of the trustees or an official of the California State University, or selected, ex officio, from the membership of the trustees or the administrative staff of the California State University.

Any entity whose governing instrument provides in substance both of the following:

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
		<p>(1) That its purpose is to promote or assist the trustees of the California State University, or to receive gifts, property, and funds to be used for the benefit of the trustees of the California State University or any person or organization having an official relationship therewith.</p> <p>(2) That any of its directors, governors, or trustees are either appointed or nominated by, or subject to, the approval of the trustees or an official of the California State University, or selected, ex officio, from the membership of the trustees or the administrative staff of the California State University.</p> <p>"Any entity which, exclusive of the foregoing subdivisions of this section, is designated as an auxiliary organization by the trustees."</p>
Education Code, Section 89900 (b),(c) (Appendix B)	1.2.2	The referenced statute, in a manner similar to the Board of Trustees' requirement described in Section 1.1.1, requires auxiliary organizations to comply with all policies of the Board of Trustees. Furthermore, each campus President is responsible to ensure that this occurs.
Education Code, Sections 89901, 89902 (Appendix B)	1.3	<p>Excluded Organizations from Auxiliary Organization Status</p> <p>The referenced statute specifically excludes certain campus organizations from becoming auxiliary organizations in the CSU unless the organization is described in Education Code, Section 89901. These organizations are:</p> <ul style="list-style-type: none"> Alumni associations Student clubs Societies Sororities and fraternities Social clubs <p>Similar student groups not operating commercial facilities at a campus and whether or not they are affiliated with an auxiliary organization.</p> <p>The trustees may establish rules and regulations for these or any organizations which maintain an official relationship with the CSU, or which use the name or facilities of a campus.</p>
Title 5, Section 42400 (Appendix C) Executive Order 698 (Appendix E)	1.3.1	The above student groups are specifically permitted to have an official relationship to the campus, and may use campus facilities provided they adhere to any applicable campus and systemwide policy.
Title 5, Section 42665 (Appendix C)	1.4 1.4.1	<p>Systemwide Auxiliary Organizations</p> <p>The referenced regulation provides for the establishment of systemwide auxiliary organizations. Such an organization is an auxiliary organization like all others and must be:</p> <ul style="list-style-type: none"> Established pursuant to the statutory requirements; Included in the list of auxiliary organizations in good standing maintained by the Chancellor; and

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
		<p>Engaged in activities essential and integral to the mission and purpose of the California State University.</p> <p>In addition, this auxiliary organization must be responsible to the Chancellor and must operate in conformity with the policy of the Board of Trustees and the policy of the Chancellor.</p>
Title 5, Section 42666 <i>(Appendix C)</i>	1.4.2	<p>In general, a systemwide auxiliary organization is required to follow all of the policies of a campus auxiliary organization. In applying the regulations where the term "president" or "campus" is used, the "Chancellor" and "California State University system" shall be substituted. The regulations applying to student body organizations do not apply. The governing board composition requirement also does not apply.</p>

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
-----------	---------	-------

SECTION 2

2. PURPOSE AND OBJECTIVES OF AUXILIARY ORGANIZATIONS

Education Code,
89300, 89901
(Appendix B)

Executive Order
698
(Appendix E)

Title 5, Section
42401
(Appendix C)

The referenced regulations require that the purpose of every recognized auxiliary is to serve the university with which it is affiliated. In the case of those chartered as "systemwide" auxiliary organizations, their purpose is to serve the CSU.

Auxiliary organizations exist because the state recognized the need for certain activities at the campuses and the CSU, but determined that these activities would be best performed by one or more nonprofit organizations having a legally separate relationship with their respective campus or the CSU.

Auxiliary organizations exist:

"To provide the fiscal means and the management procedures that allow the campus to carry on activities providing those instructional and service aids not normally furnished by the State budget, and

"To provide effective operation and to eliminate the undue difficulty which would otherwise arise under the usual governmental budgetary, purchasing, and other fiscal controls, and

"To provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices."

In addition, student body auxiliary organizations exist to "...provide for student self-government.

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
-----------	---------	-------

SECTION 3

3. AUXILIARY ORGANIZATIONS AND THE CALIFORNIA STATE UNIVERSITY'S AUTHORITY AND RESPONSIBILITY

3.1 The California State University Operations

Campuses and auxiliary organizations are subject to specific statutes, regulations, and policies of State, Federal, and sometimes local governments.

3.1.1 Campus operations must be administered within the hierarchy of State statutes, regulations and policies which are as follows:

California statutes (Government, Corporation, and Education Codes)

Trustee regulations (Title 5, California Code of Regulations),

Standing orders of the trustees (procedures and delegations),

Trustee resolutions (resolutions of policy and delegations),

Executive orders of the Chancellor (policy and policy implementation),

Procedural letters and memoranda of the chancellor's office (policy implementation), and

Campus policies and regulations.

3.1.2 The Education Code provides the Board of Trustees with overall responsibility for administering the activities conducted in The California State University. Title 5 of the California Code of Regulations, Standing Orders of the Board of Trustees, and Trustee resolutions delegate certain authority to the Chancellor and specific authority to Presidents. Therefore, each of these levels of State administration has certain authority and responsibility within The California State University. See Appendix B and C for pertinent sections of the Education Code and Title 5, respectively, Appendix D for a listing of Board of Trustee resolutions, and Appendix E for a listing of chancellor's Executive Orders, which pertain directly to auxiliary organizations.

Title 5
Sections 42406,
42407
(Appendix C)
Executive Order
698
(Appendix E)

3.1.3 The Board of Trustees has vested authority in the Chancellor to establish and implement policies and procedures consistent with and pursuant to the policies of the trustees. Principal areas of the chancellor's office involvement regarding auxiliary organization administration include, but are not limited to, the following:

Approving the establishment of auxiliary organizations in good standing and administering the procedures for probation, suspension or removal of good standing status,

Interpreting and implementing laws and Board of Trustees policy,

Issuing systemwide procedures,

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
		<p>Recommending changes to laws and policies adopted by the trustees,</p> <p>Providing representation for the CSU on auxiliary organization matters,</p> <p>Reviewing auxiliary organization operations and recommending action dealing with problems affecting auxiliary organizations and their good standing status, and</p>
	3.1.4	<p>General responsibility and authority on system policy issues has been delegated to the Executive Vice Chancellor and Chief Financial Officer, and is carried out directly by the executive vice chancellor or those departments within his organization. The following are the general assignments for implementation issues with systemwide policies applicable to auxiliary organizations:</p> <p>The office of Financing and Treasury: General policy issues and financing activities</p> <p>The Accounting office: accounting and (financial audit) reporting issues</p> <p>The Trustees Internal Audit unit: Internal control and internal compliance review program</p> <p>The office of Risk Management: Risk management and insurance issues</p> <p>In some instances, other departments or offices may provide guidance or procedures in specific areas.</p>
Education Code, Sections 89300-89304, 89756, 89900-89928 <i>(Appendix B);</i>	3.1.5	<p>To the extent that non-State funded activities occur on campus, a campus President is directly responsible by State statute "...for ascertaining that all expenditures..." by auxiliary organizations "...are in accordance with policies of the trustees,..." and to "...require that auxiliary operations operate in conformity with policy of the Board of Trustees and the campus." The president of each campus shall "be responsible for the propriety of all expenditures, and the integrity of the financial reporting, made by auxiliary organizations." In addition, each level of State statute or regulation requires responsibility and authority in specific areas by the Board of Trustees, the Chancellor, campus presidents, or campus Chief Fiscal Officers/Business Managers. Note that the Education Code contains sections of statutes, which pertain to all auxiliary organizations (Sections 89756, and 89900 et seq) and also a section of statutes, which pertain exclusively to student body auxiliary organizations (Sections 89300 et seq).</p>
Title 5, Section 42402 <i>(Appendix C)</i>		
	3.2	Auxiliary Organizations Operations
	3.2.1	<p>Auxiliary organization operations are carried out under the direction of the governing board of each organization and its respective management structure. Each auxiliary governing board has a responsibility to conduct its operations in accordance with all statutes that are applicable to auxiliary organizations. This responsibility includes the specific Education Code section which requires that:</p> <p>"The operation of auxiliary organizations shall be conducted in conformity with regulations established by the trustees."</p> <p>Therefore, auxiliary governing boards must be responsible for applicable State requirements as articulated by the Board of Trustees, chancellor's office and the respective campus administration.</p>
Education Code, Section 89900 <i>(Appendix B)</i>		

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
	3.2.2	Auxiliary organizations of The California State University are legal entities under State law. This status provides the basis by which each campus can obtain needed support services and programs that relate directly to the educational mission of each campus. Such support activities are performed under less restrictive controls than those required of State agencies, while maintaining conformity with applicable California State University policy and sound business practices.
	3.2.3	<p>The auxiliary organization governing boards must also be responsive to other applicable statutes and regulations such as:</p> <p style="padding-left: 40px;">State nonprofit corporation statutes (Corporations Code)</p> <p style="padding-left: 40px;">Franchise Tax Board regulations and requirements,</p> <p style="padding-left: 40px;">Internal Revenue Service regulations and requirements, and</p> <p style="padding-left: 40px;">Occasionally, regulations and requirements of local authorities.</p>
<p>Education Code, Section 89900 (b) (c) (Appendix B)</p> <p>Title 5, Section 42402 (Appendix C)</p> <p>Executive Order 698 (Appendix E)</p>	3.2.4	<p>Even though auxiliary organizations may be organized as corporations, they are first and foremost auxiliary organizations of the CSU and must therefore operate pursuant to the specific statutes and regulations applicable to auxiliary organizations. Accordingly, the policy of The California State University states that:</p> <p style="padding-left: 40px;">"The operations of auxiliary organizations shall be conducted in conformity with regulations established by the trustees;"</p> <p style="padding-left: 40px;">..."auxiliary organizations operate as an integral part of the overall campus program";</p> <p style="padding-left: 40px;">"The president of each campus is responsible for the educational effectiveness, academic excellence, and general welfare of the campus, over which he presides"; and for "...the president to exercise his responsibility over the entire campus program, he shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus."</p> <p style="padding-left: 40px;">"...the president...shall be responsible for ascertaining that all expenditures (of auxiliary organizations) are in accordance with policies of the trustees."</p>

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
-----------	---------	-------

SECTION 4

4. FUNCTIONS OF AUXILIARY ORGANIZATIONS

4.1 List of Functions

Title 5, Section
42500
(Appendix C)

4.1.1 For an auxiliary organization to engage in a specific function, the function must be an integral part of the educational mission of the respective campus. The Board of Trustees has determined that the following functions are appropriate for auxiliary organizations to perform:

"Student Body Organization Programs;

Bookstore, Food Services, and Campus Services;

Housing;

Student Union Programs;

Supplementary Health Services;

Loans, Scholarships, Grants-in-Aids, Stipends, and Related Financial Assistance;

Externally Funded Projects Including Research, Workshops, Conferences and Institutes;

Instructionally-related Programs, and Activities, including Agriculture, Athletics, Radio and Television Stations, Newspapers, Films, Transportation, Printing, and other Instructionally Related Programs and Activities;

Alumni Programs;

Gifts, Bequests, Devices, Endowments, Trusts and Similar Funds;

Public Relations, Fundraising, Fund Management, and Similar Development Programs;

Acquisition, development, sale, and transfer of real and personal property including financing transactions related to these activities."

Auxiliary organizations may perform these functions if they are performed so that they are consistent with policies of the Board of Trustees and the campus.

