FISCAL POLICIES

DEFINITIONS

Accrue - As referred to in these policies, the process required by the State Board of Equalization to assess and remit use taxes on qualified purchases when not collected by vendors.

Arm’s Length Transaction - A commonly used business term in which neither party will reap benefits from the transaction because they have a personal relationship, unfair knowledge, etc., with the other party to the transaction (i.e., a family member, friend, etc.) or obtaining a contract simply because they have a personal relationship with the ASI employee requesting the goods or services.

ASI and University Union Programs - ASI and University Union Programs are approved by the Board of Directors and the University Union Advisory Board. These programs are supervised and managed by ASI staff.

Capital Equipment - Capital equipment is defined as moveable articles of non-expendable property which have all of the following characteristics:
1) A normal useful life of three years or more.
2) An identity which does not change with use.
3) A nature that makes formal property accountability practical.
4) An approximate unit cost of $5,000 or greater.

Capital Equipment Repair and Replacement - For capital equipment to be considered a replacement item, the piece of equipment must be an identical piece of equipment or perform an identical function to the existing equipment. A request for capital funding to repair an existing piece of equipment must extend the life of the existing item by at least three years.

Capital Expenditure Reserve - A reserve designated to fund the purchase and replacement of capital equipment and facilities.

Capital Renovations and Improvements - A capital renovation or improvement is a project that extends the useful life of an existing capital asset. A renovation or improvement typically occurs to part of a facility, but there are instances where capital equipment is renovated or improved. Typically, if a renovation or improvement will extend the useful life of the asset for three years or more, the expense will be capitalized. The cost for a project that is intended to provide a short-term repair (less than three years) will be expensed from an operating account line item.

Contingencies - All financial needs for the current fiscal year that may not have been identified during the annual ASI and UU budget development process. If the current year operating surplus is not available to meet unanticipated needs, general reserves may be accessed according to the General Reserve Policy.

Contingency Funds - Contingency allocations within the ASI and UU budgets are made on an annual basis to provide for expenditures that were unexpected and/or unanticipated during the annual budget development process.
**Depreciation Accounting** - The spreading of the cost of a fixed asset over its useful life and the reflection of this cost in the statements of operation. There is a corresponding systematic reduction in the “book value” of the fixed asset, but this effect is secondary to the cost distribution function.

**Designated Reserves** - Designated reserves are set aside to provide funds for a specific program or purpose when the annual allocation from the operating budget is not adequate to cover operations. Designated reserves must be used for the intended purpose unless specifically reallocated by a vote of the Board of Directors for a different purpose.

**Financial Crisis** - An event that could cause cessation of, or severe cutbacks in, ASI or UU programming and services, or cause the complete shutdown of ASI or UU operations.

**General Reserves** - The intent of General Reserves is to provide a cushion of short term operating cash. General Reserves protect current operations in the event of unforeseen contingencies.

**Indemnification** - Provides financial support in matters of litigation facing Directors, Officers and employees as detailed in ASI Bylaws.

**Insurance Deductibles** - Initial amount paid by the insurance before settlements are awarded by the insurance company.

**Leasehold Improvements** - Leasehold improvements consist of all structures, additions to structures, replacement of fixtures permanently attached to structures and remodeling of structures. All such improvements, additions or replacements with a cost of $5,000 or more will be capitalized when installed and depreciated over a useful life period as determined by ASI Business Services staff.

**Non-Capitalized Fixed Assets** - ASI defines non-capitalized fixed assets as equipment with a useful life of more than one year but less than three years and a unit cost of between $1,500.00 and $4,999.99.

**Operating Budget** - Operating budgets for ASI and the University Union are developed and approved annually. The budgets are allocated by cost center and provide funds for one year of operation. Unless a designated reserve exists for a specific program or purpose, unused operating funds are transferred to the appropriate General Reserve at year-end.

**Other Owned Property** - This category of assets encompasses all other property that ASI may own that cannot be classified as either a capitalized or non-capitalized fixed asset.

**Purchases for Resale** - Any item purchased by an ASI program for the sole purpose of resale to customers of the program or organization. Purchases for resale are not put to internal use in carrying out the activities and services of the program or organization which purchases the goods.

**State Board of Equalization** - The State of California agency responsible for administering the State Sales and Use Tax Law and authorizing limited transaction exemptions or exclusions for certain non-profit entities.
**Unexpected Insurance Premiums** - Insurance premiums that arise due to the approval and scheduling of an unanticipated ASI sponsored program, event, or activity.

**Uninsured Claims** - Claims requiring payment when there is no insurance policy in force or no organization or budget responsible for the claim.

**Useful Life** - The service life of an asset or a group of assets represents the period of usefulness to the owner. To provide a basis for depreciating the cost of fixed assets, estimates of useful lives are determined after considering the following factors:

1. **Physical factors:**
   a. Wear and tear
   b. Deterioration and decay
   c. Damage or destruction
2. **Functional factors:**
   a. Inadequacy
   b. Obsolescence

These factors relate to physical deterioration as well as to the suitability of the asset in functioning as an economically productive unit. Physical factors are generally more predictable than functional factors. Historical data and planned usage provides management guidance on the effect of the physical factors. Inadequacy and obsolescence, however, are generally not anticipated.

