

**Special Investigation Report 04-01 Dated October 11, 2006
Response and Recommended Action Plan**

Source: Academic Senate Executive Committee, with unanimous endorsement

Under Urgent Business at the meeting of the Academic Senate on October 26, 2006, Senator Shapiro announced that the report on the audit of Business and Financial Affairs (Report 04-91) had been posted to the California State University web site. Senator Shapiro distributed copies of the findings of the report. It was M/S/P [Shapiro/Nanjundappa] (with one abstention) to invite President Gordon and Willie Hagan, Vice President for Administration and Finance/CFO, to a meeting of the Academic Senate as soon as possible to answer questions about the audit report. President Gordon was out of town on the date of the next Senate meeting, so he and VP Hagan were given a time certain at the Senate meeting of November 16th.

At the following Senate meeting on November 2nd, the full report (including the campus response at President Gordon's request) was distributed to members of the Senate. Senate Executive Committee requested technical assistance from the Department of Accounting, and Professors Betty Chavis and Vivek Mande attended the Senate meeting and answered questions pertaining to technical aspects of the audit report. Their assistance in helping the senators to understand the report and its implications is gratefully acknowledged.

At the next meeting on November 16th, President Gordon briefly summarized the timeline of the special investigation and the campus response under his direction. He and VP Hagan answered questions from the senators and gallery.

Response of the Academic Senate Executive Committee

1. Based on the findings reported in the October 2006 Special Investigation Report, the Academic Senate Executive Committee concludes that many of the problems documented in the 1999 California State Auditor's Report continued for several years. Both reports reveal instances of fiscal mismanagement that undermine the university's reputation and ability to fulfill its mission. Not only were university resources wasted due to mismanagement, but the failure to have accurate and timely information concerning the financial status of the campus led to the inappropriate accumulation of large carry-forward balances in several divisions and also in the Lottery Fund. Such funds could have been used to support the mission of the university in areas which have suffered greatly over the past several years, such as ongoing and deferred maintenance, the student-faculty ratio, and faculty and staff hiring/salaries, to name but a few unmet needs that are clearly evident.

2. The Academic Senate Executive Committee supports the campus responses detailed in the October 2006 Special Investigation Report “to mitigate the recurrence of similar findings in the future.” Indeed, Academic Senate Executive recognizes the progress made in making budget and management reports available on the campus website by Financial Services over the past 12 to 18 months.
3. Finally, the Academic Senate Executive Committee recommends continued movement in the direction of openness and transparency in all aspects of the campus budget, resource, and planning processes consistent with collegial governance in its fullest sense.

Recommended Action Plan

1. Strengthen Academic Senate Standing Planning, Resource, and Budget Committee (PRBC)

The PRBC reviews and recommends on planning, resource, and budget decisions of the university. As noted in the report, for several years this committee operated without the information required to complete its charge. To develop the expertise required to provide well-informed input, Executive Committee recommends the following changes to UPS 100.000 and 100.001, as appropriate.

- a. Increase the terms of faculty members on PRBC from two to three years, with approximately one-third of members selected each year.
- b. Institute election of Vice Chair who will serve as Chair-Elect the year prior to serving as PRBC Chair.
- c. Develop an orientation program for all new members of PRBC (students, staff, faculty, administrators).
- d. Add an additional faculty member [non-voting] with expertise in accounting or finance to serve concurrently when the CBE faculty member is from a department other than these.
- e. Provide staff assigned to support the work of PRBC.

2. Review and Implement Existing University Policy Statements on Review of Administrative Units and Personnel

The serious problems documented in the Special Investigation Report may have been detected earlier had existing administrative review procedures been implemented. Executive Committee recommends that these policies to be reviewed, revised as necessary (they have not been revised since 1986), and implemented as soon as possible.

UPS 100.620, Review of Administrative Units

UPS 210.200, Performance Review of Administrative Personnel

3. Review and Revise University Policy Statements on Planning and Budgeting Processes

To begin to institutionalize planning and budget processes that reflect current best practices for institutions of our size, Executive Committee shall request that PRBC review existing university policy statements and recommend revisions that provide a university policy statement with a monthly timeline delineating the planning,

resource, and budget issues on which PRBC recommends and the information that will be provided as a basis for such recommendations. Executive Committee requests that PRBC consider including an annual presentation by a campus internal auditor on expenditures to PRBC at an appropriate time.

UPS 100.200, University Budget Process

UPS 100.201, Planning and Budgeting Process

4. Increase Accessibility of Planning, Resources, and Budget Information to Campus Community

VP Hagan has indicated that his goal is to provide information to the campus that is timely, detailed, accurate, and transparent. Indeed, several budget and management reports are available on the campus website. Executive Committee makes the following recommendations:

- a. Add a new bylaw to invite the President or CFO and internal auditor to provide a report and answer questions on the fiscal status of the university each semester.
- b. That the CFO seek advice of PRBC and other constituency groups in the design of standardized regularly provided reports that are effective in educating the campus community about the university's fiscal position.

5. Support the PRBC to Begin Immediately a University-Wide Strategic Planning Process

As noted in the WASC Team Visit Final Report dated March 2000, "Despite the investment of resources in planning at CSUF over the last decade, the campus is still without a true strategic plan that integrates fiscal, physical, and academic matters. Planning is organized instead around a few broad, enduring themes. There does not seem to be an overall plan for setting priorities or making strategic investments in particular academic programs over time"

(<http://www.fullerton.edu/wasc/Final/Chapter2.htm#stand2>).

The first function of the PRBC is to "engage in an ongoing university-wide planning process and review and recommend with respect to university priorities" (UPS 100.101). Given that the special investigation identified large carry-forward balances and unallocated lottery funds, it seems essential that such processes take place to inform recommendations. Furthermore, the 50th anniversary of the university is a particularly appropriate time for such an undertaking. Finally, recently expressed concerns about campus growth also provide impetus for such a process. Thus, Executive Committee requests to work with President Gordon and PAB to:

- a. Engage an internal or external consultant to assist the PRBC in carrying out a *university-wide planning process* that integrates fiscal, physical, and academic matters.
- b. On the basis of the planning process, PRBC is requested to develop a plan to address systematically the priorities identified and circulate the plan widely.

6. Senate Executive Committee revisit in November 2007 the wisdom of establishing a Senate standing committee on fiscal oversight.

- 7. Senate Executive Committee meet with PRBC in May 2007 to determine if separate budget and planning committees should be re-established (Budget Advisory Committee and Long-Range Planning and Priorities Committees were in effect until approximately 1996).**
- 8. Executive Committee and President Gordon provide an update to the Academic Senate on implementation of these recommendations as well as the changes delineated in the campus response to the Special Investigation no later than May 15, 2007.**