4.2 Other Functions

Title 5, Sections
42500, 42659
(Appendix C)

4.2.1 The Board of Trustees has also determined that associated student body organizations may expend funds received from mandatory student fees to engage only in certain functions (see Section 15.8).

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
-----------	---------	-------

SECTION 5

5. ORGANIZATIONAL REQUIREMENTS

5.1 Basic Structure

Title 5, Sections 42401, 42500, 42600 <i>(Appendix C)</i> Executive Order 698 <i>(Appendix E)</i>	5.1.1	All auxiliary organizations must be established for purposes that benefit the university. They may be incorporated organizations having articles of incorporation and bylaws, or they may be associations having adopted a constitution. They must be nonprofit entities although they may conduct activities that generate unrelated business income as long as they maintain their nonprofit status.
--	-------	--

5.2 Criteria for Establishing a CSU Auxiliary Organization

Title 5, Sections 42406, 42407 <i>(Appendix C)</i>	5.2.1	The chancellor's office will evaluate written requests for campuses establishing new CSU auxiliary organizations. Requests must come from the campus president and shall include organization documents such as draft articles of incorporation and bylaws for incorporated organizations or draft constitution and bylaws for unincorporated entities. Requests should include material that reflects the nature of the organization and relationship with the campus, and a justification for the need of an additional entity to accomplish the objectives.
Title 5, Sections 42406, 42407 <i>(Appendix C)</i>	5.2.2	Approval by the Chancellor to establish an auxiliary organization results in the auxiliary organization being placed in a "good standing" category. The Chancellor maintains a current list of CSU auxiliary organizations that have a good standing status (The most current listing is available on the world wide web site for the chancellor's office through the office of Financing and Treasury http://www.calstate.edu/FT/AuxOrg/AuxOrgList.shtml) Only those organizations on the list are recognized as having an official relationship to the CSU and are considered to be CSU auxiliary organizations.

5.3 Good Standing Status of CSU Auxiliary Organizations

Title 5, Section 42406 <i>(Appendix C)</i> Executive Order 698 <i>(Appendix E)</i>	5.3.1	Auxiliary organizations achieve and maintain a good standing status by working cooperatively with the campus and the chancellor's office to integrate their specific operations with those of the whole campus community as established by the campus president. Basic criteria for good standing status encompass compliance with campus and systemwide policy, fiscal responsibility, social responsibility, good business practices, and compliance with applicable statutes.
---	-------	--

Title 5, Section 42406 <i>(Appendix C)</i> Executive Order 698 <i>(Appendix E)</i>	5.3.2	An auxiliary organization may lose its good standing status if it fails to perform in accordance with the above requirements. The Chancellor is required to establish procedures for probation, suspension, or removal of auxiliary organizations from the good standing status (see Section 5.4).
---	-------	--

5.4 Probation, Suspension, and Removal of Good Standing Status

	5.4.1	An auxiliary organization that does not meet one or more of the basic criteria may be placed on probation or suspension, or removed from the good standing list. The Chancellor has established the following procedures for probation, suspension, and removal of an auxiliary organization from the good standing list.
	5.4.2	Where the Chancellor has reason to believe that a particular auxiliary organization has not met one or more of the basic criteria, the following actions will be taken:
	5.4.3	The Chancellor or designee, after consultation with the campus president, shall conduct a fact-

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
		finding conference to determine if there are grounds for probation, suspension, or removal from the good standing list. The Chancellor or designee will give the campus president and the auxiliary organization governing board reasonable notice of the conference, and the president and governing board (or their representatives) shall be entitled to be present and be heard.
	5.4.4	If the Chancellor appoints a designee, the designee shall provide written findings and recommendations to the Chancellor with copies to the campus president and governing board.
	5.4.5	Although not required, the Chancellor or designee may appoint a committee to assist in obtaining the related facts. The committee shall provide the appointing authority with written findings and recommendations with copies to the campus president and governing board.
	5.4.6	Upon completion of the fact finding conference and receipt of findings and recommendations from the designee (or appointed committee, if appropriate), the Chancellor shall make a determination as to whether to continue the good standing status, place the organization in a probationary or suspension status, or remove the organization from the good standing list.
	5.4.7	<p>Probation means the auxiliary organization may continue to operate while the conditions that lead to the probationary status are corrected. An order from the Chancellor establishing a probationary status shall specify the following:</p> <p>The conditions or reasons that led to the probation,</p> <p>The necessary actions to correct the situation, and</p> <p>The time period in which the corrective action must be accomplished.</p>
	5.4.8	Failure to correct the conditions within the designated time period will result in the auxiliary organization or any of its operations being placed either in a suspended status or the organization removed from the good standing list.
	5.4.9	<p>Suspension means all or part of the auxiliary organizations operations are to be suspended until such time as the conditions that lead to the suspension are corrected. An order from the Chancellor establishing a suspension shall specify the following:</p> <p>The conditions or reasons that led to the suspension,</p> <p>The nature and scope of auxiliary activities that are to cease operations,</p> <p>The necessary actions to correct the situation, and</p> <p>The time period in which the corrective action must be accomplished.</p>
	5.4.10	Failure to correct the conditions within the designated time period will result in the auxiliary being removed from the good standing list.
	5.4.11	Removal from the good standing list means that the entity can no longer operate as a CSU auxiliary organization. An order from the Chancellor removing an auxiliary from the good standing list shall specify the reasons that led to the removal.
	5.5	Dissolution Clause
Title 5, Sections 42600, 42502 (k) (Appendix C)	5.5. 1	Each auxiliary organization is required to have a dissolution clause in either the articles of incorporation or the constitution. The clause must specify that upon dissolution of the organization, net assets, other than trust funds, shall be distributed to a successor approved by the president of the campus and by the Board of Trustees. The governing board should work closely with the university and chancellor's office to identify an appropriate successor organization if and when dissolution of the auxiliary organization is contemplated.
	5.5.2	Each auxiliary organization should work with its legal counsel to integrate the dissolution clause requirement with State or Federal agency requirements for maintaining a corporate or association nonprofit status.
	5.6	Dissolution Process
Title 5, Section 42600 (b) (Appendix C)	5.6.1	Title 5, Section 42600(b) establishes requirements for the inclusion of a dissolution clause in the articles of incorporation of CSU auxiliary organizations. In order to effectively implement these requirements, the following procedures in Section 5.6.2 provide a framework for the dissolution process. Any auxiliary organization contemplating dissolution shall follow this process or a

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
		<p>modification of the process that has been approved by the campus in consultation with the Office of the Chancellor. A merger is considered to be an act of dissolution for purposes of these requirements.</p> <p>The primary objectives in dissolution are to wind up the business of the existing auxiliary organization, transfer remaining assets to an approved successor organization and arrange for the orderly continuation of necessary services. These processes require coordination with the campus administration as well as sound legal advice.</p>
	5.6.2	<p>Prior to the governing board acting to dissolve the organization, they will take action to accomplish the following:</p> <p>Direct that staff work with legal counsel and the campus president's representative to develop a dissolution plan that is consistent with applicable laws and statutes. The plan, which may involve identification of a successor organization, shall incorporate steps that will allow the dissolution process to be completed within a reasonable time and to be coordinated with the university and Office of the Chancellor. It shall make provisions for a financial audit to accurately state assets and liabilities of the organization, and for a review of the audit results by the governing board. The plan shall also contain the means for:</p> <p style="padding-left: 40px;">appropriate handling of personnel matters relating to employees of the organization,</p> <p style="padding-left: 40px;">distribution of assets or distribution of proceeds from the sale of assets,</p> <p style="padding-left: 40px;">payment of liabilities, or distribution of liabilities to a successor,</p> <p style="padding-left: 40px;">termination of, or arrangements for required performance on all contracts and agreements, and</p> <p style="padding-left: 40px;">return of funds held in trust, or continued maintenance of funds held in trust by a successor organization in accordance with trust agreements.</p> <p>Authorize the plan to be forwarded for approval to the campus president.</p> <p>Work with the campus administration and Office of the Chancellor to resolve any problem areas in the dissolution plan.</p>
	5.7	Composition of Governing Boards
Education Code 89901 <i>(Appendix B)</i>	5.7.1	<p>All proposed or existing auxiliary organizations, other than student body organizations, desiring to establish or to make a substantial change in the governing board's composition shall ensure that the resulting voting membership consists of the following:</p> <p style="padding-left: 40px;">Administration and staff, (interpreted to mean one representative from either area)</p> <p style="padding-left: 40px;">Faculty,</p> <p style="padding-left: 40px;">Noncampus personnel, and</p> <p style="padding-left: 40px;">Students.</p>
Title 5, Section 42602 <i>(Appendix C)</i>		
	5.7.2	Student body organization governing boards have special membership requirements (Section 15.3)

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
	5.7.3	The General Counsel of the CSU has determined that it is not a conflict of interest for the campus' chief fiscal officer or a president of a student body organization to serve as a voting member of the governing board of an auxiliary organization.
Executive Order 698 <i>(Appendix E)</i>	5.7.4	In order to ensure conformity with campus policies, each auxiliary organization governing board shall have a representative of the campus president as either a voting or nonvoting member of the governing board.
	5.8	Written Agreement to Perform Authorized Functions
Title 5, Sections 42501, 42502 <i>(Appendix C)</i>	5.8.1	Each auxiliary organization, with one exception, must have a written agreement with the State of California executed by the Chancellor in order to conduct activities in connection with the educational program of a campus. If an auxiliary organization is organized as a student body organization and conducts only the student body organization function, a written agreement to perform this function is not required. However, if the student body organization is involved in other functions authorized by the trustees, a written agreement is required.
	5.8.2	Each written agreement will be valid for a specified length of time, and each auxiliary organization must take measures to ensure that new agreements will become effective no later than the expiration of the one it replaces. Currently the chancellor's office maintains model agreements containing only basic required sections, which, if used, should be augmented by specific conditions responsive to the particular situation.
Executive Order 829 <i>(Appendix E)</i>	5.8.3	General Insurance Requirements for the Auxiliary's Operating Agreement with the CSU: The chancellor has issued policies that pertain to the requirements for auxiliary organizations to have certain levels of insurance in place and to have a general hold harmless statements in their written agreement with the university. See the referenced policy for details.