**AUDIT: ENGAGEMENT AND FINANCIAL PROCESS**

Annual financial audits are performed in accordance with procedures prescribed by the Office of the Chancellor and the University Administration and Finance Division. The Chancellor’s Office shall distribute the standard system wide procedures. Guidelines are provided for dissemination of information included in the annual audit reports and to provide procedures for engaging and evaluating an external auditing firm.

The governing body of each auxiliary organization is responsible for selection and monitoring of its independent auditor.

The Internal Review Committee shall participate in the Audit Engagement Screening Process. In addition to the Internal Review Committee members the Screening Committee will include the Associate Executive Director and a representative from the office of the Vice President for Administration and Finance.

A formal Request for Proposal (RFP) process shall be used to seek qualified accounting firms for independent audit services.

The RFP development, proposal review and engagement process shall be scheduled in a manner that will allow the Board of Directors to act on an engagement proposal, in a timely fashion, to facilitate audit services during the fiscal year for which the services are being sought.
Selection Criteria
The fundamental criteria to be used in selecting an independent audit firm should be reputation, capability, and service cost.

The audit firm selected should have demonstrated through the RFP evaluation process that the engagement proposal is complete, responsible and responsive to the audit specifications and request for proposals.

Engagement
The acceptance of an independent audit services proposal shall be by formal action of the Board of Directors and confirmed in writing to the accounting firm selected. The engagement relationship is such that the audit firm is hired by and works closely with ASI management to achieve desired improvements.

Monitoring
Following the report of independent audit results for each fiscal year, the Internal Review Committee will evaluate the performance of the audit firm. The chair of the Internal Review Committee shall make a report on the outcome of the evaluation at a Board of Directors Meeting. Prior to reporting on the performance of the audit firm, a review of the evaluation between ASI and the audit firm will be coordinated by the Associate Executive Director.

Continued Engagement
Based upon a favorable performance evaluation by the Internal Review Committee of the audit services rendered for each year, the Board of Directors may consider continued engagement of the accounting firm, within an engagement term, based upon a written offer submitted by the firm. The requirements of the RFP, as may be modified by the Board of Directors, shall be observed for such continued engagements.

Report Dissemination
Annual audit reports will be made available to all active members of ASI not later than 120 days following the close of the corporation's fiscal year. Such report shall contain, in appropriate detail, the following:

- Assets and liabilities, including trust funds, of the corporation as of the end of the fiscal year;
- Principal changes in assets and liabilities, including trust funds, during the fiscal year;
- Revenue or receipts of the corporation, both unrestricted and restricted to particular purposes, for the fiscal year;
- Expenses or disbursements of the corporation, for both general and restricted purposes, during the fiscal year.

The ASI Internal Review Committee, a subcommittee of the Board of Directors, in collaboration with the Executive Director or designee will review all materials as deemed necessary. The ASI Internal Review Committee will oversee management compliance with recommendations generated each fiscal year.
The Associated Students, Inc. shall widely disseminate the information contained in the annual audit reports for ASI and the University Union as stipulated in the Fiscal Procedures Manual.

**ANNUAL OPERATING BUDGET PROCESS (ASI & UU)**

Operating budgets shall be created annually and will include funding for all mandated programs. The development and approval of the budgets will include input from ASI staff, ASI student government leaders and campus budget staff. An approval process shall be utilized whereby students will review and/or approve annual budgets. Once approved by the Board of Directors, the budgets will be forwarded to the University President for final approval. For situations where approval agreement cannot be obtained, the reconciling process is documented in the ASI Fiscal Procedures Manual.

**CAPITAL BUDGET**

ASI and University Union facilities are a critical element in the success of all programs and services. A significant amount of student fee revenue is invested in these facilities and it is extremely important to protect the investment of capital. Maintaining and improving the quality of current facilities is a high priority for ASI; therefore, the systematic repair and renovation of current facilities will be given high priority in the annual budgeting process.

The capital budgeting process will occur independently of the annual operating budget process each fiscal year and includes:

- Repair and Replacement of Existing Capital Equipment
- Renovation and Improvement of Existing Facilities
- Purchases of New Capital Equipment

The Executive Director will report capital expenditures on a quarterly basis to the ASI Board of Directors and UUAB.

**Sources of Funding for Capital Equipment, Improvements and Renovations**

*Annual Operating Budget* - A specific allocation may be made during the operating budget process for new capital expenditures.

*Local Reserves* - ASI has a Capital Expenditure Reserve Account (see Capital Expenditure Reserve section). The accounts are funded from depreciation allocations and special allocations made to the reserve accounts by the Board of Directors. The funds in these reserve accounts are available for capital equipment and projects. Designated Reserve Accounts have been set-up for specific program needs. The funds in the Designated Reserve Accounts may be accessed for capital purchases and projects as well.

*University Union Reserves* - As part of the University Union bond covenants, an account has been established by the campus for renovation and improvement of existing Union Fee funded facilities (UU, Rec Center, and Sports Complex). The funds may be accessed for facility-based capital projects and expenditures. All campus reserve funding requests require UUAB approval.
Unanticipated or Emergency Repair and Replacement Needs

Repair and replacement items not identified during the initial capital request process may be identified throughout the year. This would include situations where an emergency purchase, repair, or replacement is required. The Executive Director may approve additional requests in circumstances where current operations are hindered or where failure to purchase, repair, or replace equipment creates unacceptable exposure for the Corporation.

