

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR



BAKERSFIELD

July 1, 2007

CHANNEL ISLANDS

CHICO

MEMORANDUM

DOMINGUEZ HILLS

TO: CSU Presidents

EAST BAY

FROM: Charles B. Reed
Chancellor

FRESNO

FULLERTON

SUBJECT: Delegation of Fiscal Authority and Responsibility

HUMBOLDT

Attached is a copy of Executive Order Number 1000, which delegates authority to campus presidents to manage funds and approve certain fiscal transactions. This delegation reflects a modification recently made to the Education Code allowing the California State University to deposit certain fees in local trust accounts.

LONG BEACH

LOS ANGELES

MARITIME ACADEMY

In accordance with policy of the California State University, the campus president has 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 Financial Services at (562) 951-4540.

POMONA

SACRAMENTO

CBR/lje

SAN BERNARDINO

Attachment

SAN DIEGO

c: Vice Presidents, Business/Administration
Executive Staff, Office of the Chancellor

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS

**The California State University
Office of the Chancellor
401 Golden Shore
Long Beach, California 90802-4210
(562) 951-4540**

Executive Order: 1000
Effective Date: July 1, 2007
Supersedes: Executive Orders No. 648, 753, and 919 in their entirety
Title: Delegation of Fiscal Authority and Responsibility

This Executive Order is issued pursuant to parts d. and h. of Section VI of the Standing Orders of the Board of Trustees of the California State University, and the Education Code, Division 8, Part 55, Chapter 6, and Article 2 §89720 et seq. and Article 4 §89756.

I. Definitions

The “California State University,” “CSU,” “Board of Trustees,” and “Trustees” refer to the entity established by the California Education Code, Title 3, Division 5, General Provisions, Part 40, §66010 et seq., §66011 et seq., §66600 et seq.

“Campuses” and “campus” are the institutions established in the 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.

The “Chief Financial Officer” refers to the person designated by the campus President pursuant to Executive Order No. 731.

A “Fund” is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, all related liabilities, and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives.

“CSU policies, standards, and definitions” refers to a unified system of CSU policies, standards, and definitions pertaining to the administration and safekeeping of university assets, budgetary accounting and classification, financial accounting and classification, and financial reporting, and is inclusive of financial transactions between the campus and recognized Auxiliary Organizations.

II. Authority and Responsibility

The campus President is delegated authority and responsibility for effective oversight of all state funds held by the campus and all funds held in a fiduciary capacity.

The campus Chief Financial Officer shall be the primary campus financial officer in respect to administration of these delegations of authority and responsibility.

The campus President shall:

- Ensure that the responsibility delegated by this Executive Order is exercised in compliance with all applicable statutes, regulations, and policies of the Board of Trustees, and CSU policies, standards, and definitions.
- Ensure that expenditure commitments do not exceed available resources and that budget plans are fiscally sound and sustainable.
- Ensure that appropriate internal controls are in place for the safeguarding of assets and the reliability of financial reporting.
- Ensure that accounting processes are established to maintain appropriate records of financial transactions and balances, in accordance with CSU policies, standards, and definitions.
- Ensure that sufficient reserves are established for contingencies for Funds operated outside the state treasury system, in accordance with CSU policies, standards, and definitions.
- Ensure timely end-of-period closing entries and submittal of financial reports.
- Ensure timely post-closing adjustments and annual submittal of financial statements prepared in accordance with Generally Accepted Accounting Principles.
- Ensure the propriety of all expenditures and the integrity of the financial reporting made by Auxiliary Organizations and provide timely financial reports prepared in accordance with Generally Accepted Accounting Principles from those auxiliaries.
- Ensure that costs incurred by the CSU Operating Fund (see Section III: CSU Fund Categories and Types) for services, products, and facilities provided to other CSU funds and to Auxiliary Organizations are properly and consistently recovered with cash and/or a documented exchange of value. Allowable direct costs incurred by the CSU Operating Fund shall be allocated and recovered based on actual costs incurred. Allowable and allocable indirect costs shall be allocated and recovered according to a cost allocation plan that utilizes a documented and consistent methodology including identification of indirect costs and a basis for allocation. The campus Chief Financial Officer, or designee, shall annually approve and implement the cost allocation plan.

All CSU fiscal policies, standards, and definitions shall be promulgated, published, and maintained by the Executive Vice Chancellor and Chief Financial Officer, or designees. This Executive Order shall serve as the fundamental principle justifying the authority of these subsequent fiscal policies, standards, and definitions.

