

CHAPTER 2 CSU ACCOUNTING

Section 2.3: CSU Central Banking and Investments

2.3.1. CSU Consolidated Investment Pool

Beginning January 2011, the reporting methodology related to the Surplus Money Investment Fund (SMIF) and the Systemwide Investment Fund – Trust (SWIFT) was changed. The earnings of these two investment funds are combined to create a “blended rate” due to significantly different earnings rates of the two investment funds. Due to this change, the fund was renamed to the “CSU Consolidated Investment Pool”.

Systemwide Investment Fund – Trust (SWIFT)

SWIFT was established pursuant to legislative authority granted in Education Code §89721 on July 2, 2007 for the purpose of pooling university cash and investments, providing centralized cash and investment management services, and equitably distributing earnings to the campus participants in the pool.

FIRMS object code (FOC) 101100, Cash – Short Term Investments (SWIFT), is used to record transactions that flow through the SWIFT portfolio. It can only be used in the State University Trust Fund (state fund 0948). During the fiscal year, revenue and expenditure transactions are offset by an entry to Cash – Short Term Investments (SWIFT).

Surplus Money Investment Fund (SMIF)

SMIF is a state investment pool for funds held at the State Treasurer. Campus funds held in State Funds such as the Dorm Construction (0576) or State University Trust (0948) earn SMIF earnings. Under this section we are only discussing those funds held within the State University Trust Fund (0948).

FOC 305022, Fund Balance-Clearing Account, is used to record campus transactions that flow through SMIF. The Chancellor’s Office records the entire system’s SMIF cash balance in FOC 104001, Cash in State Treasury or 102001 SMIF with an offset to FOC 305022 equal to the campus balance. (See 2.16 Interagency Transactions Process).

2.3.2. Wells Fargo Bank (WFB)

The CSU’s cash management is centralized by using one bank, Wells Fargo Bank (WFB). The surplus cash at the bank is invested into one custodial bank, US Bank, but the CSU refers to it as Systemwide Investment Fund – Trust (SWIFT). Each campus has been assigned three WFB

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accounts; a depository, electronic disbursement & controlled (paper) disbursement, which are zero balance accounts (ZBA) that feed into one master concentration account.

Every morning, the Cash Management Office (CMO) analyzes the cash activity of every SWIFT participant to determine the cash position for that day. They calculate the surplus or shortage of available WFB money or net systemwide cash needs. If there is a shortage, redemption (wire transfer) from US Bank to WFB is needed. If there is a surplus, CMO transfers funds to US Bank from WFB. These transactions do not affect a campus's overall cash/investment balance. Campuses are required to send notices to CMO regarding large electronic "cash" transactions to or from WFB. Notification of these transactions (ACH, wire transfers) should be for transactions greater than \$200,000 and should be emailed to cashalert@calstate.edu at least 24 hours in advance. These can be actual or 'projected' amount but must include a value date.

FIRMS object code 101100, Cash – Short Term Investments (SWIFT), is used to record transactions that flow through the WFB and SWIFT. The centralized cash management process requires campuses to record both SWIFT and WFB balances to the 'Cash – Short Term Investments (SWIFT)' account.

2.3.3. CSU Consolidated Investment Earnings

Investment earnings are allocated to participants on a quarterly basis. Beginning January 2011 (for the quarter ending December 31, 2010), the earnings of SMIF and SWIFT were combined, creating the CSU Consolidated Investment Fund. Earnings are allocated based on the participants' Average Daily Balance (ADB). Distributions are made in the month following the close of the calendar quarter (i.e. October, January, April and July).

Each campus has established at least two funds to correctly account for the earnings distribution process. The first is FNAT key 127938 in CSU fund 541 to record the quarterly earnings distribution. Second, is FNAT 127942 which includes FIRMS project code INTAC RMP-Interest Income Activity to record CSU fund 485 investment earnings. Other Funds already established will and should be for the internal allocation using the CFS Interest Distribution Allocation (IDA) Module.