New Capital Equipment and Projects

Approval for the purchase of new capital equipment (as defined above) is based on a two-tier review system. (See Expenditure Authority Policy)

*Purchasing Procedures* – For detailed purchasing procedures including competitive bidding requirements refer to ASI Policy Statements on purchasing.
CAPITAL EQUIPMENT REPAIR AND REPLACEMENT (DEPRECIATION EXPENSE)

ASI makes significant investments in capital equipment. This equipment is crucial to providing activities and services to the campus community. Physical deterioration and obsolescence of the equipment often creates a need to repair and/or replace the equipment.

This policy statement provides general guidelines for the determination of useful lives and the method of allocating depreciation costs.

Because it is sometimes challenging to estimate service life, it shall be the policy of ASI to take a conservative approach in estimating the service life of fixed assets.

ASI has adopted a policy of expensing depreciation over the useful life of capital equipment. To fund the replacement of equipment at the end of its useful life, ASI annually allocates a portion of the annual depreciation expense to the Capital Expenditure Reserve (see Capital Expenditure Reserve Policy). The intent of funding the depreciation expense is to insure that funds are available for repair and/or replacement of capital equipment as necessary.

The ASI Executive Director has the authority to authorize the repair and replacement of existing capital equipment.
ASI SUPPORT OF UNIVERSITY AND CAL POLY CLUB PROGRAMS THROUGH USE OF MANDATORY STUDENT FEES

Associated Students, Inc., hereinafter referred to as ASI, has established these guidelines to clarify authority over and allocation of mandatory student fees to support University and Cal Poly Club Programs.

All mandatory student fees collected by ASI are managed and distributed under the authority of the ASI Board of Directors.

Funding will be distributed specifically and exclusively in support of mandated\(^1\) student programs.

ASI allocates funding in support of student referendum mandates in the following ways:

1. Funds will be allocated at the discretion of the ASI Board of Directors.
2. Funds may only be allocated directly to a student governed club. Academic departments or other non-student governed administrative entities are not eligible for ASI funding.
3. ASI will only provide club funding to chartered student organizations, programs, or events that are not eligible to receive funds from any other general funding\(^2\) sources.
4. Funds are available for support of specific program and/or event purposes. Funds may not be allocated to support administrative costs such as club or program staff, long term depreciable assets, capital office equipment, etc.
5. Funds may not be used to directly support or oppose any candidate for political office or ballot measure proposed to the people of California or the United States, per Section 89300 of the California Education Code and Section 42659 of the California Code of Regulations.
6. Funds may not be used for charitable contributions or to support philanthropic foundations or organizations. Funds may however, sponsor events that raise money for charitable and philanthropic efforts.

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\(^1\) Mandated student programs are those created directly from student fee referendum. They include: ASI Events, Student Government, Poly Escapes, Club Services, Club Funding, ASI Administration, Children’s Programs, Athletic Scholarships, and Student Community Services. Athletic Scholarships and Student Community Services funds are collected by ASI as a result of referendum but are not managed by ASI.

\(^2\) General funding refers to other mandatory student fee funding sources. These include Instructionally Related Activities Fee monies.
CLUB ACCOUNT BALANCES (INACTIVE): REMAINING AND DELINQUENT

All Cal Poly clubs are required by campus policy to deposit organization funds with the Associated Students, Inc. ASI holds these funds on the club’s behalf in individual accounts established specifically for the club. When clubs become inactive, there are three possibilities:

1. Club account has a positive balance
2. Club account has a zero balance
3. Club account has a delinquent balance

This policy specifies how the accounts of inactive clubs are closed.

Period of Inactivity

1. The office of the Dean of Students will declare a club inactive after 24 months of inactivity during which the club has neither renewed their Charter nor had any financial activity in their club account.
   a. If an inactive club is reactivated prior to the end of the 24 month period of inactivity, then the balance in the club’s account (deficit or surplus) becomes the property/responsibility of the reinstated organization.

Close-Out Procedure

1. Each fiscal year prior to closing of the books on June 30, a list of inactive club accounts will be compiled.
2. The total of the inactive club accounts with remaining funds will be netted against the total of all inactive delinquent club accounts.
   a. If the net amount provides a surplus, surplus funds will be transferred and added to the ASI Club Sponsorship/ASI Club Event Co-Sponsorship amounts for the following fiscal year. Any funds transferred in this manner shall be considered the first funds each year to be accounted for during the reconciliation process for ASI Club Sponsorship/ASI Club Event Co-Sponsorship allocations.
   b. If the net amount results in a deficit, the deficit amount will be written-off against the ASI Club Administration account.

Exceptions to the Policy:

Individual groups may request an exception to this policy by appealing to the ASI Board of Directors. Approval of all exceptions to this policy requires a 2/3 majority vote of the ASI Board of Directors.
FIXED ASSETS: TRACKING OF CAPITAL EQUIPMENT AND NON CAPITALIZED FIXED ASSETS

ASI invests significant resources in capital equipment, and non-capitalized fixed assets, both of which require proper safeguarding and tracking. Accounting Services establishes and maintains the tracking system for all capital equipment, and individual departments track all non-capitalized fixed assets. ASI does not track furniture with a unit cost of less than $5,000 per item. Theft-sensitive items are tracked regardless of cost.

