TRUST FUND ADMINISTRATION **POLICY**

Implementation Date: 2/17/2020

Definition

A trust fund project is a method to account for the financial resources collected for an intended purpose in support of the university's mission. A trust fund project may be either a separate activity or a group of activities that, in the absence of external restrictions, may be combined for accounting purposes. Two or more organization codes may be used to account for the project in as much detail as necessary for cost accounting and management purposes. Each trust fund project is required to be self-sufficient by maintaining a continuous positive cash flow and fund balance.

A trust fund project is established via a completed Trust Fund Project Agreement with all appropriate requesting and approving signatures. Each trust fund project is required to also submit a financial plan. Funds in the trust fund project are available throughout the life of the project, with any residual balances distributed as defined in the trust agreement.

Trust fund projects are subject to administrative fees and cost allocations arising from operations. Trust fund projects are subject to audit by the CSU Chancellor's Office of Internal Audit.

Authority

Government Code §16304, §16305
State of California Education Code, §89700, §89721-89725, §89760
State Administrative Manual, §3700, §7430, §8090.1, §19440, §19420, §19460, §20050
Executive Order 1034
Executive Order 1000

Scope

This policy applies to all faculty, staff and administrators responsible for the operation and/or administration of a Trust Project.

Updated: 2/15/2020
Updated: 4/16/09
Revised: 5/28/08
Implemented initially: 3/18/02

I. Purpose

Trust fund projects exist to support the campus in the achievement of its mission. A Trust Fund Agreement and supporting documentation must be completed to articulate the purpose of the trust fund project and to document the project's ability to be self-supporting. Controls must be in place to maintain trust fund documentation and ensure that all trust fund expenditures are properly approved and supported in accordance with the trust fund purpose.

The State of California Education Code §89721 authorizes the chief fiscal officer of each campus to deposit into trust monies received in connection with trust projects as specified in the Trust Agreement. Although campus practices may be more restrictive, §89721 provides that trust fund project monies may be received in connection with the following sources or purposes:

A. Gifts, bequests, devises, and donations;

B. Any student loan or scholarship program;

C. Advance payment for anticipated expenditures or encumbrances in connection with federal grants or contracts;

D. Room, board, and similar expenses of students enrolled in the international program of the California State University;

E. Cafeteria replacement funds;

F. Miscellaneous receipts in the nature of deposits subject to return upon approval of a proper application;

G. Fees and charges for services, materials, and facilities authorized by Section §89700 of the Education Code to offset the cost of providing those services;

H. Fees for instructionally related activities as defined by the trustees and as authorized by Section §89700 and revenues derived from the conduct of instructionally related activities;

I. Fees for parking, health facilities or health services, and for extension programs, special sessions, and other self-supporting instructional programs;

J. Revenue received by the trustees from the California State Lottery Education Fund pursuant to Section §8880.5 of the Government Code;

K. Moneys received by the trustees for research, workshops, conferences, institutes, and special projects.

II. SOURCES OF REVENUE

Working capital may be obtained from accumulated service fees, advance payments on contracts, gifts and donations, specific student fees as defined below, or transfer from other trust projects providing the source trust project agreement permits such a transfer. Working capital arranged by loan must have the repayment terms documented. Transfers must be documented in accordance with campus policy, see below section C "Transfers."

A. Service Charges and Fees

Establishment of new fees requires compliance with Executive Order 1034, the California State University Student Fee Policy (the Policy). Campus compliance with the Policy requires a review of new fees by the CSUSM Student Fee Advisory Committee (SFAC). Several administrative tasks and procedures must be executed, and a lead time as long as several months may be needed. The SFAC does not establish fees, but does submit recommendations to the President. The President may then approve and, if required, request the Chancellor to establish the new fee.

B. Contracts and Grants

By agreement, grants and contracts are administered through the CSUSM Corporation. Exceptions allowing the campus to administer a contract or grant must be approved by the Chief Financial Officer.

C. Loans and Equity Transfers

Trust fund projects may be funded with loans and equity transfers. Loans must not interfere with the lending fund's ability to fulfill its purpose and must also comply with other provisions of Education Code §89760. Equity transfers between trust projects must be allowable per the trust agreement of the donating project.

D. Gifts and Donations

In accordance with campus policy, gifts and donations to the university are deposited and administered through the CSUSM Foundation. Exceptions allowing the transfer of gifts and donations for University Trust Projects must be approved by the Chief Financial Officer. Auxiliary organizations associated with the campus have separate policies governing the acceptance of gifts and donations.