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
-----------	---------	-------

SECTION 6

6. CONDUCT OF THE GOVERNING BOARD

6.1 Conflict of Interest Regulations

Education Code, Sections 89906- 89908 <i>(Appendix B)</i>	6.1.1	The legislature has established certain restrictions on governing board members that could result in or be perceived as a conflict of interest. These restrictions also extend to an entity with whom a governing board member has a relationship. In general, the statutes prohibit a governing board member (either the member, or the member in association with another entity) from having a financial interest or contract with the auxiliary organization they are serving.
--	-------	--

6.2 Use of Nonpublic Information

Education Code, Section 89909 <i>(Appendix B)</i>	6.2.1	For governing board members, legislature has made it "...unlawful for any person to utilize any information, not a matter of public record, which is received by him by reason of his membership on the governing board of an auxiliary organization, for personal pecuniary gain, regardless of whether he is or is not a member of the governing board at the time such gain is realized."
---	-------	---

And, for employees and contractors, the legislature has also made it

Education Code, Section 89006 <i>(Appendix B)</i>		"...unlawful for any person to utilize any information, not a matter of public record, that is received by that person by reason of his or her employment by, or contractual relationship with... an auxiliary organization of the California State University, for personal pecuniary gain, not contemplated by the terms of the employment or contract, regardless of whether the person is or is not so employed or under contract at the time the gain is realized."
---	--	--

6.3 Governing Board and Subboard Public Meeting Requirements

Education Code, Section 89903 <i>(Appendix B)</i>	6.3.1	Each governing board shall, during each fiscal year, hold at least one business meeting in accordance with Article 2 (commencing with Section 89920). The board shall have the benefit of the advice and counsel of at least one attorney admitted to practice law in this state and at least one licensed certified public accountant. Neither the attorney at law nor the certified public accountant need be members of the board.
---	-------	---

6.4 Communication with Management

	6.4.1	The governing board of each auxiliary organization shall provide mechanisms for their chief executive officer and chief financial officer to have frequent and direct access to the governing board. This provision is designed to ensure that critically important information will reach the governing board in a timely and accurate fashion.
--	-------	--

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
-----------	---------	-------

SECTION 7

7. CAMPUS FACILITIES AND VEHICLES

7.1 Written Agreement to Use Campus (State) Facilities

Title 5, Sections
42501 (d) (e),
42601
(Appendix C)

7.1.1 Generally if an auxiliary organization uses State land or campus space in a State-owned facility for the ongoing performance of authorized functions or services, the arrangement must be established through a lease or other form of written agreement between the auxiliary organization and the State. The provisions for the lease of campus facilities may be combined with the written agreement to perform functions or services on the campus into a document commonly known as "the written agreement (to provided services) and lease." Currently the chancellor's office maintains ~~pro forma lease examples~~ model agreements containing only basic required sections which, if used, should be augmented by specific conditions of the particular situation.

7.1.2 See Section 5 for a description of the required written agreement to perform authorized functions. As noted in Section 5, a student body organization may not be required to have a written agreement to perform student government functions. However, a student body organization is required to have a written agreement to use campus facilities (lease).

7.2 Regular Use of Campus Facilities for Sponsored Projects

7.2.1 Use of campus (State) facilities for sponsored projects works shall be reflected in an appropriate written lease or licensing arrangement; however, specific project needs shall be arranged on a special basis as a matter of resources and needs between the campus and the auxiliary organization. Use of space for sponsored projects may require reimbursement to the State (see Section 16.3).

7.3 Special Use of Campus Facilities

Title 5, Section
42502
(Appendix C)

7.3.1 The one time or special use of campus facilities such as auditoriums, stadiums, amphitheatres, gymnasium facilities, classrooms, conference rooms, labs, etc. are subject to regulations requiring that the State be reimbursed for incremental costs incurred as a result of the activity (see, Section 9.3 on the general concepts for the expenditure of auxiliary organization funds). Such uses shall also be subject to regulations established at each campus.

7.4 Construction on Campus--Capital Outlay Projects

Executive Order
747
(Appendix E)

7.4.1 Construction projects on CSU campuses are subject to the policies of the Board of Trustees and the campus. All such projects funded or administered by auxiliary organizations shall be coordinated with the respective campus administration. All construction on campus is subject to campus Physical Master Plan requirements and if classified as non-state funded capital outlay, must be approved in the trustee's non state capital outlay program. Contact your campus planning office to coordinate the project requirements with the Office of Capital Planning, Design and Construction at the chancellor's office.

7.4.3 Major capital outlay projects are those projects whose total cost is \$250,000 or more. If these projects involve the use of State land or facilities, they must have prior approval by the campus president and be approved in a Board of Trustees Nonstate Funded Capital Outlay Program.

7.4.4 Minor capital outlay projects (less than \$250,000) and refurbishing and remodeling projects that are less than \$250,000 on state land or in state facilities shall be coordinated with, and approved by, the campus president or designee.

7.4.2 Auxiliary organization projects that involve the issuance of debt obligations may require review by the Board of Trustees. See Section 10 for additional information on financing requirements.

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
Title 5, Section 42500(c) (Appendix C)	7.4.5	For projects funded from the university's student union fee, funding is normally provided through revenues coming through the Board of Trustee's bond program administered through the office of Financing and Treasury at the chancellor's office. Occasionally, smaller cash funded projects may be paid for by the auxiliary organization holding the student union operating agreement. Regardless of source, the campus and auxiliary organization must coordinate all such projects with Financing and Treasury, which handles budget, programmatic, and capital outlay implications of the trustees' bond programs.
	7.5 7.5.1	Use of State Vehicles Education Code Section 89008 authorizes the promulgation of rules governing CSU leased or owned vehicles. Current policy of the CSU issued through prior coded memorandum indicates that auxiliary personnel may not use state vehicles, either directly or by loan or lease. As of the publication of this document, CSU rules and policies are being revised, however the current revision makes no changes regarding the use of CSU vehicles by auxiliary organizations. Contact the office of Risk Management in the chancellor's office for additional current information.

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
-----------	---------	-------

SECTION 8

8. FINANCIAL STANDARDS, FISCAL VIABILITY AND RECORDS

Education Code,
Sections 89904-
89904.5
(Appendix B)

8.1 Reserves and Policy for Use of Indirect Costs

The Education Code requires the Trustees to implement certain fiscally-related policies applicable to auxiliary organizations. One section requires the Trustees to:

Institute a standard systemwide accounting and reporting system for auxiliary organizations,

Institute financial standards relating to,

Fiscal viability,

Professional management,

Working capital,

Reserves for capital replacement,

New business requirements,

Assure auxiliary organizations operate within the educational mission, and

Develop policies for the appropriation of funds derived from indirect costs.

In addition, the Education Code requires certain fiscally-related policies applicable to foundations.

Education Code
Sections 89904,
89904.5 89904.6,
89905
(Appendix B)

8.1.1

Under the general authority of the chancellor to administer the policy of the Board of Trustees, the financial standards (above) required by Education Code Section 89904 through 89905 (not including 89905.5) were originally developed in consultation with campuses in the 1970's. They were distributed by the Office of the Chancellor by policy memoranda. The remainder of this subsection contains the policy that was distributed to campuses and continues to govern auxiliary organizations:

1. Basis for Financial Standards and Fiscal Viability

Each CSU auxiliary organization is required to conform to policies of the Board of Trustees and the campus (ref: Education Code, Section 89900(c)). Each campus President is responsible to require that auxiliary organizations operate in conformity with these policies.

Title 5,
Section 42402
(Appendix C)

The chancellor's office is required to implement financial standards applicable to all CSU auxiliary organizations to assure their fiscal viability (ref: Education Code, Section 89904 (b)) and to implement policies for the uses of indirect costs (ref: Education Code Section 89904(d)). These guidelines for fiscal viability, use, and division of indirect costs are to be consistent with the educational mission of the campus and are to be implemented by the Board of Trustees before July 1, 1983.

Education Code,
Sections 89904,
89905
(Appendix B)

Each auxiliary governing board has authority and responsibility for the organization's affairs within the context of policies of the Board of Trustees and the campus. The following guidelines are policy of the Board of Trustees and, therefore, shall be implemented by the campus President and the auxiliary governing board.

2. Financial Standards

A. Annually each auxiliary governing board shall review the fiscal viability of the auxiliary organization to include:

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
-----------	---------	-------

1. A review of management functions to ensure provisions for adequate professional management (ref: Education Code, Section 89904(b)).

2. An evaluation of the need for reserves in the following areas:

- Working capital
- Current operations
- Capital replacement
- Planned future operations (including future new business requirements which have been recognized by the campus and the auxiliary organization as appropriate and within the educational mission of the campus)

3. The establishment or revision of reserves and their funding level in accordance with the above evaluations.

4. The submission of a report annually to the President, which includes a plan to build and maintain, appropriate reserves. Such report may be a part of the annual budget submission.

3. Uses of Indirect Costs

Indirect costs are costs that are not readily identifiable as a direct expense of a particular externally sponsored research, training, or educational project. Indirect cost rates are established in accordance with Office of Management and Budget (OMB) Circular A-21; however, indirect cost reimbursements are recovered through the application of the allowable indirect cost rate per project agreement.

Indirect cost reimbursements received by campus foundations shall first be used for the following purposes:

A. Expenses incurred in support of the foundation's externally funded projects (ref: Title 5, Section 42500(a)(7)). They include, but are not limited to, expenditures for general management and administration, facilities management and administration, and project cost sharing and support.

B. Specific reserves that are established for the support of externally funded projects. These include, but are not limited to, reserves of the categories above (Section 2.A.2.) which relate specifically to externally funded projects, as well as others unique to externally funded project operations such as reserves for disallowances or project development.

Indirect cost reimbursements (pooled on an annual basis), which are not used to fund the annual activities and reserve requirements in Sections A. and B. above, shall be divided between the foundation and the campus. Such a division shall not occur if the governing board of the foundation determines that the division would adversely affect the fiscal viability of the foundation. In such an instance the annual report (Section 2.A.4. above) shall include a plan to provide for a division of unused indirect cost revenue between the foundation and the campus in future years.

Funds retained by the foundation may be expended in support of all authorized auxiliary organization functions (ref: Title 5, Section 42500(s) in accordance with the above Financial Standards (Section 2.).

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
		<p>Funds received by the campus may be expended by the President in support of the educational mission which includes, but is not limited to, the administration of:</p> <ol style="list-style-type: none"> 1. Loans, scholarships, grants-in-aids, stipends, and related financial assistance. 2. Instructionally related programs and activities, including agriculture, athletics, radio and television stations, newspapers, films, transportation, printing, and other instructionally related programs and activities. 3. Alumni programs. 4. Gifts, bequests, devises, endowments, trusts, and similar funds. 5. Public relations, fund raising, fund management, and similar development programs. <p>The foundation (or any auxiliary organization receiving indirect costs) shall maintain accounting records that will allow the formation of accurate reports indicating the annual receipt and uses of indirect cost funds. The foundation shall submit reports as required by the Chancellor.</p>
	8.2	Public Relations Policy
Title 5, Section 42502 (i) <i>(Appendix C)</i>	8.2.1	<p>Each auxiliary organization shall maintain a policy on the accumulation and use of public relations funds if such funds are obtained and used by the auxiliary organization to augment State appropriations for public relations. The policy must include:</p> <p style="padding-left: 40px;">"...the policy and procedure on solicitation of funds, source of funds, amounts, and purpose for which the funds will be used, allowable expenditures, and procedures of control."</p>
	8.2.2	<p>The campus president is required to keep a current statement of these policies on file in the Office of the Chancellor. Certain aspects of the required policy are to be integrated with expenditure documentation requirements (see Section 9.2). Campuses should send updates to these policies to the office of Financing and Treasury where the files will be maintained. To avoid confusion, campus auxiliary organizations that do not have expenditures for public relations, should file a statement indicating this fact with the office of Financing and Treasury.</p>
	8.3	Investment Policies
Trustee Resolution RFIN 7-78-6 <i>(Appendix D)</i>	8.3.1	<p>The Board of Trustees, through a resolution, has urged that auxiliary organizations, which make corporate investments, to issue statements of social responsibility and follow those precepts when considering future investment policies.</p>
	8.3.2	<p>Current CSU procedures allow the investment of auxiliary organization funds in the CSU's programs for investing State funds. For student body organization funds held by the university pursuant to the "custodianship" requirements, or for other auxiliary organization funds held in trust by a university, the specific investment rules of the CSU apply.</p>
	8.3.3	<p>Auxiliary organizations may maintain and conduct investment programs involving a wide range of investment types. These include such forms as certificates of deposit, debt instruments, equity securities, real estate or other forms of investment which benefit the investment programs of the organization and the educational mission of the university. There are specific limitations on investment of student body organization funds (see Section 15.7).</p>
	8.4	Restricted Funds and Trust Practices of Auxiliary Organizations
	8.4.1	<p>It is recommended that restricted and unrestricted funds be held in separate bank accounts.</p>