ASSET RETIREMENT & DISPOSAL

ASI purchases equipment, furniture, fixtures and other various types of fixed assets. These purchases are entered into with the realization that these assets typically have a limited life and the benefit of the asset is realized over that period. When the useful life has expired or if the asset has become obsolete, the organization must make decisions regarding disposal of these assets. When ASI management has determined that a particular asset is no longer of value to the organization, it shall be disposed of according to the procedures outlined in the ASI Fiscal Procedures Manual.
GENERAL RESERVES

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* established the requirement to implement financial standards to assure the auxiliary organization’s fiscal viability and long-term preservation.

**Reserve Transactions** – University Union and ASI Reserves are set aside to provide funds when annual funding and/or operating income do not provide adequate resources for day-to-day operation or for specific purchases not identified in the annual operating budget.

General Reserve accounts for ASI operations are established through this policy statement. General Reserves are an integral part of the annual budget development and will be utilized as fiscal protection when unanticipated fiscal emergencies arise. Emergency funds might be needed for:

- Working Capital
- Contingencies for current operations
- Legal and financial obligations
- Major repair and replacement of ASI property

General Reserves shall be comprised of prior year savings and General Reserves carried from previous years from the operation of all ASI programs and services. The General Reserves will be classified as General Fund accounts and will be displayed accordingly on ASI financial statements.

- Designated reserves may not be accessed for the purpose of funding needs covered by the General Reserves.
- The ASI budget will maintain a working capital balance of not less than 15% of the current year’s budgeted expenses or more than 35% of the same amount with a desired goal of over 20%. The working capital balance calculation will be based on the year-end cash balance as presented on the Statement of Financial Position (net of UU and Club) in the audited financial statements for ASI.
- When the working capital balance falls below 15% of total budgeted expenses, the ASI Board of Directors shall reallocate funds during the annual budget process so that the working capital balance is at least 15% for the next fiscal year.
- When the working capital balance exceeds 35% of total budgeted expenses, the ASI Board of Directors will initiate a process to distribute and/or designate the excess working capital balance. The Executive Director will develop and recommend a strategy to the Board of Directors for management and/or use of the working capital surplus.
- If, in the judgment of the ASI Board of Directors, it is necessary to access the General Reserves to satisfy pressing capital asset needs, the funds must be accessed in accordance with the Capital Expenditure Reserve policies and procedures.
• In the event of an unexpected insurance rate increase when current-year operating funds are not available, the designated Insurance Retention Reserve (refer to respective policy) will be put to use before the General Reserves are accessed.

• In the event that the Insurance Retention Reserve balance falls below the policy minimum, General Reserves can be accessed to replenish the reserve balance to the required amount.

**Transfer from ASI General Reserves** – Total transfers of $10,000 or less can be made with the approval of the Executive Director. Transfers greater than $10,000 must be approved by majority vote of the ASI BOD. The use of the General Reserves may be recommended through the annual budget process (deficit spending) with a plan to eliminate the deficit spending prior to the working capital balance equaling the minimum balance of 15% of total budgeted expenditures.

**Establishment of ASI Designated Reserves** – The ASI BOD must approve the establishment of all Designated Reserve accounts based on the criteria provided in this section related to General Reserve Accounts. Designated Reserve accounts can be established for specific funds within an operating account or for general purposes.

**Transfer to Designated Reserves** – Upon establishment of a Designated Reserve account, any unused operating funds (subsidy or non-subsidy) from an associated operating account will automatically be transferred to the Designated Reserve at year-end. If a Designated Reserve account has been established for a specific purpose, only qualified funds will be transferred to the account.

**Transfer from Designated Reserves** – Transfers of $10,000 or less from Designated Reserves can be made with the approval of the Executive Director. Transfers of over $10,000 require approval of the ASI BOD, by simple majority vote.

The Executive Director will report all reserve transfers to the ASI Board of Directors.
CLUB CO-SPONSORSHIP DESIGNATED RESERVE
The reserve shall be utilized for the purpose of special circumstances related to ASI Club Funding. Special circumstances include but are not limited to:

- The reactivation of an inactive club which has:
  a) Successfully chartered with Cal Poly, and
  b) Successfully petitioned the Board of Directors for re-establishment of their club account balance that existed immediately prior to being deemed inactive by the Cal Poly Dean of Students Office.
- Additional amounts approved by the Board of Directors for current year ASI Club Funding.

Transfer to Club Co-Sponsorship Designated Reserve – At the end of each fiscal year all un-reconciled ASI Club Funding will be transferred to the Club Co-Sponsorship Designated Reserve.

Transfer from Club Co-Sponsorship Designated Reserve – In order to maintain the proper level of reserves as determined by the Board of Directors, any amount in excess of $20,000.00 at the end of the fiscal year will be transferred to the Student Government Club Co-Sponsorship line item. The transfer is to occur on the first day of the following fiscal year.
CAPITAL EXPENDITURE RESERVE

Section 8 and Appendix G of the CSU Auxiliary Organizations Compilation of Policies and Procedures established the requirement to implement the financial standards to assure the auxiliary organization’s fiscal viability and long-term preservation.

The Capital Expenditure Reserve has been established as an integral part of ASI budget. The reserve shall be utilized for the purpose of purchasing and replacing capital equipment and facilities.

The Capital Expenditure Reserve shall be designated by a majority vote of the ASI Board of Directors recommending a maintenance level deemed appropriate by the Board of Directors.

