CSU Auxiliary Organizations

Mitigation of Internal Control Risk

In 1997, a joint power authority—the California State University Risk Management Authority (CSURMA)—was created, composed of CSU and its auxiliary organizations. Within ten years, all auxiliary organizations had joined the CSURMA. Most recently, the CSU created a separate risk pool for auxiliary organizations—the Auxiliary Organizations Risk Management Alliance (AORMA). Purchasing insurance coverage through these risk pools significantly lowered costs for liability, workers compensation, and for many other specialty coverages.

In 1998, Executive Order (E.O.) 682 (later superseded by E.O. 698 in 1999), clarified expectations for oversight of auxiliary organizations and established a requirement of regular internal audits. The nature and scope of these audits has expanded over time, causing a significant increase in the number of audit staff assigned to the audit of auxiliary organizations.

E.O. 731, issued in 2000, required each campus to designate a Chief Financial Officer (CFO). In E.O. 731, the responsibility of the CFO to oversee the activities of auxiliary organizations was clearly established. Since 2000, campus presidents, in response to the Chancellor's direction, have moved to make many top auxiliary organization executive officers university employees.

In 2000, E.O. 732 codified a compilation of policies and procedures for CSU auxiliary organizations which included "best practices" guidance developed by the Chief Administrative Business Officers (CABO) group to improve control over fiscal operations.

E.O. 751, also issued in 2000, clarified each university's programmatic authority/responsibility over the establishment of CSU centers or institutes, and clearly delineated when a center or institute could be established by an auxiliary organization.

In 2000, E.O. 753 mandated that each university develop a detailed cost allocation plan, assuring full reimbursement to the university when services and supplies were provided to auxiliary organizations. E.O. 753 was superseded by E.O. 1000 in 2007 which delegated authority to campus presidents to manage funds consistent with a modification made to the Education Code allowing the university to deposit certain fees in local trust accounts

Control over auxiliary borrowing for capital projects was improved when the system wide revenue bond program was established. E.O. 876, issued in 2003, (superseded by E.O. 994 in Oct 2006) established financing policies and procedure for the development of capital projects that were supported by auxiliary revenues.

Control over contract and grant activities administered by auxiliary organizations was improved through implementation of E.O. 890 in 2004. In the following year, the Chancellor's Office established a central office to provide guidance and support to campuses regarding contracts and grants.

E.O. 919 was also issued in 2004, providing guidance to campuses on the administration of their non-General Fund receipts subject to local campus control. E.O. 919 was written to ensure that funds would be held in proper accounts and administered in accordance with applicable laws and regulations. The E.O. prohibited auxiliary organizations from holding university funds as a matter of policy. E.O. 919 was superseded by E.O. 1000 in 2007. However, E.O. 1000 was silent as to whether or not auxiliary organizations could hold university funds.