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
		<p>However, it is acceptable for restricted and unrestricted funds to be held in the same bank account, as long as clear and distinct accounting for the funds is performed. Good business practices require that all funds restricted by trust agreements should not be drawn upon for purposes inconsistent with the restrictions on those funds.</p>
	8.4.2	<p>Certain trusts are subject to provisions of the probate code. Accordingly, auxiliary organizations that have funds subject to this code should be familiar with its provisions and establish procedures that will assure compliance with its provisions.</p>
	8.5	Instructionally Related Activity Funds
	8.5.1	<p>Auxiliary organizations may enter into contracts with a campus to administer the expenditure of Instructionally Related Activity Fees.</p>
	8.6	Insurance
Title 5, Section 42403 (d) (Appendix C)	8.6.1	<p>Indemnity bonds: Auxiliary organizations are required by Title 5 to have "indemnity bonds" for all officers and employees handling funds of the auxiliary organizations. The term "indemnity bond" is not currently well recognized or used frequently in the insurance industry. However, the intent of the requirement is to provide a bond to cover potential losses for possible types of employee dishonesty for those employees handling funds. Therefore, various types of employee dishonesty bonds or fidelity bonds, including commercial blanket and blanket position bonds meet the intent of the Title 5 requirement.</p> <p>In addition, each auxiliary organization should:</p> <ul style="list-style-type: none"> <li style="margin-left: 40px;">Establish an amount of coverage that will cover the potential for loss and the expenses relating to specific determination of the loss amount (audit fees can be a significant expense in connection with such a loss). <li style="margin-left: 40px;">Determining which employees should be covered. <li style="margin-left: 40px;">Have a policy for periodic review of the coverage by the governing board.
	8.6.2	<p>Section 5 of this document contains information about general insurance requirements that are to be required in the operating agreement of auxiliary organizations.</p>
	8.7	Risk Management
		<p>As a matter of good business practice, auxiliary organizations should develop programs to manage risk related to activities in which the organizations are engaged. The CSU has established a joint powers agency to operate a variety of pooled risk management programs. This program includes features that enable auxiliary organizations to obtain various insurance coverages for certain risk programs at low rates. The program is called the Auxiliary Group Purchase Insurance Program (AGPIP). Liability coverage, errors and omissions insurance for governing board members, and property coverage are available through AGPIP. Auxiliary organizations should contact the office of Risk Management in the chancellor's office for additional details about the AGPIP program.</p>

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
-----------	---------	-------

<p>Title 5, Section 42404 (a) (Appendix C)</p>	<p>8.8 8.8.1</p>	<p>Records</p> <p>Auxiliary organizations are required to maintain adequate records and prepare periodic reports as required by the Board of Trustees showing its :</p> <p style="padding-left: 20px;">Operations, and Financial status</p>
<p>Title 5, Section 42404 (b) (Appendix C)</p>	<p>8.8.2</p>	<p>All records of auxiliary organization are to be open and available to the Board of Trustees and the Department of Finance.</p>
	<p>8.9</p>	<p>Business Best Practice Guidelines (July 2002)</p> <p>Background</p> <p>In response to concerns expressed by the Board of Trustees regarding internal control deficiencies noted at several campuses of the California State University, the Chancellor was asked to determine “best practices” for fiscal controls for the auxiliaries. The Chancellor asked the Chief Administrators/Business Officers (CABO) to study and recommend guidelines that would articulate sound business practices for auxiliary operations. With the assistance of an external consultant, and conferring with the Auxiliary Organization Association (AOA), the CABO task force identified critical business transaction areas, objectives for each area and finally standards for each category.</p> <p>The guidelines outlined below set sound business practices for auxiliary organizations operating within the California State University system. They are intended to be consistent with generally accepted accounting principles (GAAP), auditing standards (AU and A-133), and reporting requirements applicable to auxiliary organizations,ⁱ as well as statutory, regulatory and policy requirements.ⁱⁱ These business practice guidelines should not be viewed as a substitute for, but rather a companion to system and campus-based policies.</p> <p>These guidelines identify <i>Critical Transaction Areas</i>, a <i>Business Practice Objective</i> within each area, and <i>Action Standards</i> to be established by the auxiliary organization governing board or management. Within GAAP and AU standards, and in a fashion consistent with campus policy, an auxiliary organization may take appropriate and documented mitigation measures that depart from these guidelines. The terms such as “consistent manner,” “management,” “timely,” and “verifiable” or “proper” “documentation” should be construed within industry standards.</p> <p>1. Cash (including checks and credit cards)</p> <ul style="list-style-type: none"> - Balances - Receipts - Disbursements <p><i>Business Practice Objective: Safeguard and Properly Account for the Receipt, Holding and Disbursement of Cash.</i></p> <p><i>Action Standards –</i></p> <ol style="list-style-type: none"> a) <u>Signature Authority</u>. Adopt and annually review governing board policy that identifies signature authority and provides practices for the receipt and disbursement of cash. b) <u>Segregation of Duties</u>. Establish a written internal controls system that ensures cash receipt and disbursements are conducted with appropriate segregation of duties. c) <u>Control over the Receipt of Cash</u>. Receive cash in a consistent manner utilizing systems that ensure integrity of existing internal controls, with annual management review. d) <u>Control over the Disbursement of Cash</u>. Disburse cash in a consistent manner utilizing

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
-----------	---------	-------

systems that ensure integrity of existing internal controls, with annual management review.

- e) Reconciliation and Reviews. Reconcile bank accounts on a timely basis with independent management review.

2. Investments

Business Practice Objective: Protect and Properly Account for Investments and Investment Income in accordance with Source Restrictions and Other Requirements.

Action Standards –

- a) Investment Policy. Adopt a written governing board investment policy that describes the investment objectives and limitations, and provides for practices to be used to meet its business and fiduciary responsibilities.
- b) Segregation of Duties. Establish a written internal controls system that ensures investment and income decisions and record keeping are conducted and reviewed by more than one person.
- c) Recording Investment Income. Establish a written record-keeping system that ensures all investment income has been received and recorded in compliance with any source restrictions and other external or internal requirements.
- d) Safekeeping Physical Assets. Provide a secure location for securities held by bonded or bonded-authorized persons or institutions.
- e) Reconciliation and Reviews. Reconcile investment positions and investment income on a frequent basis with independent management reviews.

3. Donations, Program Service Fees, Other Income

Business Practice Objective: Properly Record and Account for Donations, Program Service Fees and Other Income in Accordance with External and Internal Requirements.

Action Standards –

- a) Governing Board Policies. Adopt written governing board policy that describes allowable income-generation activities, including the solicitation and acceptance of gifts, and setting of program service fees or for other services.
- b) Budgeting Sources of Income. Establish a written budgeting system that includes reasonable income estimates, the comparison of results, and analyzes significant differences.
- c) Recording Donations. Establish a written record-keeping system that enables gifts to be properly received, recorded, and acknowledged in accordance with donor restrictions and other requirements.
- d) Invoicing Sponsors. Establish a written system to properly record, invoice, and collect for costs to be reimbursed by third parties.
- e) Allocating Reimbursable Costs. Establish written cost allocation processes that ensure reimbursable costs are properly allocated and billed.

4. Receivables (including Pledges)

Business Practice Objective: Properly Record and Promptly Collect Receivables.

Action Standards –

- a) Segregation of Duties. Establish a written controls system that ensures billing, cash collection, customer inquiries, and subsidiary ledger reconciliations are conducted separately and with due regard for the receivable duties.

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
-----------	---------	-------

- b) Recording Pledges. Record unconditional promises, such as donor pledges, at fair value and have verifiable documentation.
- c) Accounting for Receivables. Establish a written system to record receivables in a timely manner with proper documentation as to terms and conditions.
- d) Collecting on Receivables. Establish a written system to invoice customers promptly, in a consistent manner, while exercising due diligence in the follow-up and collection of past due accounts.
- e) Reconciliation and Review. Reconcile subsidiary receivables ledgers to the general ledger on a timely basis and reviewed independently by management.

5. Procurement

- Purchasing and Contracting
- Receiving
- Accounts Payable

Business Practice Objective: Perform Procurement Activities in a Consistent Manner in accordance with External and Internal Requirements.

Action Standards –

- a) Segregation of Duties. Establish a written control system that provides purchase orders and service contracts are prepared separately from receiving and shipping, payables and disbursements, and that identifies unallowable transactions, such as with governing board members.
- b) Purchasing within Applicable Policies and Limitations. Establish a written system that provides for purchases and service contracts to be made within governing board policies, source restrictions, funds availability, and other applicable requirements.
- c) Purchasing in an Accurate and Consistent Manner. Establish a written system that ensures purchases and service contracts coding, classification, recording, and competitive bidding requirements are applied in a consistent manner.
- d) Receiving Materials in an Accurate and Consistent Manner. Establish a written system that ensures materials are received in a consistent manner, and that they are properly inspected, recorded, and reported to the purchasing agent or equivalent.
- e) Paying Vendors in an Accurate and Consistent Manner. Establish a written system that ensures accurate and timely payment of vendors after the determination of the receipt of goods or services or under the terms of the transaction.

6. Payroll

- Salaries and Wages
- Benefit Programs
- Related Liabilities

Business Practice Objective: Conduct Payroll Operations Accurately and in Compliance with External and Internal Requirements of an Employer.

Action Standards –

- a) Segregation of Duties. Establish a written controls system that ensures payroll preparation is segregated from the general ledger function and other payroll functions such as hiring authorization, timekeeping, and distribution of checks.
- b) Maintaining Accurate Payroll Records. Establish a written system that ensures proper authorization, approval, and documentation of new hires, changes in employment, salary and wage rates, and payroll deductions.
- c) Payroll Preparation and Record-Keeping. Establish a written system that ensures accurate and timely collection of payroll information such as timecards, effort reporting, attendance records, and funding sources.

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
-----------	---------	-------

- d) Distribution of Pay. Establish a written controls system that ensures proper payment of employees, through direct deposit or by check, based upon submitted documentation.
- e) Meeting Regulatory Requirements and Other Employer Responsibilities. Establish a written system that enables proper collection and timely remittance of payroll taxes and other withholdings for retirement and insurance programs, as well as all federal and state reporting requirements.

7. Property and Equipment

Business Practice Objective: Properly Account for and Protect Physical Assets.

Action Standards –

- a) Segregation of Duties. Establish a written controls system that ensures employees maintaining fixed asset records are independent of those maintaining physical control inventory of property and equipment.
- b) Compliance with Sponsor Requirements. Establish a written system that ensures compliance of terms and conditions sponsors may have specified regarding the use of property and equipment.
- c) Recording Property and Equipment Acquisitions. Establish a written system that ensures proper recording of property and equipment when received and for labeling of equipment.
- d) Conducting Physical Inventories. Establish a written system that ensures physical inspection of property and equipment on a service life schedule.
- e) Reconciliation and Review. Reconcile physical inventories to the general ledger on a timely basis with review by management.

8. Debt and Other Liabilities

Business Practice Objective: Properly Record Debt and Other Liabilities in Compliance with Restrictive Covenants and Other Requirements.

Action Standards –

- a) Governing Board Policy. Adopt a written governing board policy consistent with the CSU's debt issuance policies describing when debt may be incurred and who is authorized. The policy should be adjusted as needed as the CSU debt policies change.
- b) Segregation of Duties. Establish a written controls system that ensures detailed accounting records, physical custodianship of debt instruments, and general ledger records are appropriately segregated.
- c) Recording and Maintaining Accurate Records. Establish a written system that properly records all liabilities and their terms and conditions.
- d) Complying with Restrictive Covenants. Establish a written compliance verification system that periodically reviews and analyzes restrictive covenants.
- e) Reconciliation and Review. Reconcile detailed liability records to the general ledger on a timely basis with review by management.