Campuses are to initially record the investment earnings CPO in the Pooled Investment Fund (CSU fund 541). Net investment earnings should be then allocated internally within campus funds according to that campus's investment distribution allocation (IDA) policy. Campus' internal earnings allocations are net of charges (WFB fees, Investment Service Fees and Chancellor's Office Overhead). Net income in the Pooled Investment Fund must be zero at the end of the fiscal year. The credit in 508001: Income from External Investments should offset the sum of debits in the WFB Fees, Investment Services fees and Chancellor's Office overhead expense accounts.

Campuses are to record the combined earnings distributed by CPO to revenue object code 508001: Income from External Investments. Changes in Unrealized Gain/Loss are not included in the monthly investment earnings calculation and therefore there is no legal entry required for the

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Unrealized Gain/Loss. However effective 6/30/2013, the CSU is reinstating the GAAP reporting requirement for campuses to record the pass-down entry of the 4th quarter earnings and Unrealized Gain/Loss.

Where systemwide information exists to do so, the Chancellor's Office will indicate investment earnings at the lowest possible fund level to allow the campuses to make the appropriate decisions regarding the method used to book the quarterly journal entries. The campuses must establish and maintain documentation of their internal investment allocation methods by fund to assist in training and continuity across staff and function.

A series of accounts are necessary to properly report the earnings and campus allocation of earnings as illustrated below:

<i>Campus Quarterly Earnings Accounting Entries</i>		Debit	Credit
1	Consolidated Earnings allocation to Campus		
	Fund 541, Acct 508001, Income from External Investments		1,500,000
2	Wells Fargo Bank (WFB) charges to campus		
	Fund 541, Acct 660046, WFB Charges	2,500	
3	CO Indirect Support charges to campus of \$2,500		
	Fund 541, Acct 660047, CO Cash Management Overhead	2,500	
4	Investment Services charges to campus of \$10,000		
	Fund 541, Acct 660049, Investment Services	10,000	
5	Total CPO Distributed to Campus CSU Fund 541		
	Fund 541, Acct 101100, Cash-Short Term Investment "SWIFT"	1,485,000	
<i>Accounting Entries for campus allocation of interest to other funds</i>			
5	Campus investment earnings allocation to other funds		
	1,500,000 - 2,500 - 2,500 - 10,000 = 1,485,000		
	Fund 541, Acct 508001, Income from External Investments	1,485,000	
	Fund 541, Acct 101100, Cash-Short Term Investment "SWIFT"		1,485,000
	Total Allocation Distributed out of CSU Fund 541		1,485,000
6	In CSU Fund 485, CSU Operating Fund		
	Fund 485, Acct 101100, Cash-Short Term Investment "SWIFT"	700,000	
	Fund 485, Acct 508001, Income from External Investments		700,000
7	Other CSU Funds in 0948		
	CSU funds, Acct 101100, Cash-Short Term Investment "SWIFT"	785,000	
	CSU funds, Acct 508001, Income from External Investments		785,000
	Total Allocation Distributed to other CSU Funds	1,485,000	

GAAP Impact

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Effective with the 12/13 reporting year, the investment GAAP Passdown entry process has been re-defined. As a result, the investment earnings from 4th quarter of the prior year will **NOT** need to be reversed. However, the 4th quarter investment earnings and unrealized gains/loss of the current year, distributed as First Quarter of the next year, will need to be entered for GAAP reporting. On an on-going basis the 4th quarter investment earnings will have to be accrued for GAAP reporting.

2.3.4. Interest Payback to the State

Per the [Carryforward policy](#), the CSU fund 485 FNAT 127942 fund must be used to record interest payback to the State so that the net amount the campus can use for to support operations or transfer out for construction projects can be determined.

CSU Fund	FIRMS Object Code	Debit	Credit
485 (FNAT 127942) – 485 Investment Earnings	660048 – Interest Payback to the State	X	
	101100 – Cash – Short Term Investments (SWIFT)		X

2.3.5. CSU Fund 485 Investment Earnings Used to Fund Construction Projects

Per the Carryforward policy, investment earnings on CSU Fund 485 may fund campus construction projects. CSU fund 485 investment earnings should not be transferred out of the INTAC RMP-Interest Income Activity fund until a specific project is identified, the balance should accumulate for future projects in CSU fund 485 not in other funds. CSU fund 491 has been designated to receive transfers of investment earnings that will be utilized for construction projects. Campus are to record the transfers in and related expenditure of the construction project to the Special Projects Capital Fund (FNAT 127973) to segregate the activity for systemwide reporting.