A Capital Expenditure Reserve account will exist within the ASI budget.

Transfer to ASI Capital Expenditure Reserve – At the end of each fiscal year 10% of the annual depreciation expense is automatically transferred to the appropriate Capital Expenditure Reserve. However, if the final year end excess of revenue over expenses is less than two times the calculated value of 10% of annual depreciation, no transfer to Capital Expenditure Reserve will be made. The ASI Board of Directors or Executive Director, in consultation with the University President, may also choose to make additional allocations to Capital Expenditure Reserves if surplus operation or reserve funds are available.

Approval of transfers greater than $10,000 from the Capital Expenditure Reserve to an operating account requires a simple majority vote of the ASI Board of Directors.
DESIGNATED RESERVE ACCOUNT ESTABLISHMENT

Section 8 of the *Compilation of Policies and Procedures for California State University Auxiliary Organizations* establishes the requirement to implement financial standards to assure the auxiliary organization's fiscal viability and long-term preservation.

The Reserve Account Establishment has been established as an integral part of the ASI budget. The Reserve Account Establishment shall be utilized for the purpose of establishing program, event or organization designated reserve accounts. The funds allocated to Reserve Account Establishments must be designated for specific programming or repair/replacement of equipment that is critical to the on-going operation of the organization or program.

Examples of uses for Reserve account established funds may include but are not limited to:

1. Designated funding for repair and/or replacement of program specific capital equipment that is critical to the on-going operation of the program.
2. Designated funding for year-to-year operation of specific program.

Sources of funding the Reserve account establishment may include but are not limited to:

1. Income from an activity sponsored by an organization or program which exceeds the budgeted income for the activity.
2. Income from donations in which the donor specifies that the funds be dedicated to the operation of a specific organization, or program.
3. Specific requests/allocations for transfer to reserve made during the budget process.

Designated Reserves may only be established for ASI administrative components or programs.

1. The Reserve account will appear as designated reserves on the ASI balance sheet.
2. The establishment of a Reserve account shall be approved by a majority of the ASI Board of Directors.
3. Once established, funds may be transferred from a reserve account to an operating account for amounts up to $10,000 as approved by the Executive Director. The balance in the reserve account must be maintained at the minimum level as determined by periodic review by the ASI Board of Directors. Transfers for amounts of $10,000 or more must be approved by a majority of the ASI Board of Directors for ASI fund transfers.
4. Transfers from an operating account to a reserve account will only be made in fiscal years when there are funds in excess of the amount allocated through the budget process. Under no circumstance will allocations be made to a designated reserve account in a year where there is a budget deficit.
5. All purchases with funds transferred from the reserve account are subject to the ASI Purchasing Policy.
6. If the balance in a reserve account becomes excessive, as determined by the ASI Board of Directors, the Board may transfer a portion of the reserve balance to the ASI General Reserve. Such a transfer requires a majority vote by the Board of Directors. The amount transferred will not decrease the designated reserve account balance below the minimum (if applicable) established when the reserve account was reviewed.

7. If a program ends a fiscal year with a deficit balance in their operating account, the amount necessary to cover the deficit will automatically be transferred from the appropriate reserve account to the operating account to cover the deficit.

8. Any exception to this policy must be approved by a majority vote of the ASI Board of Directors.
AUTHORIZED SIGNATURES

The Associated Students, Inc. requires prudent control over authorizations to execute documents which obligate the Corporation or which otherwise confirm transactions.

This policy lists the document types and corresponding signatures required to authorize the transaction associated with each type of document.

Contractual Documents

Executive Director OR Associate Executive Director

Exceptions: Program Event Contracts less than $5,000 – Associate Executive Director OR Designee with second signature from Executive Director.

Payment Request Forms (PRF)

Less than $1,000 – Area Director OR Designee with second signature from Executive Director or Associate Executive Director.

$1,000 or greater – Area Director and Executive Director (for PRF’s $5,000 or more, second signature required by Associate Executive Director OR Coordinator - Accounting)

Student Government Expenditures $1,000 or greater – ASI President AND Executive Director. All reimbursements to Student Government officers must have Executive Director approval.

Exceptions: PRF’s less than $5,000 for Event Contracts only – Area Director AND Associate Executive Director OR Designee with second signature from Executive Director.
**Journal Entries**
Coordinator - Accounting
Assistant Coordinator - Accounting
Associate Executive Director

**Commercial Bank Accounts**
(Checks written for over $15,000 require two signatures)
Executive Director
Associate Executive Director
Director - Children's Programs

**Payroll Checks**
Executive Director

**Personnel Forms**
Executive Director
or appropriate Executive Director designee
and Human Resources designee

**Inventories**
Executive Director or designee
Designated Area Supervisor or Area Director

**Tax Returns and Federal/State Corporate Filings**
Executive Director

**Time Cards**
(2 signatures required/Electronic Approval)
Employee and one of the following:
Full-Time Staff Supervisor
or Human Resources designee

**Travel Authorization**
Employee and Area Director and/or Executive Director.
Over $1,000 requires Executive Director signature.
Use of private vehicles for business related travel requires prior authorization with Area Director signature.
EXPENDITURE AUTHORITY

The ASI and UU Expenditure Authority policy provides guidelines for allocation of funds to capital expenditures, reserve transactions, operating and non-operating transactions and contingency funding. The policy delineates authority vested in program managers, the Executive Director, the ASI Board of Directors, the University Union Advisory Board, and the University President.