9. Reserves and Net Assets

Business Practice Objective: Maintain Reserves and Net Assets that will assure the financial viability of the organization, as well as comply with the legal obligations of donors and other third parties.

Action Standards –

- a) Governing Board Policies. Adopt written governing board policies that describe appropriate reserve requirements and provide for compliance with donor and other third party legal obligations.

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
-----------	---------	-------

- b) Record-Keeping and Reporting. Establish a written system of record keeping and reporting that properly segregates and accounts for the net assets and reserves of donors, and complies with the legal obligations related to other third parties.
- c) Maintain Financial Viability. Implement financial standards, which will assure fiscal viability, including proper provision for professional management, adequate working capital, adequate reserve funds for current operations and capital replacements, and adequate provisions for new business requirements.

10. Computer Controls

Business Practice Objective: Create a Safe, Secure, Accurate and Reliable Computer System Environment.

Action Standards --

- a) Controlled and Secured Environment. Establish written policies and practices that ensure secure computer system operations, including proper hardware and software redundancies, back-up and recovery mechanisms, system documentation, and disaster recovery programs.
- b) Security Controls. Establish written policies and practices creating levels of security linked to job responsibilities, data sensitivity, and physical location of computer network access points.
- c) Data Entry Controls. Establish written policies and practices that define controls for data entry, specifically: proper transaction authority, accuracy, completeness, error correction, and audit trails.
- d) Processing Controls. Establish written policies and practices that define processing controls, specifically: transaction edit checks, integrity of data files, reconciliation requirements, and error logs,
- e) Output Controls. Establish written policies and practices that define output controls, specifically: verification of accuracy, authorized access to data, and proper description of report information and its sources.

ⁱ For the GAAP, see *Guide to Nonprofit GAAP*, 2000 Edition, Practitioners Publishing Co.; for AU, see *Codification of Statements on Auditing Standards*, promulgated by the AICPA; and for A-133, see *OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations*.

ⁱⁱ Auxiliary organizations within the CSU are authorized under Cal Education Code (§ 89300 *et seq.* and 89900 *et seq.*) and Cal Code of Regulations (Subchapter 6, Chapter 1, Division 5 of Title 5 at §42400 *et seq.*).

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
-----------	---------	-------

SECTION 9

9. EXPENDITURE OF AUXILIARY ORGANIZATION FUNDS

9.1 General Use and Limitations

Education Code, Section 89904 <i>(Appendix B)</i>	9.1.1	All expenditures and fund appropriations shall be approved by the governing board of the auxiliary organization. This is generally done through a budget approval process with a delegation to operating officer(s) to implement the approved budget plan. Any expenditures outside of the normal business operations of the auxiliary organization shall be approved in accordance with Trustee policy and regulations by an officer of the Trustees.
--	-------	--

Education Code Section 89300 <i>(Appendix B)</i> Title 5, Sections 42501, 42502, 42659 <i>(Appendix C)</i>	9.1.2	Auxiliary organizations exist primarily to serve the educational mission of The California State University. Each organization may expend funds consistent with those functions that the organization has been authorized to perform in it agreement with the Chancellor. Expenditures for student body organization activities must be consistent with the purposes approved by the Board of Trustees in Title 5, Section 42659 (see also Education Code, Section 89300, last paragraph).
---	-------	--

The Trustees have listed the categories of operations that are appropriate for auxiliary organizations. (see Section 4.).

Expenditures must also be consistent with campus policy.

Title 5, Section 42500

Appendix (C)

Education Code, 89904

(Appendix B)

9.2 Policy on Expenditures of Funds for California State University Auxiliary Organizations

The Education Code requires the CSU to implement policies concerning certain aspects of the expenditure of auxiliary organization funds. Accordingly, a CSU policy, previously adopted and implemented, entitled "Policy on Expenditures of Funds for California State University Auxiliary Organizations" was intended to be responsive to the code requirement. This policy, set out beginning in section 9.2.1 below, continues to apply to auxiliary expenditures.

9.2.1 1. Basis for Expenditures

Auxiliary organizations were developed and authorized as separate nonprofit organizations, and have as a primary objective the goal of aiding and supplementing the instructional and service activities of the CSU. Thus, the auxiliary organizations may assist the campuses by expanding on the range of activities or by increasing the funding for ongoing CSU programs. They may expend their funds in this assistance role subject to the following conditions:

A. Expenditures must fall within the educational mission of the CSU as defined by the respective statutes, Board of Trustees policy, and campus policy.

B. Expenditures must not be made which are specifically prohibited for auxiliary organizations either by statute, Board of Trustees policy, or campus policy.

C. Expenditures must be made in conformity with State control procedures. "State control procedures" shall be defined as "regulations established by the (CSU) trustees" pursuant to Education Code, Section 89900 and "policies and conditions as the Board of Trustees and the campus president may from time to time establish" pursuant to Title 5, Section 42400. Accordingly, an auxiliary organization shall not expend funds for goods and services on behalf of a campus and arrange in some way to be compensated for the expenditure by the campus if circumvention of CSU policy or procedure would occur. For example, the auxiliary may not be used to purchase goods or contract for services for the campus in a manner which would circumvent the requirements of competitive bidding where the auxiliary would be compensated by the campus for

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
-----------	---------	-------

the goods or services so obtained. Where the campus desires to make "opportunity" purchases, which will be reimbursed by the State, such as acquisition of a major rare book collection, through an auxiliary organization, such action may be undertaken with prior written notification and consultation with the Office of the Chancellor which includes the president's certification of compliance with State control procedures.

2. Documentation of Expenditures

A. Each auxiliary organization shall maintain documentation for expenditures consistent with good business practice, and in keeping with applicable documentation standards required by Federal, State and local governments. Good business practice includes documentation procedures adequate to allow the efficient annual fiscal audit by a certified public accountant.

B. Each auxiliary organization shall also provide special documentation to assure expenditures are made consistent with the constraints attached to certain sources of funds. The purpose of this special documentation is to assist in the governance of the organization by providing complete information to auxiliary management and executives, and to campus administrators and others having review responsibility. The following are areas in which special documentation of expenditures is required. (The auxiliary organization must decide if additional areas require special documentation.)

1. Where funds are received for research grants or educational projects, or are held as trust or agency funds, documentation must be maintained as required by the entity providing the funds.

2. In the administration of restricted funds such as gifts, etc., the auxiliary organization must maintain adequate documentation to be able to demonstrate that the expenditures are made in a manner consistent with the restrictive conditions.

3. When foundations expend funds for goods or services which are not a direct cost of a project and which may not be readily seen as within the educational mission of the CSU, special documentation (as shown below) must be provided. For example, expenditures for campus hospitality or community relations activities should be adequately documented in order to demonstrate that they are within the educational mission of the campus. Typical expenses for these activities include the cost of meetings, conferences, receptions, and cost of individual or group meals.

For these expenditures, foundations shall:

a. Establish procedures which include a means of consultation (as necessary) with an appropriate officer of the campus as designated by the campus president to determine that a proposed expenditure will not:

(1) Fall outside the educational mission of the CSU.

(2) Be prohibited for auxiliary organizations either by statute, Board of Trustee policy, or campus policy.

(3) Be contrary to Trustee and campus policies and procedures.

b. Establish procedures to document in writing on the expenditure request form (or with appropriate expenditure documentation) the following:

(1) The name of the person requesting the expenditure.

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
	(2)	A brief statement by the person requesting the expenditure as to how the proposed expenditure will benefit the educational mission of the CSU.
	(3)	A complete description of the item(s) or service(s) the expenditure will purchase or provide.
	(4)	The signature of the auxiliary manager or designee indicating that the expenditure is not restricted or prohibited.
	(5)	The signature of the auxiliary manager or designee approving the expenditure for payment.
		NOTE: Where a particular type of expenditure occurs repetitively for a specific program or activity, a preapproved document may be used which indicates the benefit to the educational mission of the expenditure type, and that the expenditure type is not restricted or prohibited for the auxiliary organization. The preapproved document must then be referred to on the individual expenditure request forms in lieu of section (2) and (4) above.
	9.3	Charges for Services to and from the State
	9.3.1	In 1983 CSU established policies regarding charges to self-supporting operations. For auxiliary organizations, generally the charges are to be made on an incremental basis, are not to be overly complex in their calculation process, and require documentation through some written form. The same procedures are appropriate for the self-supporting operations when developing charges for services provided to the State. However, auxiliary organizations may make a gift of services or assets to the university; the reverse is forbidden.
	9.4	Acceptance of Gifts by Auxiliary Organizations
Education Code, Section 89903 (Appendix B)	9.4.1	Auxiliary organizations may propose, solicit or accept any grant, contract, bequest, trust, or gift, which is consistent with the functions performed by the auxiliary organization and policies of the Trustees and campus. See the applicable statutory and code of regulations references.
Title 5, Sections 42300, 42301, 42403 (e) (Appendix C)		
	9.5	Political Activities
Title 5, Section 42403 (Appendix C)	9.5.1	Auxiliary organizations may not expend funds: "To support or oppose any candidate for public office, whether partisan or not, or
Trustee Resolution RGPA 01-88-02 (Appendix D)		"to support or oppose any issue before the voters of this state or any subdivision thereof or any city, municipality, or local governmental entity of any kind except as may be permitted by Section 89300 of the Education Code (authorizing student fees to be used to support governmental affairs representative)." "The prohibition of this subdivision (above) shall not apply to: (A) expressions published in the student press;

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
		(B) support of a position taken by the Board of Trustees on an issue which the Board determines will significantly affect the California State University or any campus thereof."
	9.6	Financial Aid and Loans
Title 5, Section 42500 (d) <i>(Appendix C)</i>	9.6.1	Expenditures for student loans, scholarships, stipends and grants-in-aid are to be made only to "...currently admitted students. A record of such financial assistance shall be forwarded on a timely basis to the campus financial aids office and shall be documented on student financial aid recipient records kept in that office." Disbursement of any such financial aid funds must have the approval of the campus financial aid office and must be in accordance with campus financial aid program requirements.
Title 5, Section 42403 (c) (2) <i>(Appendix C)</i>	9.6.2	Auxiliary organizations may not expend trust funds to "...make personal loans for non-educationally related purposes, except that such loans may be made when specifically authorized by a trust instrument under which the funds were received."
	9.7	Travel
Executive Order 590 <i>(Appendix E)</i>	9.7.1	Auxiliary organizations which provide reimbursement for travel expenses must adopt and maintain a written policy for such reimbursements. Since auxiliary organizations have a special relationship with The California State University, their travel reimbursement policies should generally parallel policies applicable to the CSU. However, exceptions such as the following may be adopted: Where agreements with various sponsors of research and training call for specific reimbursements at different rates. If the auxiliary organization determines that a lesser or partial rate reimbursement is justified, that rate may be used.
	9.7.2	Auxiliary organizations' travel policies must comply with the requirements of the Internal Revenue Service and in the case of auxiliaries administering sponsored grants and contracts, must provide for compliance with the requirements of the various sponsors of projects.
	9.7.3	Special provisions in Executive Order 590 address student air travel and apply especially to student body organizations. See Section 15.10.
	9.8	Budget Development
Education Code, Section 89904 <i>(Appendix B)</i>	9.8.1	Each auxiliary governing board must approve the amounts and purpose for expending auxiliary organization funds. This includes amounts for auxiliary operations as well as amounts and purpose of expenditures to augment State appropriations such as expenditures for public relations activities. Governing boards can accomplish this requirement by reviewing and approving an annual budget before the start of each fiscal year. Necessary changes to the budget may be made by the governing board as the fiscal year progresses.
Title 5, Section 42502 (i) <i>(Appendix C)</i>		
	9.9	Presidents' Budget Review
Title 5, Section 42402 <i>(Appendix C)</i>	9.9.1	For the campus president to exercise his or her responsibility over the entire campus program, each auxiliary organization is required to submit its annual budget(s) and program(s) for approval to the president. In reviewing the budget, the president may instruct the auxiliary not to implement a specific program or expenditure if it is determined not to be consistent with Board of Trustee policy or campus policy.