CSU Fund	FIRMS Object Code	Debit	Credit
485 (FNAT 127942) – 485 Investment Earnings	670491 – Transfer Out to CSU Fund 491	X	
	101100 – Cash – Short Term Investments (SWIFT)		X
491 (FNAT 127973) – Special Projects Fund Capital Project	101100 – Cash – Short Term Investments (SWIFT)	X	
	570485 – Transfer In to CSU Fund 485		X

2.3.6. Bank of CSU Statement Reconciliation

Each campus receives a Bank of CSU statement (*SWIFT and Wells Fargo Bank (WFB)*) on or before the 5 business day after each month's end. There are two sections of the statement: WFB and SWIFT. The WFB section consists of the sum of the daily transactions for depository activities, controlled disbursements, electronic disbursements and SWIFT activities. The SWIFT section consists of CPO transactions for investment transfers to and from SWIFT and other CPO

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activities. As a rule of thumb, the Bank of CSU statement is used for CPO transactions and WFB balance verifications.

Campuses also receive statements from WFB for each of their accounts. The detail transactions should be reconciled to these WFB statements.

Tips.....

Discrepancies in monthly balances between the campus general ledger and Bank of CSU statements are usually caused by bank adjustments that have been netted against that day's ZBA balance for the account.

- Differences in ACH disbursements are usually caused by adjustments such as ACH rejects that have been netted against the total daily ACH disbursements.
- Differences in the paper/controlled disbursements can be caused by adjustments due to fraud investigations or checks posted by Wells Fargo Bank as cash paid items and are netted against the total daily disbursement.

2.3.7. Compiling an Unreconciled Check List with CFS

A delivered query may be used to compile an unreconciled check list. The screenprints below walk through the process to create the listing. Note that while checks from a legacy environment should be cleared from the outstanding check lists, it is possible that campuses with particularly long stale dating policies may have a few documents that are outstanding. In those cases, this method for compiling an outstanding check list may be used by running the query in the campus legacy environment and merging the results from the legacy query with the CFS query.

Inputs that are needed to successfully complete this task are as follows:

- *Access to CFS, preferably with Query Manager access (Query Viewer is the minimal requirement)*
- *Wells Fargo cleared checks file has been loaded to CFS for the month ended.*

Navigation: Reporting Tools>Query Manager

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Query Manager

Enter any information you have and click Search. Leave fields blank for a list of all values.

[Find an Existing Query](#) | [Create New Query](#)

*Search By: begins with
 [Advanced Search](#)

Search Results

*Folder View:

Search for the delivered Un-reconciled Checks query. Select the Edit hyperlink to review the Criteria.

Select	Query Name	Descr	Owner	Folder	Edit	Run to HTML	Run to Excel	Schedule
<input type="checkbox"/>	CSU_UNRECON_CHK_CSH_BAL		Public		Edit	HTML	Excel	Schedule

AND	(C.BANK_ACCT_KEY - Bank Account	equal to	:3
OR	C.BANK_ACCT_KEY - Bank Account	equal to	:4)

The baseline query includes two criteria for Bank Account, if only one is appropriate, delete the second. If the query is modified, save it as a private query.

Bank SetID:
 Bank:
 Bank Account:
 Fiscal Year:
 Accounting Period:

Run the query and download the results to Excel.

