

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR



BAKERSFIELD

CHANNEL ISLANDS

September 7, 2010

CHICO

DOMINGUEZ HILLS

MEMORANDUM

EAST BAY

TO: CSU Presidents

FRESNO

FROM: Charles B. Reed
Chancellor

A handwritten signature in black ink that reads "Charles B. Reed".

FULLERTON

HUMBOLDT

SUBJECT: University and Auxiliary Organization Funds* — Executive Order No. 1052

LONG BEACH

Attached is a copy of Executive Order No. 1052 relating to the accounting and reporting of funds held in auxiliary organizations and reimbursement of costs to campuses. Guidelines regarding implementation of this Executive Order will be issued separately.

LOS ANGELES

MARITIME ACADEMY

In accordance with policy of the California State University, the campus president has the responsibility for implementing executive orders where applicable and for maintaining the campus repository and index for all executive orders.

MONTEREY BAY

NORTHRIDGE

If you have questions regarding this executive order, please call the Executive Vice Chancellor and Chief Financial Officer at (562) 951-4600.

POMONA

SACRAMENTO

SAN BERNARDINO

CBR/lje

SAN DIEGO

Attachment

SAN FRANCISCO

c: Executive Staff, Office of the Chancellor
Vice Presidents, Finance / Administration
Auxiliary Organizations Association

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

* For purposes of this policy "campuses" and "university" refer to the institutions established in California Education Code, Division 8, Part 55, §89001 et seq. "Auxiliary organizations" are legal and business entities that have been established and organized by the CSU pursuant to the California Education Code, Division 8, Part 55, Chapter 7, §89900 et seq. and pursuant to the California Code of Regulations, Title 5, Division 5, Subchapter 6.

SONOMA

STANISLAUS

THE CALIFORNIA STATE UNIVERSITY
Office of the Chancellor
401 Golden Shore
Long Beach, California 90802-4210
(562) 951-4600

Executive Order: 1052
Effective Date: September 7, 2010
Supersedes: No Prior Executive Order
Title: University and Auxiliary Organization Funds

This executive order is issued pursuant to authority granted in Section II (h) and Section IV (a) of the Standing Orders of the Board of Trustees.

Purpose

This executive order is to reiterate existing CSU policy and provide clearer direction to the universities regarding; a) the required accounting and reporting of university and auxiliary organization funds; and b) the necessary reimbursement of the university for costs incurred related to auxiliary operations and activities.

Policy Statement

Auxiliary organizations are separate 501(c)3 corporations established for the benefit of the university they support. All functions approved for auxiliary administration (see Title 5, section 42500) are to be appropriately administered in accordance with applicable laws, regulations, and policies, recorded in proper accounts, and controlled in a manner consistent with sound business practice. Auxiliaries shall not hold and administer university funds beyond the limits set forth herein.

Custody and administration of university funds by an auxiliary organization shall be for a specified limited time and purpose that conform to applicable policies and guidelines. As a general rule, the auxiliary organization shall remit all university funds being temporarily held within 90 days, unless an extension of time is expressly authorized and justified in writing by the university president or his/her designee. Auxiliary organizations shall not accept or administer university funds unless they have been specifically authorized in writing to do so by the university president or his/her designee. Said authorization shall be granted judiciously and only when it is advantageous to the university and supportive of the university mission. Such advantages must be clearly documented in writing—mere convenience is not an acceptable advantage.

Auxiliary organization financial statements shall specifically identify the balance of university funds, including footnotes that provide sufficient detail to identify material

revenue sources. Auxiliary organizations cannot be subsidized with state resources in accordance with state law. To ensure that the university receives all funds to which it is entitled, each university shall establish a well-documented cost allocation plan supporting/evidencing recovery of funds due from other funds and entities. Costs incurred by the university for services, products, and facilities provided to auxiliary organizations shall be fully recovered with cash and or a documented exchange of value within 90 days. If the exchange of value and in-kind reimbursements exceed \$50,000 said reimbursements must be approved and documented in writing by the university president.

Rationale

Recent findings of the Office of the University Auditor (OAU) have revealed a need for more explicit policy guidance to the universities as it relates to: a) administering funds received by auxiliaries that are subject to local university control; and b) ensuring that funds are held in proper accounts and administered in accordance with applicable laws and regulations. Executive Order (EO) 1000 provides the fundamental principle and general guidance for managing, depositing and safekeeping of various funds in accounts. This Executive Order 1052 complements EO 1000, specifically as it relates to placing funds properly in university and auxiliary accounts.

Proper Accounting and Control of University Funds

The campus chief financial officer (CFO) is responsible for the proper accounting and control of all university funds and is responsible for the establishment of processes and procedures to ensure that all funds are properly receipted and held. University and auxiliary organization funds must be accounted for separately and related interest income will be remitted to the university.