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
<p>Executive Order 369 <i>(Appendix E)</i></p>	<p>9.9.2</p> <p>9.9.3</p> <p>9.9.4</p> <p>9.9.5</p> <p>9.10</p>	<p>If in the course of a budget year, should a program or appropriation which had earlier received approval be determined by the president to be outside of acceptable Board of Trustees or campus policy, then the program or appropriation must be discontinued by the president's direction until further review is accomplished and an appropriate modification made.</p> <p>If an auxiliary organization desires to make a significant change (as defined by the campus president) to a budget during the year, the change must be submitted to the campus president for review and approval.</p> <p>The budget review function for auxiliary organization budgets may be delegated to a State employee by the campus president.</p> <p>There are special procedures for the budget approval of student body organizations (see Section 15.9).</p> <p>Labor Abuse Among Contractors</p>
<p>Executive Order 718 <i>(Appendix E)</i></p>		<p>The Chancellor has issued a policy opposing any acts or omissions by a licensee that would constitute labor abuse in the manufacturing process including assembly and packaging of a CSU licensed product. The policy applies to the CSU and its affiliates (auxiliary organizations) and requires the use of best efforts to ensure that licensees adhere to non-abusive labor practices including the provision for safe and healthful working conditions.</p>

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
-----------	---------	-------

SECTION 10

10. FINANCING ACTIVITIES

10.1 Trustees' and Chancellor's Policies

<p>Title 5, Section 42500 (c) <i>(Appendix C)</i> RFIN 03-02-02 <i>(Appendix D)</i></p>	<p>10.1.1</p>	<p>Title 5 Section 42500 (c) permits auxiliary organizations to engage in financing activities as needed to fulfill their mission consistent with the educational mission of the campus and pursuant to procedures issued by the Trustees. The Trustees have issued a revised Policy for Financing Activities in the CSU that includes policy for auxiliary organizations. This policy establishes the systemwide revenue bond program that is designed to gradually replace individual program and auxiliary organization revenue bond financings, which generally consume the CSU's credit in a less efficient and less cost effective manner. The policy also delegates to the campus presidents the authority to approve certain financing transactions for leasing and working capital needs, and require the Trustees approval of larger more significant project-type financing or refinancings. The Chancellor will be issuing and updating procedures (amending E.O 703) for campus and auxiliary financing activities pursuant to the delegation in the Trustees policy. Contact Financing & Treasury for additional information.</p>
---	---------------	---

10.2 Real Property Development Projects

<p>Executive Order 747 <i>(Appendix E)</i></p>	<p>10.2</p>	<p>The Chancellor has issued policies for the university in connection with the development of university land. Auxiliary organizations should be aware of these policies in the event auxiliaries are involved with the campus in the property development activities. See the enclosed reference for details of the policy.</p>
--	-------------	---

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
-----------	---------	-------

SECTION 11

11. AUDITS, REVIEWS, AND REPORTING

11.1 Financial Audits

Education Code, Section 89900 <i>(Appendix B)</i>	11.1.1	Each auxiliary organization shall have an annual financial audit performed by a certified public accountant selected by the governing board. When completed, the audit shall be furnished to the CSU Accounting office for the trustees. The auditor should to be selected by the auxiliary organization's governing board after careful consideration of the experience, reputation and costs of the available firms and after consultation with the campus administration.
---	--------	--

Title 5, Section
42408
(Appendix C)

Executive Order 648 <i>(Appendix E)</i>	11.1.2	The annual financial audits shall be performed in accordance with standard systemwide procedures prescribed by the Office of the Chancellor in consultation with the Department of Finance. The Chancellor will distribute the standard systemwide procedures on a timely basis.
---	--------	--

Currently the procedures are distributed in Executive Order 648 and under the authority of the Executive Vice Chancellor and Chief Financial Officer in a March 26, 1996 letter to university presidents (BF 96-02). This letter explains the relationship of the auxiliary organizations' financial statements to the CSU's financial statements and requires accounting and reporting conventions that will permit the CSU to integrate auxiliary organization data as required by generally accepted accounting principles. The key provisions of the letter relating to auxiliary organizations are included in the balance of this section (11.1.2) as follows:

"The campus president shall provide to the Executive Vice Chancellor and Chief Financial Officer annual consolidated financial statements for all funds administered by the campus including funds held outside the state treasury. In addition, to ensure that the financial statements fairly state the condition of the California State University, auxiliary organizations must be incorporated in the financial statements."

"Each campus president is responsible for ensuring their campus auxiliary organizations are audited as required by Education Code Section 89900. Each campus president needs to issue audit instructions to their campus auxiliary organizations requiring a June 30 fiscal year end accounting basis and requiring the use of applicable auditing and reporting standards appropriate to auxiliary organizations as promulgated by Generally Accepted Accounting Principles of the American Institute of Certified Public Accountants and other appropriate regulatory agencies. These instructions shall also require that the completed annual audit report be furnished by the auxiliary to the campus president in a time frame to allow for the necessary auxiliary audited financial data to be included in the campus financial statements each year."

"The campus president is responsible for reviewing and accepting the completed audited financial report of each campus auxiliary organization to ensure each audit is conducted according to the accounting and reporting instructions of the university and this policy memorandum."

"The campus president, subsequent to receiving and reviewing the auxiliary organization annual audit reports, shall provide a summary letter to the Executive Vice Chancellor and Chief Financial Officer by December 1, of each year. The summary letter shall:

1) List the campus auxiliary organizations and the type of opinion ("unqualified," "qualified", or "adverse"), for each annual audit;

2) Indicate that the campus president or designee has reviewed the audits, or shall state the

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
		<p>reason(s) why any audit has not been reviewed, and what action is being taken to remedy the situation;</p> <p>3) List any audits that are not acceptable to the campus president or designee as to form and content, and what action is being taken regarding those that are deficient."</p> <p>"If any campus auxiliary organization has received an audit resulting in a "qualified" or "adverse" opinion from the auditors, the audit report should be forwarded as an attachment to the summary letter and the summary letter must indicate the actions that the campus and auxiliary are taking to remedy the situation."</p> <p>"If any campus auxiliary organization has not received a completed audit, the summary letter shall indicate the reason(s) along with actions that are being taken to rectify the situation."</p>
	11.2	Evidence of Fraud or Misuse of Funds
	11.2.1	The selected auditing firm should be instructed to immediately report any evidence of material fraud, misuse of funds, or other unauthorized acts found during the audit process. Any of these instances should be reported to the chief executive officer, the governing board of the auxiliary organization, and the president of the university as soon as practicable.
	11.3	Distribution of Financial Statements
Title 5, Section 42408 (c) (Appendix C)	11.3.1	<p>Title 5 requires that "Each auxiliary organization, in order to disseminate as widely as feasible the audited financial statements, shall:</p> <p>(1)"...Publish the audited financial statements in a campus newspaper; or</p> <p>(2)"...Publish a notice in a campus newspaper indicating the on-campus location where copies of the audited financial statements may be obtained or reviewed; or</p> <p>(3)"...Publish or notice the audited statements in accordance with subdivision (1) or (2) in a campus bulletin or other appropriate medium if a campus newspaper is unavailable."</p>
	11.4	Internal Compliance/Internal Control Review
Executive Order 698 (Appendix E)	11.4.1	<p>Action taken by the Trustees' Committee on Audit at the January 1999 meeting of the Board of Trustees requires an internal compliance/internal control review to be performed by the University Auditor.</p> <p>The office of the University Auditor will perform an internal compliance/internal control review of auxiliary organizations. The review will be used to determine compliance with law, including statutes in the Education Code and rules and regulations of Title 5, and compliance with policy of the Board of Trustees and of the campus, including appropriate separation of duties, safeguarding of assets and reliability and integrity of information. This review of each auxiliary organization shall be completed on a biennial basis pursuant to procedures established by the Chancellor.</p> <p>At a minimum, the compliance review must be conducted once every three years for each auxiliary organization. If a review indicates that there are several areas of weaknesses or noncompliance, the review must be conducted more frequently until the problems are corrected.</p>

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
		The audit report shall include a listing by effective date of all changes to articles of incorporation (or constitutions) and bylaws that have occurred since the last review.
	11.5	Reporting Unauthorized Acts
	11.5.1	If any university or auxiliary organization employee has reason to suspect material fraud, misuse of funds, or other unauthorized acts, the incident should be reported to the auxiliary organization's chief executive officer and governing board, and the university president. A university administrator designated by the president should assess the seriousness or sensitivity of the infraction and determine if the Office of the Chancellor should be advised. Campuses may contact the office of Financing and Treasury to discuss such issues.
State Administrative Manual, Section 20080	11.5.2	The State Administrative Manual requires the notification of the Department of Finance and the Auditor General of burglaries, robberies, and defalcations involving state property. Even though auxiliary organization property is not state property, it has been system procedure to make an assessment of such problems and file a report as appropriate the Department of Finance. The office of Financing and Treasury can assist with this assessment.
	11.6	Reporting Changes in Articles of Incorporation (or Constitutions) and Bylaws
	11.6.1	Financing and Treasury in the Office of the Chancellor maintains current files of articles of incorporation (or constitution) and bylaws for each auxiliary organization. When an auxiliary organization makes changes to any of these documents, a complete amended copy is to be submitted to Financing and Treasury within 30 calendar days. The submission should indicate the date the changes were approved by the governing board and/or members.

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
-----------	---------	-------

SECTION 12

12. MEETINGS OF AUXILIARY ORGANIZATION GOVERNING BOARDS

12.1 Frequency of Meetings

Education Code, Section 89903 <i>(Appendix B)</i> Effective January 1, 2006	12.1.1	Auxiliary organizations are required to hold at least one business meeting per fiscal year.
---	--------	---

12.2 Public Access to Meetings and Information

Education Code, Sections 89920- 89928 <i>(Appendix B)</i>	12.2.1	Auxiliary organizations shall conduct the meetings of governing boards and sub-boards in accordance with the requirements set forth in Education Code, Section 89920 through Section 89928. These requirements include provisions for public access to meetings, notice for regular meetings and special meetings, posting action items, and access to information on issues and candidates for auxiliary organization office.
--	--------	--

12.3 Guideline for Agenda Items

12.3.1	It has been recommended by the Trustees' Internal Audit Staff that there is a need to have a guideline for agenda items of auxiliary organization governing board meetings. Realizing the diversity in the organizations, and operations of CSU auxiliary organizations, the following listing will serve as a general guideline for these meetings. However, each auxiliary organization will develop agenda items that are necessary for the proper conduct and oversight of the operations of the auxiliary organization. Such agenda items should be drafted so as to satisfy the legal requirements for public notice (see Appendix B for Education Code Sections 89920 through 89928).
--------	--

A general agenda that may serve as a starting is as follows:

- Call to order
- Roll call
- Approval of prior meeting minutes
- Reports (may include reports from the chief executive officer, the chief financial officer, committees, and others)
- Old business
- New business
- Adjournment

The chief executive officer and/or the chief financial officer shall identify specific topics and have them added to the agenda. In addition, auxiliary organization governing boards should have the benefit of professional financial and legal counsel (see Section 13). Legal counsel should be available as needed or for a special briefing at a governing board meeting. Financial and legal counsel should be available as needed. Governing boards should have the appointed CPA available annually to present the audited statements at a governing board meeting.