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Bus Unit	Check #	Check Date	Pay Status	Status	Cleared Date	Recon Date	Cancelled Date
COCSU	332218	8/19/2010	P	UNR			
COCSU	334404	12/15/2010	P	UNR			
COCSU	334477	12/21/2010	P	UNR			
COCSU	334512	12/21/2010	P	UNR			
COCSU	334350	12/13/2010	P	UNR			
COCSU	334271	12/8/2010	P	UNR			
COCSU	334318	12/12/2010	P	UNR			
COCSU	331857	7/21/2010	P	UNR			
COCSU	330347	5/3/2010	S	UNR			9/16/2010
COCSU	330492	5/12/2010	S	UNR			9/8/2010
COCSU	332857	10/7/2010	P	UNR			
COCSU	333229	11/4/2010	P	UNR			
COCSU	333229	11/4/2010	P	UNR			
COCSU	333229	11/4/2010	P	UNR			
COCSU	333259	11/5/2010	P	UNR			

Sort the results by Pay Status and eliminate the Stopped payments by deleting the items with a Pay Status of S. If there are any other items with Cleared, Recon or Cancelled Dates that occurred on or before month end, eliminate those rows. Save the results.

2.3.8. *Appropriate SWIFT Balances*

As authorized by Education Code 89721, *the chief fiscal officer of each campus of the California State University shall deposit into and maintain in local trust accounts ... moneys received in connection with items a – l of the Education code.*

The State University Trust Fund (state fund 0948) is the only fund for which cash can be held locally outside the state Treasurer.. Cash balances in governmental funds (e.g. General and Capital Outlay) or other state enterprise funds (0576, 0578, etc.) must be held at the state and cannot be within SWIFT. Therefore, campuses should reconcile 101100 – Cash - Short Term Investment (SWIFT) to ensure that no cash has been recorded for non-0948 funds. Typically, during the accounts payable process for claimable funds, the SWIFT account is used until the claims process is completed. **Campuses must run the AP claim process on the last day of the fiscal year to clear out SWIFT cash from non-0948 funds.** (See Chapter 8: Year End Instructions for more detailed information.)

2.3.9. *SWIFT Negative Balances*

It is intended that at year end, the Cash – Short Term Investments (SWIFT) accounts within various CSU funds should not be negative. To ensure that the campus postings for each CSU fund are not negative, the FIRMS edits process validates the data. During the editing process the campus is notified when a negative balance has been detected. There may be special circumstances in which a fund might be negative, in which case a manual FIRMS override by the Director of Financial Standards and Systemwide Reporting is required.

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Negative cash balance may be a result of having a business process that records FBC and SWIFT cash in separate unique cash accounts; one for payroll, FIRMS Object Codes 305022, Fund Balance Clearing (FBC), and another for disbursement and deposits, FIRMS Object Codes 101100, Cash – Short Term Investments (SWIFT). To avoid this, campuses have implemented a campus central sweep fund. This is also required for the CFS Interest Distribution Allocation (IDA) module. IDA was designed to only utilize one cash account to distribute the earnings in alignment with the common practice of the Campus Sweep Fund.

2.3.10. Campus Sweep Fund

The Campus Sweep Fund is used to designate a one main cash account, object code 101100, to record all transactions, payroll, AP, Student, Financial Aid, etc. which will allow the campus end-user (all 0948 CSU Funds) to operate out of one cash account. In addition, a designated sweep fund which must be created in CSU Fund 485 is needed to create the offset of the fund balance clearing (FBC) object code, 305022, activity at the state level.

In order to avoid monthly reclassification of payroll from FBC to Cash many campuses have chosen to change the PS HR set up. This can be accomplished by changing the Department Offset Groups cash account.



However, it should be noted that some campuses may have payroll activity that posts directly into capital outlay funds via LCD. Since those funds cannot have 101100 – Cash, the LCD posting would have to be reclassified to 305022 within that fund. In addition, should a campus choose not to take this step, the CFS delivered Allocations functionality can clear entries to 305022 in end-user trust funds in exchange for the main trust operating cash account, 101100.