Capital Equipment Transactions

New Capital Equipment – The Executive Director can approve the purchase of new capital equipment up to $25,000. Purchases of new capital equipment over $25,000 require ASI Board of Directors (BOD) approval for ASI funded purchases. The University Union Advisory Board (UUAB) will be notified and given the opportunity for input on purchase made with UU funds.

Repair & Replacement – The Executive Director is authorized to approve the repair and replacement of existing capital equipment (see “Capital Equipment Repair and Replacement” policy statement).

Operating Transactions

Operating transactions impact current year operating budgets that are reviewed by the ASI BOD and UUAB, and approved by the University President through the budgeting process.

Budget Extensions – A budget extension is an increase of an ASI or UU budget during the fiscal year. If a budget increase to one program can be offset by a reduction to another program, the Executive Director can authorize the extension and report the action to the ASI BOD or the UUAB at a regularly scheduled meeting. Any budget extension that requires the use of General Reserves must comply with the General Reserves policy.

Line Item Transfers – The Executive Director holds ASI and UU program and service managers accountable to the bottom line of the approved operating budget. Reallocations of funds between the line items within an approved program budget are at the discretion of the program managers subject to Executive Director review/approval when necessary.

Non-Operating Transactions

Non-operating transactions must be approved by the Executive Director and reported to the ASI BOD at their next regularly scheduled meeting. This includes donations and other philanthropic support.

Contingency Funding

The Executive Director has authority to approve contingency expenditures from budgeted “Contingency Expense” line items for ASI and the UU.

PURCHASING

The Associated Students, Inc. is committed to active competition in the purchase of equipment, materials, supplies, and services which will enhance, aid and supplement the programs and services funded through ASI and University Union budgets.
Accordingly, the purchase of goods and services shall conform to the educational mission of the California State University as defined by appropriate statutes, Board of Trustees and campus policy.

No member of the ASI Board of Directors, Officers, staff or student employee, by virtue of their position, will personally derive any benefit, gain, or receive preferential treatment from the use of facilities or procedures available to ASI for the purchase of equipment, supplies or services.

Sales to members of the ASI Board of Directors, staff, student employees, CSU employees or faculty shall be at no less than market value. Such sales should be conducted in a manner which would at all times constitute an “arm’s length” transaction.

Documentation of all purchases shall be consistent with good business practices and be adequate to allow for an efficient annual audit.

Employees (regular and students), and student government members are required to follow the Purchasing Policy and Procedures. Individuals failing to comply with these policies may be required to assume personal liability for payments to vendors for any non-approved purchases. Additionally, the individual may be subject to disciplinary action as detailed in the ASI Personnel Policy Manual or Student Employee Handbook.

Refer to the Fiscal Procedures Manual for Purchasing Procedures.

CASH HANDLING

Associated Students, Inc., is comprised of many operations which include a wide-range of transactions involving cash, checks and credit cards. In order to ensure the integrity of these transactions, the timely deposit of cash, the security of funds and the safety of staff handling cash, the following policy has been implemented:

Each area must have a comprehensive set of cash handling procedures in place. These procedures must be well documented and approved by the Associate Executive Director. A current copy of each program’s cash handling procedures shall be filed in the ASI Business Office. These procedures serve as the minimum standards for any ASI entity collecting cash.

CREDIT CARDS

ASI will not process any credit card transactions that are not completed either in person or over the internet. We will no longer accept any credit card information via the telephone or in cases where credit card numbers are manually written down.

PETTY CASH

When necessary, small immediate purchases for amounts up to $50 can be made utilizing petty cash disbursements. These purchases cannot be made using a Purchase Order. The most expedient method for handling these purchases is through use of a Petty Cash Fund.

The ASI Executive Director will be responsible for approving establishment of all Petty Cash funds.
Proper Petty Cash handling procedures shall be used and are defined in the ASI Fiscal Procedures Manual.

**RISK MANAGEMENT AND INSURANCE**

ASI has long practiced a conservative program of risk management and has transferred risk or identifiable hazards to insurers through purchase of comprehensive insurance coverage.

Section 8.7, of the *Compilation of Policies and Procedures for California State University Auxiliary Organizations* identifies the need for clarification of the risk management policy and practices on campus by and between the university and its auxiliary organizations, especially in the case of joint programs or activities.

On August 1, 1988, the Chancellor issued Executive Order No. 533, recognizing risk management as an essential program of the CSU system and adopting a broad policy statement for the system.

The Auxiliary Organizations Association also adopted “model” risk management guidelines that encourage its member auxiliary organizations to develop and adopt formal policy statements including suggested minimum standards.

The ASI Board of Directors, having reviewed this matter with management within the context described above, adopted this policy document statement. The policy ensures effective management, while accurately identifying, evaluating and determining the most advantageous method of risk treatment.

This policy is intended to complement Executive Order No. 533, and campus policy/practices adopted to implement that Executive Order. Its primary objective is to reduce or eliminate risks and losses to which ASI may be exposed, while preserving its assets and earning power in order to fulfill its mission to the University.

*General.* The ASI Board of Directors recognizes its role of stewardship over ASI liability, both general liability and property. It interprets its responsibility in this area as requiring due concern for safety of employees, faculty, staff and students involved with projects or programs with ASI sponsorship or participation, combined with a need to ensure that maximum protection be accorded ASI resources.