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
-----------	---------	-------

SECTION 13

13. LEGAL AND FINANCIAL COUNSEL

13.1 Assistance to Governing Board

- | | | |
|--|----------------|--|
| <p>Education Code,
Section 89900 (a)
89903
<i>(Appendix B)</i></p> | <p>13.1.1</p> | <p>Each auxiliary organization is required to have the advice and counsel of an attorney (admitted to practice law in the State of California) and a licensed certified public accountant. These individuals are to be formally appointed by the auxiliary organization's governing board and are to be available on an on-call basis to respond to concerns of the management or governing board.</p> |
| | <p>13.1.2</p> | <p>It is desirable to have regular briefings of the governing board by an attorney with knowledge of the auxiliary organization provisions of Education Code sections 89300 et seq., 89900 et seq., Title 5, California Code of Regulations, sections 42400 et seq., and the Corporation Code provisions governing nonprofit entities to clarify and update legal responsibilities and provide the organization with necessary legal advice in operating the auxiliary as a separate yet integral part of the campus community. Such briefings are especially helpful as governing board members change. Therefore, each year the auxiliary organization's governing board should consider the need for a briefing from its legal counsel.</p> |
| | <p>13.1.3.</p> | <p>Whether provided by legal counsel or not, new governing board members should be provided with current information about their obligations and responsibilities. The auxiliary organization should document that each new board member received the information provided to them.</p> |

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
-----------	---------	-------

SECTION 14

14. PERSONNEL ADMINISTRATION

14.1 Policy Responsibility

14.1.1 The governing board of each auxiliary organization has the primary responsibility for developing and implementing personnel policies and practices relating to employee relations. This responsibility occurs within a framework of laws that reference policies of the CSU.

Education Code, Section 89900 <i>(Appendix B)</i>	14.1.2	Under the law and CSU policies, a campus President has a responsibility to assure that each auxiliary organization's governing board has established personnel policies which are in compliance with State law (specific to the CSU) and Trustee policy. Each governing board is required to:
---	--------	---

Title 5, Section 42405 <i>(Appendix C)</i>		Develop specific job descriptions and standards for all full-time employees by function, not by title.
--	--	--

Define "similarity" as it pertains to employees performing duties comparable to those in campus positions.

Specify what positions fall under the category of executive and managerial personnel.

As part of maintaining a legal status separate from the State, the governing board has the authority to set and maintain proper employer-employee relations. At the same time the campus administration as part of its supervision over student body organizations under the Education Code Section 89300 and its responsibility to ensure compliance with Trustee policy of all auxiliary organizations, must seek to effect curative actions of the auxiliary when there is a breach of law, Trustee policy, or campus policy.

14.2 Use of Campus Policies

14.2.1 Each auxiliary organization must establish personnel policies reflecting appropriate matters that relate to the auxiliary. Where an auxiliary organization's operations are highly integrated with university operations, personnel policies that are more closely integrated with campus policies may be proper.

14.3 Use of Campus Personnel Services

14.3.1 Some auxiliaries may wish to have agreements with the campus' personnel office to assist an auxiliary either in establishing or executing its personnel policies. For example, smaller auxiliaries may find it less expensive to contract with the campus for various services, rather than to establish their own staff to carry out functions. It is of paramount importance that no actions be taken by the auxiliary or State that could provide grounds for a claim that auxiliary employees are in fact State employees. To assist in maintaining the essential legal separateness, the contract for personnel services should be in writing and reflect consideration to the campus that is commensurate with the services provided.

14.4 Salaries, Working Conditions, and Benefits

Education Code, Section 89900 <i>(Appendix B)</i>	14.4.1	The legislature and the Board of Trustees have required that CSU auxiliary organizations provide full-time employees with salaries, working conditions, and benefits comparable to those provided to California State University employees performing similar services. These regulations also provide for certain exceptions for executive employees, nonpermanent (temporary) employees, and student body organization employees. Certain parameters of each employee's employment status must be examined in order to determine what specific comparability provisions apply.
---	--------	--

Title 5, Section
42405
(Appendix C)

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
	14.4.2	The term "comparability" as used in section 4.4.1 and the referenced governing law, is defined to mean that individual benefits provided by an auxiliary organization need not be identical to those provided by the State so long as the total package of employee benefits, exclusive of retirement and permanent status benefits, is substantially similar with State employment in the same class. A contract for participation in the Public Employees Retirement System is in accordance with the terms and conditions of the public employees' retirement law and shall be deemed to satisfy the requirements for comparability with respect to retirement benefits.
Title 5, Section 42405 (a) <i>(Appendix C)</i>	14.4.3	For those employees whose duties are not comparable to classes in The California State University, the salaries shall be at least equal to the salaries prevailing in other educational institutions in the area or commercial operations of like nature.
Title 5, Section 42405 (e) <i>(Appendix C)</i>	14.4.4	The regulations also permit the Office of the Chancellor to exempt the governing board of any newly created auxiliary organization from the requirement of providing retirement benefits for a period not to exceed three years from the date on which the Chancellor approves the establishment of the auxiliary organization.
	14.5	Labor Relations
	14.5.1	The question of what posture an auxiliary wants to take on the topic of collective bargaining is a policy issue to be determined by the auxiliary's governing board after taking into account any applicable campus policies. In developing a position, the board may desire to obtain expert opinion on the legal and policy impact of collective bargaining.
	14.5.2	The Higher Education Employer-Employee Relations Act (Government Code Section 3560, et seq.) does not apply to auxiliary organization employees. Thus, auxiliary organization employees are not included in the bargaining units for The California State University system.
	14.5.3	Federal law is more complicated on the application of the National Relations Board (NLRB) to CSU auxiliary organizations. An NLRB has taken different positions on jurisdiction depending on the facts of the situation. Each auxiliary should review the pertinent cases rendered by the NLRB and the Public Employees Relations Board (PERB).
	14.6	Nondiscrimination and Affirmative Action
Board of Trustees' Resolution RFSA 7-80-14 <i>(Appendix D)</i>	14.6.1	The Board of Trustees has issued "The California State University and Colleges Policy Statement of Nondiscrimination and Affirmative Action in Employment." Auxiliary organizations are obliged to adopt similar employment procedures consistent with this policy and systemwide operational guidelines established by the Chancellor.
	14.6.2	Each auxiliary organization must adopt its own nondiscrimination and affirmative action employment procedures. Each auxiliary governing board has the flexibility to tailor the detail and complexity of its procedures in accordance with its needs. However, the general thrust of these procedures must be "consistent with" the Board of Trustees policy and the guidelines distributed by the Chancellor. The CSU guidelines can be reviewed at the campus equal opportunity office.

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
-----------	---------	-------

SECTION 15

15. STUDENT BODY ORGANIZATIONS

15.1 Statutes and Additional Policy Requirements

15.1.1 Student body auxiliary organizations (as used in this context, is intended to be, and is sometimes referred to as the campus "associated student body organizations") are subject to the statutes and CSU policy relating to auxiliary organizations. However, student body organizations differ in a significant way from other auxiliary organizations. Student body organizations are funded in large part from a mandatory student fee that although collected, maintained and distributed by the campus as a state agency, is dedicated for expenditure by the student body organization for those student body organization purposes approved by the legislature and Trustees.

In part, because of this funding arrangement as well as other concerns, the legislature has enacted statutes that apply solely to student body auxiliary organizations. In carrying out these statutes, the Board of Trustees and the Office of the Chancellor have issued CSU policy that is specific to student body organizations. The following section details these statutes and CSU policy.

15.2 Operations

Education Code, Section 89300
(Appendix B) 15.2.1 A student body auxiliary organization may be established for the purpose of providing essential activities closely related to, but not normally included as part of the regular instructional program of a campus of the CSU. A primary objective of a student body organization is to provide for the campus student self-government; however, the student body organization may operate other auxiliary organization functions such as bookstores, food services, and other campus services. A student body organization "...may be established at any state college or university under the supervision of the college or university officials...."

Title 5, Section 42401 (a)
(Appendix C) 15.2.1 A student body auxiliary organization may be established for the purpose of providing essential activities closely related to, but not normally included as part of the regular instructional program of a campus of the CSU. A primary objective of a student body organization is to provide for the campus student self-government; however, the student body organization may operate other auxiliary organization functions such as bookstores, food services, and other campus services. A student body organization "...may be established at any state college or university under the supervision of the college or university officials...."

15.3 Organization

Title 5, Section 42602 (a)
(Appendix C) 15.3.1 Student body organizations' governing boards "...shall consist primarily of students...." However, each student body organization shall have "...a representative of the campus president..." as either voting or nonvoting member of the governing board. The purpose for this representative is "...to advise on policy and to provide liaison between the student governing board and the president of the campus."

Executive Order 698
(Appendix E)

15.4 Student Body Organization Fees

Education Code, Sections 89300-89301
(Appendix B) 15.4.1 Student body organization fees are established in accordance with the referenced provisions of the Education Code, Title 5, California Code of Regulations and executive orders of the chancellor. After 2/3's of the students vote to establish a fee, the initial fee is set by the chancellor. Once established, the campus president may adjust the fee level, under current delegation, after the approval of the adjustment in an election by a majority vote of the students. In addition, statutes permit that the fee is subject to a referendum repeal at any time upon the submission to the campus president of a petition containing the signatures of ten percent of the enrolled students. If the referendum passes by a 2/3 vote, it shall take effect at the beginning of the academic year following that in which the election was held.

Title 5, Section 41401 et seq.
(Appendix C)
RFIN 03-04-00
(Appendix D)

Executive Order 740
(Appendix E)

15.4.2 All student body organization membership fees are to be collected at the time of registration by

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
		campus officials. There may be exceptions to this requirement when a student loan or grant from a recognized training program or student aid program has been delayed and there is reasonable proof that the funds will be forthcoming; or, when changes are made during the campuses change-of-program period which result in a higher fee category than paid at the time of registration.
	15.4.3	Once received for deposit and investment, mandatory student body organization fees may be invested only as indicated in the Education Code Section 89301.
	15.5	Administration of Student Body Organization Funds
Education Code, Sections 89301-89302 (<i>Appendix B</i>)	15.5.1	Statutes of the referenced Education Code and regulations issued by the Board of Trustees (Title 5) require the chief fiscal officer of a campus to be the custodian of revenues derived from mandatory fees, and to provide the accounting records and controls on a reimbursed basis. See the references for information about the requirement.
Title 5, Section 42403 (<i>Appendix C</i>)		
	15.6	Responsibility for Campus Clubs and Organizations' Funds
	15.6.1	The campus has no direct responsibility to maintain and audit accounts of chartered campus student clubs and organizations. However, the campus President has the authority to determine that the campus should undertake this responsibility.
	15.7	Investment of Student Body Organization Funds
Education Code, Section 89301 (<i>Appendix B</i>)	15.7.1	Student body organization funds may be deposited or invested only in certain institutions or investment mediums. They may be deposited or invested in:
Government Code, Section 16430		qualified banks,
		qualified savings and loan associations,
		the centralized State Treasury system, or
		in other ways specified in Education Code Section 89301.
	15.7.2	Since revenues derived from mandatory student fees possess the characteristics of State funds, they may be deposited in the State Pooled Money Investment Program.
	15.8	Use of Funds
Education Code, Sections 89300, 89302 (<i>Appendix B</i>)	15.8.1	"The principle underlying the expenditure of student body organization funds collected through mandatory fees is that such expenditures shall be made in programs that reflect the broadest variety of student interests and that are open to all students who wish to participate.
Title 5, Section 42500, 42659 (<i>Appendix C</i>)		The Board of Trustees has approved the following purposes appropriate for expenditure of student body organization funds derived from mandatory student body fees:
	(a)	Programs of cultural and educational enrichment and community service.
	(b)	Recreational and social activities.
	(c)	Support of student unions.