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Sample Transactions									
1 Chancellor's Office remits cash to fund Central Transfer to State Fund 0948									
2 Campus collect fees									
3a Process payroll through HR - Automated									
3b Recognize Payroll entry at SCO									
4 Process expense transfers									
5 Post IDA entries for combined SMIF & SWIFT earnings									

485XX - Campus Op Fund					485XY - Campus Sweep Fund - Not in IDA				
101100		305022			101100		305022		
Debit	Credit	Debit	Credit		Debit	Credit	Debit	Credit	
2	25				3b ¹	15	1000	1	1000
4	6	15	3a - 3b ¹		3b ²	8			8
5	7								

501xxx		508001		
Debit	Credit	Debit	Credit	
	25			7
				5

601xxx		660xxx		
Debit	Credit	Debit	Credit	
3a	15			6
				4

531xx - Housing Op Fund					541XX - Campus Investment Fund				
101100		305022			101100		508001		
Debit	Credit	Debit	Credit		Debit	Credit	Debit	Credit	
2	14			3	5	8	8		10
				4					5
							5	7	
				8			5	1	
				3a- 3b ²					
				1					
				5					

5xxxxx		508001		
Debit	Credit	Debit	Credit	
	14			1
				5

601xxx		660xxx		
Debit	Credit	Debit	Credit	
3a	8			3
				4

660xxx	
Debit	Credit
	2
	5

2.3.11. Cash Posting Orders (CPO)

A Cash Posting Order (CPO) is a mechanism to move SWIFT dollars between members. It is the required method to collect and disburse funds between campuses rather than creating invoices and issuing checks. Invoices slow collection and cause timing issues between the two agencies resulting in FIRMS errors.

Examples of various CPOs:

- Redemption/investment in SWIFT (cash positioning)
- Systemwide Allocation Transfer (SWAT)
- Request for Cash Transfer Order (RCTO)
- Cost Recovery

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- Allocation of Direct Cost (Abatement)

Systemwide Allocation Transfer (SWAT) is supplemental campus funding used for special projects from the Priority Fund issued by the Systemwide Budget office. SWATs may only be used for Operating Funds (CSU fund 485). **The campus will always record to account 506100, SWAT In.**

Request for Cash Transfer Order (RCTO) is funding transfers to campuses initiated from a Chancellor's Office department (e.g. Academic Senate) for specific campus program funding or additional support. These transactions are issued by the Chancellor's Office Budget department. The RCTO may only be used for Lottery Funds (CSU fund 481) and Operating Funds (CSU fund 485). **For Operating Funds transactions, the campus will always record to account 506100 and for Lottery Funds transactions use Transfer Accounts (571000, Transfer In or 671000, Transfer in).**

SWATs and RCTO will only be used to provide *allocations* to a campus or reallocations between campuses, such as:

- Awards/Grants
- Development (faculty & staff development)
- Travel funding (campus is operating the program)
- Training funds (campus is operating the program)
- Assigned time (faculty performs additional duties beyond their regular campus appointment)
- Stipends
- Undesignated allocation (Summer Arts, MTSI, CLA Assessment, RIAP, EAP, LMS, QI, Troops to College, ARI, COAST, etc.)
- Conference sponsorships (no specific expenditures can be identified; funding is for the conference as a whole)

There are other situations where campuses and the Chancellor's Office move funds which are not associated with a SWAT or RCTO. These would be used for campus & Chancellor's Office cost recovery or reimbursement for direct allocation of cost (abatments). To facilitate systemwide consolidated reporting, CPOs should be recorded as indicated on the memo.

- The recipient of the cost recovery should record to the appropriate **cost recovery revenue account (580194 or 580196) or abate against the original expenditure.** The campus paying the cost should record to the appropriate FIRMS object code as instructed on the CPO and to the proper campus department and fund. Transactions include, but are not limited to:
 - Audit fees
 - Fire Marshall charges

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- Meeting registrations
- Training (campus is doing work on behalf of a Chancellor's Office project)
- Travel expenditures (campus is doing work on behalf of a Chancellor's Office project OR a Chancellor's Office department decides to pay for actual travel cost incurred)
- Conference fees or misc costs
- Proctoring (ELM Reimbursement)
- Miscellaneous expenses
- Release time (faculty with instruction appointments that are replaced with another faculty to perform grant activities)
- Abilene Fees (CSU Network Backbone)
- ITS expenditures (e.g. Blackboard)
- Library expenditures (SEIR)
- CSURMA Premiums
- CSURMA Campus Reimbursements

Note: For **registration fees** to conferences or seminars, the conference host should complete the CPO request form for all campuses and all attendees. Included in the request **MUST** be a list of attendees by campus, along with conference information or completed registration forms.

