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Date: September 10, 2010 **Code**: **FS 2010-03**

To: Campus Vice Presidents

Finance/Administration

From: Benjamin F. Quillian

Executive Vice Chancellor and

Chief Financial Officer

Subject: Implementation of E.O. 1052 -University and Auxiliary Funds

Recent findings of the Office of the University Auditor (OUA) revealed a need for more explicit policy guidance as it relates to administering funds received by auxiliaries. Executive Order (EO) 1052 is a significant first step in the development of the needed policy guidance. The EO reiterates existing CSU policy and provides direction to campuses regarding 1) required accounting and reporting of university and auxiliary organization funds, and 2) necessary reimbursement of university costs incurred related to auxiliary operations and activities. However, there are issues that require further review. In that context, Chancellor Reed has asked Executive Vice Chancellor Emeritus Richard West to chair a Review Group that will further examine the roles and responsibilities of auxiliary organizations and their relationship to the campuses. The Review Group will be made up of Presidents, Vice Presidents, Vice Chancellors, the University Auditor and other individuals the Chancellor may designate.

Although the review of auxiliaries is yet to be completed, it is important for campuses to use the direction provided by EO 1052 and take steps immediately to comply with its requirements. Each campus Chief Financial Officer (CFO) has ninety (90)calendar days from the date of this memorandum to certify in writing to this office that his/her campus is in full compliance with the requirements of EO 1052. I will also begin working with members of CABO to develop a list of



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frequently asked questions (FAQs) and answers to assist in determining the steps necessary to move to full compliance.

If a campus CFO determines that his/her university is not in compliance and will not be able to be in full compliance within ninety calendar days (or if the university requires additional time to enable certification), a plan detailing the steps that will be taken to comply fully with EO 1052 must be submitted to this office within sixty (60) calendar days for review and approval. The plans shall describe in detail impediments to compliance or why additional time is needed to certify compliance. The plan must include specific timelines for complete compliance.

The following is presented to support the development of plans. All attributes must be considered; however, the structure and form may vary.

Suggested Plan Attributes

- 1) Establish phases/timeline for implementation.
- 2) Document resources committed to bringing the campus into compliance.
- 3) Describe special circumstances requiring a delay in implementation, such as:
 - a) Funds have been legally committed or pledged; and
 - b) Funds are needed to provide cash flow for contract and grant activities.
- 4) Identify university funds.
 - a) Describe your methodology for assessing funds, activities and programs within campus auxiliary organizations (i.e. surveys, reviews of receipts, analysis of major contracts);
 - b) Establish materiality levels and documentation requirements; and
 - c) Explain process to resolve questions and issues raised during the assessment of funds.
- 5) Control of university funds in the custody of an auxiliary organization.
 - 1) Outline new and existing campus policies and procedures supporting the objectives of the policy; and
 - 2) Topics addressed in campus policies and procedures might include:



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- i. Review of activity and program receipts;
- ii. Approval processes;
- iii. Delegations;
- iv. Monitoring processes; and
- v. Accountability and transparency.
- 6) As appropriate, describe mitigating controls established where special circumstances significantly delay implementation of the policy.

Any questions regarding this memorandum or the related Executive Order may be directed to this office or to the Senior Director, Fiscal Control and Special Initiatives, Mike Redmond at mredmond@calstate.edu or 562-951-4345.

BFQ:lje

C: Chancellor Charles B. Reed
Vice Presidents/Provosts, Academic Affairs
Assistant Vice Presidents, Finance/Administration
Assistant Vice Presidents, Sponsored Research
Auxiliary Organizations Association
University Auditor Larry Mandel