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August 14, 1985

PD 85-07

TO: Vice Presidents, Deans, Department Chairs,  
Directors, Foundation and Alumni Officials

FROM: Gail Fullerton   
President

SUBJECT: Presidential Directive 85-07:  
Fiscal Policies

San Jose State University is a complex organization, served by numerous alumni associations, the University Foundation, the Spartan Foundation and various other incorporated entities. Gifts, grants and contracts, as well as fee payments, come to the University and to the many groups and entities associated with the University. As President, I am responsible for ensuring that these funds are properly administered and that incorporated organizations who use the University's name or goodwill enhance the educational mission of the University. A task force representing academics, institutional support and student services was established early last spring to review and recommend policies that would comply with regulations concerning funds administration, define the requirements of entities that use the University's name or goodwill, clarify where various types of funds should be deposited and accounted for, and address the issue of responsibility when funds are held by a separately incorporated entity but controlled by University officials.

Based upon the recommendations of this task force, this memorandum establishes and clarifies the fiscal policies required to enable sound financial management of the University.

1. Education Code Section 89720 gives to the Trustees the authority to "accept on behalf of the state any gift, bequest, device, or donation" . . . that "will aid in carrying out the primary functions" of the CSU. In Title V Sections 42300 and 42301, the Trustees accept in the name of the State gifts that fit certain criteria (see attached copy of Title V) and require that the President of the campus receiving the gift must sign the donor's notice of gift acceptance.

Funds donated or remitted for the use of the University, a school, a department, or a campus program must be deposited with the University or one of the incorporated entities serving and recognized by the University (defined in number 2 below). To otherwise receipt or accept such funds or investments is

illegal. It is, in essence, circumvention of State funds. Additionally, a donor cannot claim a tax deduction unless gifts are receipted by an organization that is incorporated or legislated as qualifying for tax deductions. For instance, if a department receives funds from a benefactor and places these funds in a bank account or investment vehicle established by or for the department, an illegal act has occurred, and the donation is not tax deductible.

2. Incorporated entities use the University's name and/or goodwill at the pleasure of the President of the University. Such incorporated entities must:
  - be fiscally responsible to the President, a Vice President or a Dean of the University;
  - reimburse the University for any use of State resources such as postage, telephone, office space, computing resources, clerical help, etc.;
  - contract for an independent audit of the financial statements, if requested to do so by the President;
  - carry bonds for all persons who manage or handle funds in excess of \$5,000 annually; and
  - within three months of the close of each fiscal year forward a source and application of funds statement (or an audited financial report, if requested) to the President, the Executive Vice President and the Associate Executive Vice President for Business Affairs of the University.
  
3. In order to take advantage of investment opportunities, and to promote sound fiscal management and efficiency, the following types of funds should be deposited to, and accounted for by, the organization(s) shown below:

Types of Funds	Deposit To
Sponsored Programs	The University Foundation
Endowments	The University Foundation (the Foundation provides Professional investment Management)
	An incorporated alumni Association
Scholarship donations that Are not endowments	The University (the University provides investment Management in treasury Issues, bonds, certificates

Type of Funds	Deposit To
Program donations (e.g., Monies are given to purchase a piece of equipment) that are not endowments	of deposit and other non-stock investment vehicles, direct awarding of the scholarship and required coordination of scholarships with financial aid awards)  An incorporated alumni association  The University  The University Foundation  The Spartan Foundation (for athletic donations solicited by the Spartan Foundation)
Discretionary funds (i.e. funds that can be used for any purpose related to the educational mission of the University)	An incorporated alumni association  The University Foundation
Credit Continuing Education Classes	The University
Non-credit Continuing Education Classes	The University; however, the following types of funds may be deposited with the University Foundation:  - Separately managed centers that must carry forward funds from year to year  - Conferences, camps, clinics and insiti- tutes

4. When funds are held by a separately incorporated entity organized to serve the University, the University Foundation for instance, but are expended under the direction of a University official, the following lines of responsibility are drawn:
  - The Director or President of the incorporated entity is responsible for the fiscal records, including appropriate reports for financial management and good audit trails. The Director or President of the entity is also responsible for adequate internal controls (checks and balances) and the procedure statements which define these controls.
  - The University President, a Vice President, or a Dean is responsible for the administrative oversight required to insure that the person spending the project or account funds held by the incorporated entity is complying with the procedure statements developed by the incorporated entity. This fiscal oversight will be partially facilitated through receipt of monthly financial reports from the incorporated entity.

These policies are effective immediately, including receipt of fiscal year end audit reports or source and application of funds statements from all incorporated entities which serve the University. As stated earlier, these policies enable effective fiscal management. Additionally, they are designed to avoid unnecessary burdens to the campus community and the incorporated entities serving the campus community.

GF: 1vh

Attachment - Title V