*Limited Loss Retention.* ASI recognizes its ability to budget and self-fund limited and predictable risks of financial loss. It shall not be ASI’s practice to attempt to insure such foreseeable and bearable expenses if alternatives can be achieved with due regard to sound business practices. Self-insuring certain risk and/or purchase of property and casualty insurance with appropriate deductibles shall be determined by the Executive Director.

*Insurance Acquisition.* ASI is not obliged by operation of any statute or regulation to award contracts for insurance to any insurance underwriter, broker, agent, risk retention group or other similar group or organization. (With the exception of property insurance, which is purchased for the UU, Recreation Center, and Sports Complex by the Campus.)

ASI will continue to purchase insurance from insurers that are financially sound, with proven administrative ratings.
When an uninsured or high-risk activity is identified, every effort should be made to obtain insurance and reduce risk.

**Management of Risks.** The management of risks of loss to ASI under the above policy shall be the responsibility of the Executive Director or designee. It is the Executive Director’s duty to identify risks and determine the means of eliminating, abating, transferring, or retaining these risks after consultation with appropriate staff, counsel and University personnel.

When ASI cannot eliminate or economically retain a risk of loss, it shall be transferred by purchase of insurance when available. The form and sufficiency of various policy limits for protection of ASI shall be determined by the Executive Director or designee.

**Management Standards/Guidelines.** The Executive Director is authorized to implement a comprehensive risk management and insurance program consistent with this policy statement. Written program guidelines may include criteria to identify hazards and risks for analysis:

- Quantification of activities, services and support in which ASI is involved.
- Minimum insurance coverage and limits by type of authorized activities.
- Activity relationships in which there is/may be shared responsibility and liability with respect to contracts, employment, occupancy of premises or oversight of facilities, programs or services between ASI and the University or other entity.
- The exclusion of risks or activities that ASI is clearly unwilling to undertake, under any and all conditions, including those that may be prohibited or pose such a high degree of risk as to jeopardize the feasibility of the activity, or constitute a threat to the Corporation.

The guidelines shall also formalize ASI’s Risk Management and Property/Casualty Insurance Coverage Program by integrating the following program elements into the organization’s operations:

- Reviewing the scope of coverage and the limits of insurance policies in relation to activities and liability exposure.
- Evaluating the ability to partially or entirely self-fund risk.
- Evaluating the adequacy of ASI’s self-insurance retention.
- Monitoring insurance coverage and claims.
- Conducting routine inspections of property.
- Observing safe practices in all areas.

**Program Practices.** The Executive Director or designee shall establish and maintain documented risk management practices as an essential part of the program, including:
• Assessment of new activities (especially assumption of contractual liability) in terms of risks.
• An inventory of risks, exposures, activities and properties.
• A formal review process for assessing risk exposures on premises, in operations, through contracts and with avoidance/prevention efforts.
• An accident/loss monitoring process that identifies where accidents and/or losses are occurring or will likely occur.
• A systematic claims assessment process to ensure that claims are being properly administered and that the activity sponsor is fully aware of the types of risks being assumed.
• A practice of including risk management as a component of management performance evaluations.
• Development of preparedness plans for disasters.

Program Organization. The Executive Director, through management guidelines, shall clearly identify how the Risk Management Program is to be organized, including:

• Delegated authority.
• Performance of program duties and task assignments.
• Role and relationship of Claims Management Firm and agents.
• Relationships of risk management program/staff to safety, security, legal and employee relation functions.

Program Review. The ASI Board of Directors will provide periodic review of all insurance coverage as needed.
INDEMNITY BONDS

Auxiliary organizations are required by Title 5 to provide “indemnity bonds for all officers and employees handling funds of the auxiliary organizations. This requirement will provide a bond to cover potential losses for possible types of employee dishonesty. (Compilation of Policies and Procedures for California State University Auxiliary Organizations, Section 8.6.1; Title 5, Section 42403).

Guidelines to establish coverage for “indemnity bonds” carried by the Associated Students, Inc., will be as follows:

- ASI will establish an amount of coverage to protect the Corporation from the potential loss and expenses relating to specific determination of the loss amount (audit fees, etc.).
- Determination of which employees should be covered.
- Coverage provided by the Indemnity Bonds will be reviewed annually by the Board of Directors.

In lieu of indemnity bonds, ASI may elect to purchase employee dishonesty insurance from insurers that are financially sound and with proven administrative ratings.
INSURANCE RETENTION/RISK MANAGEMENT RESERVE

Section 8 and Appendix G of the Compilation of Policies and Procedures for California State University Auxiliary Organizations established the requirement to implement financial standards to assure the auxiliary organization's fiscal viability and long-term preservation. Expenditures from uninsured claims, insurance deductibles, indemnification requests, and the unforeseen need for special insurance coverage could deplete operating year budgets. The nature, timing, and size of these expenditures are often beyond ASI's control and must be planned for accordingly.

Unexpected Insurance Rate Increase - Due to the volatile nature of the insurance industry, unexpected insurance rate increases may occur after approval of an operating budget. Funding of insurance rate increases from the Insurance Retention Reserve should occur only when current year operating funds are unavailable.

An Insurance Retention Reserve shall be classified as a designated reserve account in the ASI budget and shall appear as such in financial statements.