Recovery of University Costs

As articulated in EO 1000, the university must ensure that costs incurred by the CSU Operating Fund for services, products, and facilities provided to auxiliary organizations are properly and consistently recovered with cash and/or a documented exchange of value.** Direct costs shall be allocated and recovered based on actual costs incurred. Allocable indirect costs shall be recovered according to a cost allocation plan that utilizes a consistent methodology, including identification of indirect costs and basis for allocation. Detailed records are to be maintained supporting how amounts to be reimbursed are determined. The campus CFO, or designee, shall annually approve and implement the cost allocation plan to ensure all direct and indirect costs incurred on behalf of auxiliaries are being recovered in a manner consistent with this Executive Order.

** In cases where university resources are used in fundraising efforts with the goal of securing gifts and other contributions to the auxiliary organization, no incremental direct or indirect cost recovery for such services is required. The exchange of value resulting from the beneficial investment opportunities afforded to the auxiliary organization, which ultimately inures to the University's benefit, is presumed to be adequate.

The development of a cost allocation plan must be coordinated with the development of university sponsored program overhead rates charged to contracts and grants when applicable. A clear relationship between these analyses and calculations must be addressed in the approved cost allocation plan. Cost allocation plans and supporting documentation are to be maintained as part of university records.

Direct costs are expenditures initially incurred by the university, which can be easily determined and recharged to the auxiliary organization based upon the actual cost of the goods or services provided. Direct costs chargeable to auxiliary organizations include, but are not limited to faculty release time, communications, metered utilities, and specifically identified incremental costs. Incremental costs refer to the change in university's out-of-pocket expenses related to activities and programs, projects, or programs assigned to an auxiliary organization, (i.e. expenses that would not have been incurred if the auxiliary enterprise were not present).

The allocation of indirect costs is based on a process that is reasonable and practicable relative to the activity and the related costs. The basis of allocating indirect costs may vary. A percentage, transaction cost, or pro-rata distribution may be applied to the applicable auxiliary organization workload measure. As needed, the cost allocation plan should identify an equitable cost allocation methodology for each of the costs related to the activity, e.g. rental of space, services performed by state employees, etc.

Table of Common Sources of Impacted University Receipts

The following table lists the most common sources of university receipts, and indicates the proper accounts where receipts normally should be recorded and deposited. Where a single alternative is shown for a particular type of receipt, that type is required to be deposited as shown. Where alternatives are shown for a particular type of receipt, the proper deposit location is determined in accordance with standards established within this Executive Order 1052.

Description of Receipt	Deposit into CSU Operating Fund 0948-485	Deposit into State University Trust Fund 0948-other than 485	Deposit into an Auxiliary Organization as Authorized
Gifts to:			
The university, its units and programs		X	
An auxiliary organization on behalf of the university, its units and programs		X	X
Student clubs in support of its programs		X	X

Description of Receipt	Deposit into CSU Operating Fund 0948- 485	Deposit into State University Trust Fund 0948-other than 485	Deposit into an Auxiliary Organization as Authorized
Grants and Contracts Awarded to:			
The university		X	
An auxiliary organization			X
Rental Receipts:			
For exclusive use of university facilities on a lease basis (Government Code 11259)	X	X	
For use of university facilities usually on a event-related, license basis (Education Code 89721 (g))		X	
For use of auxiliary organization facilities (bookstore; student union)		X	X
Property leased to an auxiliary organization under a lease (SRB - capital lease or loan)	X	X	
Continuing Education Fees:			
Credit course provided by the university		X	
CERF non-credit courses		X	
Non-credit courses offered by an auxiliary organization			X
Sales of Goods and Services from Educational Activities:			
Provided by the university		X	
Provided by an auxiliary organization		X	X
Commercial Sales of Goods and Services:			
Owned by the university		X	
Owned by an auxiliary organization		X	X
Campus Events:			
University events: workshops, conferences, institutes, special projects, athletic contests, program fees, etc.		X	
Auxiliary organization events: workshops, conferences, institutes, special projects, athletic contests, program fees, etc.		X	X

Description of Receipt	Deposit into CSU Operating Fund 0948- 485	Deposit into State University Trust Fund 0948-other than 485	Deposit into an Auxiliary Organization as Authorized
Student Fees and Other General Fees (EO 1034):			
Systemwide mandatory fees (Category I)	X		
Campus mandatory fees (Category II)	X	X	
State supported course fees, including fees for travel (Category III)	X		
Administrative Fees (Category IV)	X		
Self-support program fees (Category V)		X	
Other:			
Sales of Fixed Assets (Receipts return to the funding source used to purchase the asset)	X	X	X
Lottery Funds		X	
Direct cost recovery from auxiliary enterprises and organizations recovered based on actual costs incurred	X	X	
Indirect cost recovery for services provided to auxiliary enterprises and organizations recovered annually according to the university cost allocation plan as approved by the campus CFO	X	X	

The direction provided in this Executive Order, including the abbreviated list of activities and proper account receipts in the table above, serve as the expected normal operation for the universities and auxiliaries.



Charles B. Reed, Chancellor

Dated: September 7, 2010