

FACT SHEET

Date: November 6, 2007

Report: 2007-102.1

The California State Auditor released the following report today:

California State University

*It Needs to Strengthen Its Oversight and Establish Stricter Policies for
Compensating Current and Former Employees*

BACKGROUND

Serving nearly 417,000 students and employing 23,000 faculty members, the 23-campus California State University (university) is the nation's largest system of senior higher education. Each campus has a president who serves as chief executive officer, with each president reporting to the chancellor—the chief executive officer of the university—and the chancellor reporting to the board of trustees (board). The board oversees the university's operations.

KEY FINDINGS

We reported numerous concerns about the university's compensation practices including:

- It does not have a central system to adequately monitor compliance with its compensation policies or to measure their impact on university finances.
- The board approved raises for its executives and adopted a new executive compensation policy despite concerns raised by various entities.
- Funded primarily by state resources, payroll increased over the last five years by nearly \$226 million due mostly to salary increases:
 - The average executive compensation increased by 25.1 percent—executives received three salary increases during this time, which was the main contributor, however, housing and automobile allowances also increased.
 - Average compensation for faculty rose between 5.6 percent to 6.2 percent, while the average for management personnel increased by 10.4 percent.
 - Faculty and management personnel also received large increases through various programs—in one case, up to 48 percent over a 15-month period.
- In addition to standard retirement benefits, other postemployment benefits are available to current executives under three transition programs. Transition agreements, negotiated by the chancellor, are not board-approved and their status of accomplishments or deliverables is not reported.
- It compensated some management personnel that were no longer performing services for the university.
- Generous moving and relocation expenses are reimbursed using a broad policy that sets few monetary limits.

KEY RECOMMENDATIONS

We made numerous recommendations to the board and the university including:

- Creating a centralized information structure to catalog compensation to provide effective oversight.
- Strengthening its compensation policies for reimbursing costs, disclosing other employment, and determining compensation.
- Monitoring executive transition programs.
- Developing stronger regulations to govern paid leaves of absences.