The Chancellor, or designees, shall establish and maintain a basic complement of common systemwide financial accounting information systems to enable this delegation of fiscal authority.

Authority delegated by this Executive Order may be revoked in whole or in part if in the judgment of the Chancellor the campus President has not complied substantially with provisions of this Executive Order.

III. CSU Fund Categories and Types

The following CSU Fund categories (i.e., Proprietary and Fiduciary) and types within categories shall be utilized by the campuses for financial transactions and accounting entries recorded in the California State University Trust Fund (State Controller's Fund No. 0948). See *Table A* for a summary of these fund categories and types. The State University Trust Fund exists both in the records of the State Controller and in the official records of the CSU.

Financial resources not required for transactions within the State Controller Funds (see section IV, State Controller Funds) shall be recorded in the CSU Fund categories and types. Any Funds established within the CSU fund categories and types shall be regulated solely by this Executive Order and by CSU policies, standards, and definitions issued by the Executive Vice Chancellor and Chief Financial Officer, or designees. Only the minimum number of CSU funds consistent with this policy and campus operating requirements are to be established and maintained.

Assets classified as cash, cash equivalents, or investments in accordance with Generally Accepted Accounting Principles and which are recordable in CSU funds shall be deposited solely in commercial banks or other depositories approved by the CSU Executive Vice Chancellor and Chief Financial Officer, or designees. The CSU Executive Vice Chancellor and Chief Financial Officer, or designees, shall invest all such deposits and investment earnings shall be periodically allocated to campuses (Education Code §89722).

- A. The Proprietary Funds category is used to account for activities supported, at least in part, by fees or charges and includes two Fund types: Enterprise Funds and Internal Service Funds.
 1. Enterprise Funds are used to report any activity for which a fee is charged to external users for goods or services. CSU policies, standards, and definitions may also require utilization of Enterprise Funds to meet accounting or reporting requirements.

The campus Chief Financial Officer, or designees, shall establish an Enterprise Fund if any one of the following criteria is met. Campuses shall apply each of these criteria in the context of the activity's principal revenue sources.

- a) The activity is financed with debt that is secured solely by a pledge, by the Trustees, of the net revenues from fees and charges of the activity.
- b) Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.

- c) CSU policies, standards, and definitions require that the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). These fees are directly related to, although not necessarily equal to, the costs of the goods or services.
- d) CSU policies, standards, and definitions require separate accounting or reporting of revenues, expenses, and/or net assets.

Each campus shall establish a CSU Operating Fund (CSU Fund 485). Campuses shall report revenues, expenses, and net assets related to state-supported instruction and related programs and operations exclusively in the CSU Operating Fund. All Proprietary Fund activities that are not reportable in other Enterprise or Internal Service Funds shall be reported in the CSU Operating Fund.

- 2. Internal Service Funds account for the financing of goods or services provided by a designated campus department or unit to other campus departments or units, on a cost-reimbursement basis. Internal Service Funds are established primarily to improve financial management of scarce campus resources. The campus Chief Financial Officer, or designees, may establish Internal Service Funds after documenting the purpose, financial objectives, and scope of operations. Auxiliary organizations may purchase goods or services from Internal Service Funds in accordance with campus policies. Use of an Internal Service Fund is only appropriate if the campus is the predominant participant in the activity; otherwise, an Enterprise Fund should be used.
- B. Fiduciary Funds are used to account for assets held by a campus in a trustee capacity or as an agent for individuals, private organizations, or other governmental units, and therefore cannot be used to support CSU programs and activities. The campus Chief Financial Officer, or designees, may establish and close Fiduciary Funds in accordance with the terms of wills, trusts, instruments of endowment, or other fiduciary agreements. The Fiduciary Funds category includes three Fund types: Investment Trust Funds, Private-Purpose Trust Funds, and Agency Funds. Financial resources that are not recordable in Fiduciary Funds or in other Proprietary Funds shall be recorded in the CSU Operating Fund.
- 1. Investment Trust Funds are used to report the external portion of investment pools held for individuals, private organizations, or other governments.
 - 2. Private-Purpose Trust Funds are used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.
 - 3. Agency Funds are used to report resources held by the campus in a purely custodial capacity (assets equal liabilities). Agency Funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Unless an Agency Fund is expressly required by the agency relationship, transactions may be accounted for within Proprietary Funds.