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
-----------	---------	-------

- (d) Scholarships, stipends, and grants-in-aid for only currently admitted students in accordance with provisions of Section 42500, subdivision (d).
- (e) Tutorial programs.
- (f) Athletic programs, both intramural and intercollegiate.
- (g) Student publications.
- (h) Assistance to recognized student organizations.
- (i) Student travel insurance.
- (j) Administration of student fee program.
- (k) Student government-scholarship stipends, grants-in-aid, and reimbursements to student officers for service to student government. Before such scholarship stipends, grants-in-aid, and reimbursements are established by a student body association, the principle of establishing such payments shall be approved by a student referendum.
- (l) Student employment to provide payment for services in connection with the general administration of student fee.
- (m) Augmentation of counseling services, including draft information, to be performed by the campus. Such counseling may also include counseling on legal matters to the extent of helping the student to determine whether he should retain legal counsel, and of referring him to legal counsel through a bar association, legal aid foundation or similar body.
- (n) Transportation services.
- (o) Child day care centers for children of students and employees of the campus.
- (p) Augmentation of campus health services."

In addition to these purposes, the legislature has outlined the following through the referenced statutes

"...in addition to expenditures for other lawful purposes involved in the operations of the student body organization, [these revenues may] be expended to provide for the support of governmental affairs representatives who may be attending upon the State Legislature or upon offices and agencies in the executive branch of the state government."

15.8.2 The programs authorized by the Board of Trustees include expenditures for scholarships, stipends, grants-in-aid for only currently admitted students. If student body organization funds are used for these purposes, there are special requirements to facilitate coordination with the campus Financial Aids Office (see Section 9.6).

15.8.3 In addition to the above specific expenditure regulations relating to student body organizations, there are general expenditure regulations, which pertain to all auxiliary organizations (see Section

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
		9).
Title 5, Section 42402 (Appendix C)	15.9	Budget Procedures
	15.9.1	Student body organization budgets are subject to the requirement that all auxiliary organizations have their budgets and programs reviewed and approved by the campus President. However, special procedures for preparation, review, and approval have been implemented for student body organizations in Executive Order 369 (see Appendix E).
	15.10	Air Travel
	15.10.1	Student body organizations are required to use only air carriers that comply with Executive Order 590 (see Appendix E).
	15.11	Reserve Guidelines
	15.11.1	The reserve requirements are found in Section 8.1.
	15.11.2	Each student body organization shall have a written policy on reserves with specifically defined categories and targeted funding levels for each.
	15.11.3	Annually, in conjunction with its budget development process, each student body organization governing board shall review its reserve policy, categories, definitions, and funding levels for adequacy. The review is to be documented and forwarded to the university president for review and approval at the same time the budget is submitted.

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference Section Topic

SECTION 16

16. FOUNDATIONS

16.1 Definition

16.1.1 Auxiliary organizations classified as foundations are generally considered to be those auxiliary organizations which have as a primary function the administration of externally funded projects including research, workshops, conferences, and institutes and/or fund development activities. These auxiliary organizations may also engage in other authorized functions.

The nature of this activity, over the years, has given rise to law and policy specific to these organizations.

16.2 General Policy for Administration of Grants, Contracts, and Special Educational Projects

Executive Order
168
(Appendix E)

16.2.1 General policies relating to the administration of grants, contracts, and special educational projects are contained in Executive Order 168 (see Appendix E). The policy includes requirements for the review and approval of proposals for grants and contracts, acceptance of awards, review of fiscal aspects, travel and travel expense approval, and hiring of personnel.

16.3 Space Reimbursement

16.3.1 In 1970, budget act language required the CSU to develop a policy for reimbursement of federal funds from grants and contracts. After appropriate consultation, policy letter (ABS 70-90) was issued from the Vice Chancellor, Business Affairs outlining a policy and procedure for the required reimbursement. The policy, still in effect, is provided below.

POLICY ON SPACE REIMBURSEMENT FOR AUXILIARY ORGANIZATIONS CONDUCTING EXTERNALLY FUNDED PROJECTS

The campus' business officer will determine the projects subject to payment for the use of space when proposals for grants/contracts are submitted.

When awards are received, the foundation manager, together with the business officer, will be responsible for accumulating the detail of space costs that generally are paid from indirect cost reimbursements to the foundations.

A report summarizing the charges will be submitted annually to Auxiliary and Business Services in accordance with instructions and format provided by Auxiliary and Business Services. The rate to compute charges will be indicated in the instructions and be based on a cost per square foot per month.

Square footage reported should be directly identified with the research grant or contract for post-audit. The following items must be considered in the square footage calculation:

1. Office space shall be charged based on a fraction of the reimbursed time of the principal investigator and other staff members involved in the project.
2. The square footage assigned on a permanent basis to a project will be calculated on a monthly basis regardless of the percentage of time expended by the principal investigator or staff on the project.

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
		<p>3. The facilities used on an intermittent basis or in addition to 2 above will be calculated by percentage of time used and area of space used. The percentage of time for the use of square footage in a classroom should be based on a 75-hour week. The square footage reimbursement can be calculated on a monthly basis and multiplied by the number of months the project is active.</p> <p>Certain projects, which are considered a direct part of the educational process, do not require space reimbursement. They are:</p> <p>1. Projects, which directly support, augment funding, or provide total funding for courses that are part of the regular curriculum offering of the campus.</p> <p style="padding-left: 40px;">Examples: Special education courses, teacher corps courses, psychiatric nursing courses, center for advanced medical technology, rehabilitation counseling courses.</p> <p>2. Projects which support the college admissions policy through providing preparatory work, financial assistance, scholarships, or other assistance for college-bound students.</p> <p style="padding-left: 40px;">Example: Upward-Bound Program</p> <p>3. Projects, which benefit the college through community, support activities.</p> <p style="padding-left: 40px;">Example: Social Welfare Studies.</p> <p>4. Projects which support curriculum improvement through innovative studies, course redesign and experimentation (distinguished from 1 above in that these projects do not support credit granting courses).</p> <p style="padding-left: 40px;">Example: Development of information science curriculum.</p> <p>5. Projects where the cost of the space to be used is contributed by the campus to meet cost sharing requirements.</p> <p>All the above would be limited to training-type programs where indirect cost reimbursements are limited by statute or granting agency's policy.</p>
	16.4	Documentation of Expenditures
Executive Order 761 (Appendix E)	16.4.1	Expenditure documentation requirements for all auxiliary organizations are set forth in Section 9 of this document. This policy contains special requirements for documentation when foundations make expenditures that are not a direct cost of a project and that may not have the direct appearance of being within the education mission of the CSU. Generally, this includes expenditures for campus hospitality and community relations. Section 9 includes additional details on this issue.
	16.5	Indirect Costs
Education Code, Sections 89904, 89904.5 (Appendix B)	16.5.1	The State legislature has enacted statutes addressing the use of indirect cost funds received by foundations within the CSU. These statutes require that systemwide guidelines be developed to specify a process for evaluating if a foundation has received indirect costs over and above its needs, and how any such excess is to be divided.

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
-----------	---------	-------

The systemwide guidelines are found in Section 8.1.3

Executive Order 750 (Appendix E)	16.6 16.6.1	Interagency Agreements Subcontracted to Campus Auxiliary Organizations Policies applicable to interagency agreements (Executive Order 372 and Business Affairs letter BA 81-02) have been rescinded as of June 21, 2000. The campus president now has authority to provide services consistent with existing law and policy.
--	-----------------------	--

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
-----------	---------	-------

SECTION 17

17. SERVICE OPERATIONS

17.1 Definition

17.1.1 Service operations are generally defined as on-going commercial type operations which are revenue producing, but are not themselves educational in nature. Examples are:

Bookstores (student stores),

Food services,

Bike shops,

Duplicating services, and

Banking services

17.2 Self-Supporting

Education
Code, Section
89905
(Appendix B)

17.2.1 Service or commercial operations are required to be self-supporting. Traditionally, this has been interpreted to mean that surplus funds from one commercial operation are not to be used to fund the operations of another commercial operation. For example, a campus bookstore operation must not subsidize a food service operation for a prolonged period unless there is a conscious decision by those individuals responsible for the oversight of these operations, that this practice is in the best interest of the campus and its academic mission.

17.3 Bookstore Operations

Trustee
Resolution
RFIN 65-022
(Appendix D)

17.3.1 Bookstores operations on CSU campuses are to be open and services available only to:

"students,

"faculty and staff of the college, and

"persons participating in State College sponsored educational functions such as meetings and conferences."

17.4 Food Service Operations

Trustee
Resolutions
RGPA 63-12,
RFIN 65-022
(Appendix D)

17.4.1 Food service operations on CSU campuses are to be open and services available only to:

"students,

"faculty and staff and their bona fide guests, and

"persons participating in State College sponsored functions such as meetings and conferences."

17.4.2 Food service facilities are to be posted to restrict their use in accordance with Section 17.4.1.

17.4.3 Auxiliary organizations providing food service to CSU residence halls shall execute an operating

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
		agreement with the campus in accordance with a standard format. The CSU maintains model text to assist campuses with developing written operating agreements. See Section 5.8 and 7.1.
	17.4.4	To maintain the functional capacity of campus food services, each campus president or designee shall determine the need for a reserve for the repair and replacement of state owned cafeteria equipment. If such a reserve is needed, the campus president or designee, in consultation with the affected auxiliary organization, shall establish procedures for funding, accounting, disbursement and control of the reserve.
	17.5	Banking Services
Trustee Resolutions <i>RFIN 9-73-19,</i> <i>RFIN 9-73-20</i> <i>(Appendix D)</i>	17.5.1	The Board of Trustees has authorized campuses to provide banking services on campuses under certain conditions. See Appendix D for Trustee resolutions containing the criteria and procedure that must be met for the establishment of campus banking services.

Compilation of Policies and Procedures for California State University Auxiliary Organizations

Reference	Section	Topic
-----------	---------	-------

SECTION 18

18. HOUSING OPERATIONS

Trustee
Resolutions
RFIN 66-13,
RFIN 68-22
(Appendix D)

The Board of Trustees has adopted policies applying to auxiliary organizations wishing to engage in providing off campus student housing at CSU campuses. These resolutions are contained in Appendix D.

ⁱ For the *GAAP*, see *Guide to Nonprofit GAAP*, 2000 Edition, Practitioners Publishing Co.; for *AU*, see *Codification of Statements on Auditing Standards*, promulgated by the AICPA; and for *A-133*, see *OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations*.

ⁱⁱ Auxiliary organizations within the CSU are authorized under Cal Education Code (§ 89300 *et seq.* and 89900 *et seq.*) and Cal Code of Regulations (Subchapter 6, Chapter 1, Division 5 of Title 5 at §42400 *et seq.*).