Changes in Sources of Revenue:

Revenue may be deposited to a trust fund project as identified in the trust agreement. Proposed changes to revenue sources must first be identified in either a new or revised trust agreement.

III. HOW TO PROCESS A TRUST FUND PROJECT AGREEMENT

Campus department personnel submit to their director or dean a request to establish a trust fund, via completion of a Trust Fund Agreement. The Agreement form identifies signature authority (with specimen signatures) for fund expenditures, provides the justification for the trust fund project, identifies the expected duration of the trust project, outlines the distribution of funds upon termination, and lists the required approvals necessary to execute the agreement. The agreement only needs to be completed at the inception of the trust fund, however budget plan submissions are required to be submitted annually and Fiscal Authority updates may be made at any time.

If there are changes to a Trust Fund such as Name, Purpose, Source of Funds, Types of Expenditures, Restrictions, etc., a new Trust Fund Agreement must be submitted.

Please refer to the hospitality policy for allowable expenses in various funds. Annual budget submission requirement and signature updates:

A. One month prior to the beginning of the fiscal year a budget plan and any fiscal authority changes for the following fiscal year will be submitted to both the Budget Office and Fiscal Services. The Budget Plan provides an estimate of the source and use of funds.

B. The Cash Flow Projection provides the monthly expectation of source and use (receipts and expenditures) of funds.

C. Final documents with approving signatures are forwarded to the Fiscal Services Office for processing.

IV. HOW TO OPERATE A TRUST PROJECT

Account Managers are responsible for using University resources in compliance with University and Division policy and procedures. Account management responsibility is assigned to the Dean or Administrator as designated on the Trust Agreement.

A. Deposits

Account Managers, or their designee, are responsible for depositing checks into their Trust Fund Project. Contact Accounting Services for assistance in the automated request for an item type.

Deposits into each Trust Fund Project may only be for the purpose and from the source as specified in the Trust Agreement. Proposed changes must be documented and approved

by modifying and submitting a revised or amended Trust Fund Project Agreement prior to soliciting new sources of revenue.

B. Expenditures

The Account Manager assumes responsibility for ensuring that expenditures directly fulfill the purpose of the Trust Fund Project as outlined in the Agreement. Additionally, all purchasing activity must be performed in accordance with State, Chancellor's Office, and campus policies and procedures.

With the objective of maintaining expenditures in accordance with the purpose of a Trust Fund Project, expenditures are subject to either pre-approval by the Trust Accountant as designated by the Vice President, Finance and Administrative Services, and/or a post-audit review based either upon dollar amount or special focus. The basis of expenditure review may be revised periodically as expenditure trends are identified or other prudent control measures are determined necessary by the Vice President, Finance and Administrative Services.

1. Requisitions found not to be in accordance with the purpose of the trust project will be denied and returned to the Account Manager unfilled.
2. Expenditures found to be outside the purpose of the trust fund project upon post-audit review will become the Account Manager's responsibility to transfer to an appropriate funding source.
3. Repeated expenditures outside the purpose of the trust fund project may jeopardize the continuance of the account.

C. Signature Authority

Signature authority must be documented prior to expenses being incurred. Trust Fund Account Managers are responsible for promptly updating signature authority and delegations when there is a change in trust fund project administration.

Other considerations related to signature authority:

1. The dean or administrator as designated on the Trust Agreement assumes the Account Manager's responsibilities.
2. Annually, Account Managers are required to submit a new Trust Agreement one month prior to the beginning of the fiscal year.
3. Mid-year changes in Account Managers require that the Trust Agreement be updated immediately to reflect the new administrator. The purpose of tying Trust Agreements to individuals is to notify new administrators of their responsibility in the management of their respective Trust Fund Projects.
4. Changes in delegated signature authority require that the Trust Agreement for the appropriate fund be updated to reflect the new Account Manager, business manger, or any other person authorized for disbursements.

D. Accounting Statements and Account Management Responsibility

Account Manager's Responsibility:

1. Review and approve the monthly reconciliation of account statements to internal departmental records.

2. Ensure the Trust Fund Project remains solvent and expenditures do not exceed resources.

3. Identify potential or actual insolvency and take corrective action:
   a. Submit a revised cash flow projection where expenditures are adjusted to not exceed revenues; and
   b. Submit a plan of corrective action.