Note: For subscriptions or any other contracts where the contract period extends to the next fiscal year, the appropriate portion should either be recorded in Legal as prepaid expense (FIRMS object code 107090) or as a GAAP adjustment (711107) at year end. The campus should determine the business practice they should follow.

2.3.12. General Fund Spend Down

The the CSU has defined the State University Trust Fund as their primary operating fund. All costs, including payroll, are directed to state fund 0948. Every month a Plan of Financial Action (PFA) is submitted to move payroll expenditures from Trust to General Fund (GF) in order to “spend down” the GF current year appropriation. This process is called the Centralized Payroll Adjustments (CPA). The CPA process allows the CSU General Fund appropriation to be fully expended by fiscal year end because the total GF payroll is greater than the GF appropriation for the CSU.

2.3.13. Centralized Payroll Adjustments (CPA)

Beginning with the 11/12 fiscal year and upon with the Department of Finance (DOF), the monthly PFA transfer will be in the amount of 1/12th of the total General Fund appropriation for the budget year. This is processed each month to fund the general fund payroll in state fund 0948. The individual campus PFA amounts are based upon the campus' share of the total prior year Salaries

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and Benefits reported in FIRMS for the CSU Operating Fund. CMO also transfers funds via wire transfers from SWIFT to fund the non-State supported payroll.

A Plan of Financial Adjustment (PFA) is submitted to the state to transfer the payroll expense in state fund 0948 to the General Fund 0001. **Campuses are to record this PFA as a credit to account 690003 in the CSU Operating Fund, CSU fund 485, with a debit to 305022 FBC. In the General Fund state fund 0001 entry, campuses are to record a debit to the same account, 690003, with a credit to 305022 FBC.**

2.3.14. Determining Cash Transfers to State Fund 0948

CMO will initiate periodic transfers from campus' SWIFT accounts to State fund 0948 as needed to sustain the minimum balance requirement. The campus transfer amount is determined based upon a combination of factors:

- Campus' historic gross monthly payroll expenditure (using non-furlough values)
- Campus' target month end balance as a share of the total "minimum balance" requirement
- Campus' current balance in State fund 0948 as of the 20th of each month
- Amount of State support provided in the monthly general fund PFA

The campus' State fund 0948 balances will be monitored daily for variances and added to CMO planning assumptions. For campuses with cash requirements, CMO will draw down cash from SWIFT and remit these funds to the state. Simultaneously Accounting will issue a CPO for campuses to record this transaction. **Campuses are to record this CPO in the campus sweep fund as a credit to FIRMS Object code 101100, Cash – Short Term Investments (SWIFT), and a debit to FIRMS Object code 3050022, Fund Balance Clearing.**

It is important to remember that there is no loss or cost to a campus for these balances deposited in State fund 0948 and the campus balances held at the state continues to earn the blended interest rate.

2.3.15. General Fund Appropriation Swap

To accomplish the goal to "spend down" GF some campuses need to exchange General Fund appropriations with SWIFT dollars. This is because a few campuses' General Fund payroll is less than their General Fund appropriation. The CSU developed a mechanism to swap General Fund and SWIFT dollars. Campuses whose payroll is less than their General Fund appropriation will have their remaining General Fund appropriation transferred to other campuses. For each general fund appropriation transferred, an equal amount will be transferred back via a Cash Posting Order (CPO). To accomplish this, the Systemwide Budget Office will issue Supplemental Allocation Orders and a CPO during the last quarter of the fiscal year for those campuses involved. This process is evaluated each year to determine if it is needed.

Campuses are to record the **CPO** via the actuals ledger in state fund 0948, CSU fund 485, and FIRMS object codes below. The direction of the entries will be identified on the CPO.

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- 690003: RMP Expenditure Offset
- 101100: Cash – Short term Investments (SWIFT)

Campuses are to record the **AO** via the budget ledger in state fund 0001 to FIRMS object code 690003, RMP Expenditure Offset.