1. The balance of ASI Insurance Retention Reserves shall be established at a level not to exceed $250,000.
2. The balance of the Insurance Retention Reserves shall be $60,000.
3. If the balance in the Designated Fund Reserves drops below $60,000, the ASI Executive Director or designee will examine the financial position of the Corporation and recommend a plan to fund the reserves until they meet the minimum balance requirements. Sources of funding may include but are not limited to: ASI surplus in legal fees and/or insurance line items identified at the end of the fiscal year.

Reserve funds can be used to pay claims under the following conditions, or as a partial payment of a larger structured settlement:

1. The amount of the claim does not exceed the deductible of the applicable ASI insurance policy.
2. To pay deductibles when current year general funds are unavailable to make the payments.
3. There is not an insurance policy in force to pay the claim.
4. There is no identifiable organization or budget responsible for claim.

Reserve funds can be used to pay for unexpected insurance premiums when current year operating funds are unavailable.

INCOME TAX: UNRELATED BUSINESS

As a tax-exempt, not-for-profit 501(c)(3) corporation, the Associated Students, Inc., is limited in the scope and nature of services and programs it can provide. All services and programs must contribute to the mission and purpose of the non-profit auxiliary organization and the University to protect the tax-exempt status of the Corporation. Services and programs that do not meet appropriate criteria may jeopardize the tax-exempt status of the Corporation and expose the organization to an Unrelated Business Income Tax liability (UBIT).

It is the intent of the Associated Students, Inc., to provide services and programs which meet the criteria and standards for tax exemption and to avoid UBIT exposure.
Each year as part of the annual audit of financial statements, ASI staff will work with the external auditors to assess potential UBIT exposure and determine if corrective action is necessary.

SALES TAX LIABILITY

Associated Students, Inc., is a non-profit, tax-exempt 501(c)(3) corporation. All ASI programs are included under the ASI corporate umbrella. The Corporation is responsible for collecting and remitting sales tax to the California State Board of Equalization on all items that are sold during the course of business. The ASI Business Office is responsible for ensuring that sales tax is remitted correctly and promptly.

Policy provides guidelines for reporting California sales and use tax and to clarify the role of the Corporation in accruing, reporting and charging sales tax to assure compliance with the State Sales and Use Tax Law.

Sales Tax Liability on Purchases for Resale

ASI has a resale certificate issued by the State Board of Equalization which is used to purchase goods for resale which are exempt from sales tax. When the corresponding goods are resold by ASI, sales tax must be collected from the customer and remitted to the State by the Business Office.

ASI and University Union programs are responsible for charging the customer sales tax at the point-of-sale. ASI Business Office staff is responsible for reconciling sales and remitting the tax.

If any merchandise purchased for resale using the ASI resale number is subsequently used for any other purpose other than resale, then these purchases become subject to sales (use) tax, which must be accrued and remitted to the State.

Sales Tax Liability on Reimbursement for Qualified Purchases

All ASI programs are required to pay state sales tax on ALL qualified purchases unless purchases are made by an ASI/UU program for resale.

Note: All PRF’s and personal reimbursement requests for qualified purchases are taxable if the property is purchased for a purpose other than resale. Even if the purchase is made from a retailer without paying California tax, the purchase is subject to use tax. ASI is required by the State of California to accrue and remit the appropriate state sales (use) tax.

INVESTMENTS

The Board of Trustees has urged that auxiliary organizations, who make corporate investments, issue statements of social responsibility and follow those procedural directives in examining past and future investment policies. Policy will outline investment possibilities and restrictions for student body organization funds. (Compilation of Policies and Procedures for California State University Auxiliary Organizations, Section 8.3)

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.

Generally, there is no authority to allow the investment of auxiliary organization funds in the State Pooled Money Investment Program, since the commingling of State money and auxiliary organization money blurs the distinction between the State and the auxiliary organization. However, for student body organization funds, there are applicable exceptions.

Section 89301 of the Education Code reads as follows:

All unexpended funds and money collected on behalf of, or by, student body organizations, except funds and money collected from commercial services as provided in Section 89905 of the Education Code, shall, with the approval of an appropriate officer of the student body organization, be deposited in trust by the chief fiscal officer of the campus. The money shall, to the approval of the trustees, be deposited or invested in any one or more of the following ways:

a) Deposits in trust accounts of the centralized State Treasury system pursuant to Sections 16305 to 16305.7, inclusive of the Government Code or in the California State University Trust Fund or in a bank or banks whose accounts are insured by the Federal Deposit Insurance Corporation.

b) Investment certificates or withdrawal shares in state-chartered savings and loan associations and savings accounts of federal savings and loan associations, if the associations are doing business in this state and have their accounts insured by the Federal Savings and Loan Insurance Corporation and if any money so invested or deposited is invested or deposited in certificates, shares, or accounts fully covered by the insurance.

c) Purchase of any of the securities authorized for investment by Section 16430 of the Government Code or investment by the Treasurer in those securities.

d) Participation in funds which are exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code and which are open exclusively to nonprofit colleges, universities and independent schools.

e) Investment certificates or withdrawal shares in federal or state credit unions, if the credit unions are doing business in this state and have their accounts insured by the National Credit Union Administration and if any money so invested or deposited is invested or deposited in certificates, shares, or accounts fully covered by such insurance.