Accounting Office Responsibility:

1. Review revised cash flow projections
   Approve if projections indicate the project will be self-sustaining; or
   Reject if projections do not indicate the project can be self-sustaining and forward rejection recommendation to Vice President, Finance and Administrative Services.

2. Review corrective actions
   Approve if corrective actions will result in attainment of self-support status; or
   Reject if corrective actions will not result in attainment of self-support status and forward rejection recommendation to Vice President, Finance and Administrative Services.

Chief Financial Officer Responsibility:

1. Suspend signature authority until corrective action has been completed; or

2. Authorize assessment of a penalty fee; or

3. Require a revised cash flow projection; or

4. Terminate the trust agreement and close the project.

E. Budgets

The annual budget development process includes submission of both revenue and expenditure budget plans annually for Trust Fund Projects to the Budget Office.

Annual Trust Budget Guidelines will be sent from the Budget Office, including:

1. Excel template to be completed to facilitate the budget upload to PeopleSoft
2. Projected enrollment, benefit rates, links to the Budget Office website for assistance
3. Associated delivery dates

F. Payroll Expenses

Trust Fund Projects anticipating payroll expense must contact the Budget Office before any payroll obligation is incurred. Sufficient time must be allowed to establish payroll capability of the Trust Fund Project.

G. Transfers

A transfer of revenue from one trust fund project to another is only permissible when:

1. The project is accounted for in multiple DeptIDs for management and/or accounting purposes, but is one trust project; or
2. A loan is being made from one trust fund project to another, as supported by the appropriate trust agreements and as documented by a loan agreement with repayment terms. Loans must not interfere with the lending funds ability to fulfill its purpose and comply with other provisions of Education Code §89760

H. Termination of the Trust Agreement and Disposition of Unspent Funds:

The Account Manager must send a memorandum to the Accounting Office requesting that agreement be terminated. At the earliest opportunity, the fund will be inactivated or terminated. The Trust Agreement must include specific instructions regarding the disposition of unspent funds. Otherwise, any unexpended funds are to be deposited to the University Discretionary Trust Fund. The President or designee allocates expenditures from the University Discretionary Trust Fund.

I. Reimbursement to the Operating Fund

The University has the authority to develop a procedure to reimburse funds expended in the operating fund on behalf of a trust project. This provision will include direct and indirect costs as well as administrative and account maintenance costs that may be allocated to the trust project.

J. Inactive Trust Funds

Fiscal Services will contact 496XX Miscellaneous Trust Fund Administrators whose trust fund has not had activity for any 12-month period to discuss closing out the trust fund. Miscellaneous Trust Funds which have no activity for two years and a cash/fund balance of $5,000 or below will be closed automatically. To close a trust before this 12-month period, written notification should be sent to the Fiscal Services Department from an authorized individual requesting closure of the Trust. When a trust fund is closed, remaining funds may be transferred to the Campus' Operating Fund with the same Department or University Discretionary Trust Fund depending on the nature and intended use of the original funding.

V. INTEREST EARNINGS

A. Authority

The President shall have sole authority over the use and allocation of discretionary and non-discretionary interest income that is generated by Trust Fund Projects.

B. Cash Management Program Trust Fund Project

A separate Trust Fund Project shall be created to account for the combined investment activity of all Trust Fund Projects including interest earnings, gains and losses, and administrative expenditures. Investment related program transactions will be recorded in this Trust Fund Project. At the discretion of the President, available funds could be transferred to other trust fund projects.

C. Cash Management Program Expenditures

Expenditures incurred for administering the investment program are permitted and subject to the approval of the President or his/her designee. Qualifying expenditures recorded in the fund will be offset against gross interest earnings to determine the amount of funds available for discretionary distribution.

D. Distribution of Trust Fund Project Interest Earnings

The President, or his/her designee, shall approve the distribution of non-discretionary and discretionary interest income. Non-discretionary interest will be allocated to the following programs:

1. CSU Fund 403 – Perkins Loan
2. CSU Fund 434 – Long Term Loan Funds
3. CSU Fund 461 - Associated Student Body Trust
4. CSU Fund 462 – Campus Union Operating Revenue

5. CSU Fund 465 – CSU Contracts and Grants
6. CSU Fund 471 - Parking Fines and Forfeitures
7. CSU Fund 472 - Parking Fee Revenue Fund
8. CSU Fund 473 - Parking Construction Fund
9. CSU Fund 485 – University Operating Fund
10. CSU Fund 534 – Campus Union Fund

All other interest earnings are discretionary and will be distributed on a basis as determined by the President.