

FROM THE CALIFORNIA FACULTY ASSOCIATION

OPEN LETTER TO CALIFORNIA STATE UNIVERSITY CHANCELLOR CHARLES B. REED

Re: Revelations of mismanagement, commingling of taxpayer dollars with private money

August 31, 2010

Dear Chancellor Reed:

On August 25, the California Faculty Association released a report calling attention to improper accounting practices involving the commingling of public, taxpayer dollars with private donations and business revenues in CSU foundations and other auxiliaries.

The report highlights what CSU auditors describe as a problem involving “monies held inappropriately by auxiliary organizations”; it also cites, in their own words, the CSU executives’ apparent inability to correct the problem.

In media reports, your Chief Financial Officer Benjamin Quillian acknowledged that the report’s findings were accurate: funds have been intermingled in campus foundations and auxiliaries. As Nanette Asimov reported in the *San Francisco Chronicle* (8/25/10), “It has reached the point, Quillian said, that he can’t tell where the money belongs or how much has not been properly tracked.”

CFO Quillian also confirmed to Carla Rivera with the *Los Angeles Times* (8/25/10) that he became aware of the problems six months ago and was working with campuses to make sure that they transferred funds into the correct accounts.

Moreover, Cyndee Fontana in the *Fresno Bee* (8/25) reported that CFO Quillian “didn’t know how much money is involved because officials aren’t finished combing through accounts.”

These revelations suggest that several steps must be taken at once.

First and foremost, the buck must stop with you. The CSU community is asking you once again to embrace transparency and to ensure that you manage our system to the highest levels of competency and ethical standards. Leaders of the state university set examples for our students, in their deeds as well as with their words.

We call on you to take responsibility. Rather than contradict your own executives by publicly dismissing the findings in the report as “erroneous,” we call on you to restore public trust in the CSU administration by demonstrating that you are taking action to correct the problems the auditors have uncovered. That is what taxpayers and, most importantly, our students deserve.

To begin to restore the public trust it is time to take the following next steps:

- Make transparent the actions you are taking to ensure that all state funds are being accounted for properly and return all public funds to public accounts immediately.
- Identify how many and which of the 23 campuses have funds held inappropriately in auxiliary accounts.
- Identify which auxiliaries and foundations are known to have problems and how much money is involved.
- Fix the policies and practices that allow these problems to happen, in an open manner that will restore public confidence in the CSU administration.
- Drop your opposition to SB 330 and support the transparency it would bring to the CSU.
- Immediately stop campaigning in the legislature to change the law that requires external financial audits of the CSU campuses.

Today more than ever, the California State University needs leadership that wholeheartedly embraces transparency and it is time for its top executive to lead by example.

Sincerely,

Officers of the California Faculty Association

Lillian Taiz, President
History, Cal State Los Angeles

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