IV. State Controller Funds

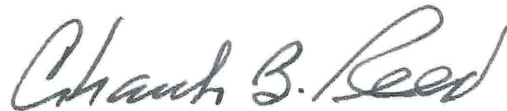
The Office of the State Controller establishes statewide Funds to account for resources appropriated by acts of the state legislature. This section applies only to Funds maintained by the Office of the State Controller. See *Table B* for a summary of these Funds. Campus administration of these Funds shall conform to accounting rules issued by the State Controller, depository rules issued by the State Treasurer, other relevant state regulations, and relevant provisions of state law. The CSU Executive Vice Chancellor and Chief Financial Officer, or designees, may issue additional regulations and guidelines pertaining to campus administration and reporting for State Controller Funds.

All financial resources that are required to be recorded in these Funds are invested and administered by the Office of the State Treasurer. Campuses may submit claims to the State Controller to draw warrants payable from these Funds, unless the following paragraphs provide otherwise. These Funds shall exist both in the records of the State Controller and in the official records of the campus authorized to expend the appropriation, unless the following paragraphs provide otherwise:

- A. The “State General Fund” is an accounting entity with a chart of accounts and account values maintained by the Office of the State Controller to record Budget Act Support appropriations for the CSU. The State General Fund exists both in the records of the State Controller and in the official accounting records of the CSU. The CSU Chancellor’s Office shall establish corresponding Funds and accounts solely to record Budget Act Support appropriations and to reconcile transactions between the State General Fund and the CSU Operating Fund. The State General Fund shall not be utilized by campuses to record operating transactions.
- B. “Special Revenue Funds” are used by the State of California to account for the proceeds of specific revenue sources that are legally restricted by the state legislature to expenditures for specified purposes (Budget Act and Government Code §16346 et seq). Campuses shall not utilize the State Controller’s Special Revenue Funds or accounts.
- C. “State Capital Outlay Funds” are Funds maintained by the State Controller to record legislative Budget Act appropriations for CSU Capital Outlay projects. Corresponding Funds and accounts for these Budget Act appropriations shall also be established in the official accounting records of campuses to record CSU budget allocation orders, encumbrances, and expenditures, and for reconciliation with the State Controller.
- D. The State Controller maintains the following Funds: “State University Parking Revenue Fund” (EC §89701(b)), “State University [Health] Facilities Revenue Fund” (Education Code §89702(c)), “State University Continuing Education Revenue Fund” (Education Code §89704(a)), “CSU Dormitory Revenue Fund” (Education Code §90036). Campuses shall not utilize these State Controller’s Funds or accounts (see Section III. A. 1. regarding campus Enterprise Funds).
- E. The “California State University Dormitory Construction Fund” is maintained by the State Controller to record proceeds from the sale of revenue bonds and related

project expenditures pursuant to the State University Revenue Bond Act of 1947. Corresponding Funds and accounts for construction projects funded from revenue bonds shall also be established in the official accounting records of campuses to record CSU budget allocation orders, encumbrances, and expenditures, and for reconciliation with the State Controller.

- F. The "California State University Interest and Redemption Fund" is maintained by the State Controller pursuant to the State University Revenue Bond Act of 1947. This Fund records transfers-in of revenues from CSU Enterprise Funds (see Section III A. 1. and Table A) and records transactions initiated by the State Treasurer, acting as bond trustee, for interest payments and redemptions of bonds and notes.
- G. The State Controller maintains the California State University Trust Fund (Education Code §89722), which shall be utilized by the CSU to record payroll transactions originating from the Uniform State Payroll System administered by the State Controller and recharges of expenditures from state agencies to the CSU.
- H. The State Controller maintains the California State University Lottery Education Fund (Education Code §89722.5) to record periodic cash distributions from the California Lottery Education Fund to the CSU Chancellor's Office, pursuant to the California State Lottery Act of 1984 (Government Code §8880.1 and §8880.5). Campuses shall not utilize the California State University Lottery Education Fund.
- I. The State Controller maintains the California State University Special Projects Fund (Education Code §89725). Campuses shall not utilize the California State University Special Projects Fund.



Charles B. Reed, Chancellor

Date: July 1, 2007

Table A

Summary of CSU Fund Categories and Types

(These Funds are established and regulated by the CSU. See Section III of this Executive Order for complete definitions.)

	Proprietary Fund	Fiduciary Fund
<p>Enterprise Funds</p> <p>Enterprise funds are used to report any activity for which a fee is charged to external users (i.e., individual persons as opposed to other campus departments) for campus goods or services. CSU policies, standards, and definitions may also require utilization of Enterprise Funds to meet accounting or reporting requirements.</p> <p>Each campus shall establish a CSU Operating Fund (CSU Fund 485). Campuses shall record revenues, expenses, and net assets related to state-supported instruction and related programs and operations exclusively in the CSU Operating Fund. All Proprietary Fund activities that are not recorded in other Enterprise or Internal Service Funds shall be recorded in the CSU Operating Fund.</p> <p>The campus Chief Financial Officer, or designees, shall establish an Enterprise Fund if any one of the following criteria is met. Campuses shall apply each of these criteria in the context of the activity's principal revenue sources: a) the activity is financed with debt that is secured solely by a pledge, by the Trustees, of the net revenues from fees and charges of the activity; b) laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; c) CSU policies, standards, and definitions require that the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service); d) CSU policies, standards, and definitions require separate reporting of revenues, expenses, and/or net assets.</p>	X	
<p>Internal Service Funds</p> <p>To account for the financing of goods or services provided by one department to other departments of the campus on a cost-reimbursement basis. The campus Chief Financial Officer, or designees, may establish and close campus Internal Service Funds.</p>	X	
<p>Investment Trust Funds</p> <p>To account for the external portion of investment pools held for individuals, private organizations, or other governmental units, and therefore cannot be used to support CSU programs. The campus Chief Financial Officer, or designees, may establish and close campus Investment Trust Funds.</p>		X
<p>Private-Purpose Trust Funds</p> <p>To report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments, and therefore cannot be used to support CSU programs. The campus Chief Financial Officer, or designees, may establish and close campus Private-Purpose Trust Funds.</p>		X
<p>Agency Funds</p> <p>To report resources held by the campus in a purely custodial capacity (assets equal liabilities). Agency Funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, other governmental units, and therefore cannot be used to support CSU programs. The campus Chief Financial Officer, or designees, may establish and close campus Agency Funds.</p>		X

Table B**Office of the State Controller - Funds Summary***(These Funds are established and regulated by the State Controller. See Section IV of this Executive Order.)*

	Governmental Fund	Proprietary Fund	Fiduciary Fund
<p>State General Fund</p> <p>Budget Act Support Appropriations for the CSU Board of Trustees (Government Code §16300) are recorded in the State General Fund. The CSU Chancellor's Office shall utilize the State General Fund solely to record Budget Act Support appropriations and to reconcile transactions between the State General Fund and the CSU Operating Fund (see Section III and Table A). The State General Fund shall not be utilized by campuses to record operating transactions.</p>	X		
<p>Special Revenue Funds</p> <p>To account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted by acts of the state legislature or voter initiative to expenditures for specified purposes (Budget Act and Government Code §16346 et seq). The CSU will not utilize the State Controller's Special Revenue Funds or accounts.</p>	X		
<p>State Capital Outlay Funds</p> <p>Budget Act Appropriations for Minor and Major Capital Outlay projects are recorded in (a) General Obligation Bond Funds or Lease Revenue Bond Funds if financed with public debt; or (b) in other funds established by the State Controller.</p>	X		
<p>Enterprise Funds</p> <p>State University Parking Revenue Fund (EC §89701(b)), State University [Health] Facilities Revenue Fund (Education Code §89702(c)), State University Continuing Education Revenue Fund (Education Code §89704(a)), CSU Dormitory Revenue Fund (Education Code §90036). CSU campuses shall not utilize the State Controller's enterprise funds or accounts.</p> <p>The California State University Dormitory Construction Fund records proceeds from the sale of revenue bonds and project expenditures pursuant to the Revenue Bond Act of 1947, Education Code §90073.</p> <p>The CSU Interest and Redemption Fund (Revenue Bond Act of 1947, Education Code §90074) records transfers-in of revenues from CSU Enterprise Funds (see Section III. D. and <i>Table A</i>) and records transactions initiated by the State Treasurer, acting as bond trustee, for interest payments and redemption of bonds and notes.</p>		X	
<p>Trust and Agency Funds</p> <p>The California State University Trust Fund (Education Code §89722) accounts established by the State Controller will be utilized by the CSU solely to record payroll transactions originating from the Uniform State Payroll System and recharges of expenditures from state agencies to the CSU.</p>			X