

Date of Hearing: March 18, 2025

ASSEMBLY COMMITTEE ON HIGHER EDUCATION  
Mike Fong, Chair  
AB 326 (Kalra) – As Introduced January 27, 2025

**SUBJECT:** California State University: audits.

**SUMMARY:** Requires an external financial audit of each campus of the California State University (CSU) to be conducted at least once every three years and requires all audits of the CSU or any of its campuses, including audits conducted by the CSU's internal audit staff, to be available to the public.

**EXISTING LAW:**

- 1) Establishes the CSU system, comprised of 23 campuses, and bestows upon the CSU Trustees, through the Board of Trustees, the power, duties, and functions with respect to the management, administration, and control of the CSU system (Education Code (EC) Sections 66606 and 89030, et seq.).
- 2) Requires the CSU Trustees to establish an internal audit staff, which will include the staff positions authorized for internal auditing. The internal auditing staff will report directly to the Trustees, and will be available for consultation with any audit committee of the Trustees which may be established by the Trustees. The duties of the internal audit staff will include, but will not necessarily be limited to, auditing, reviewing, cost and systems analysis, analyzing, and recommending operating procedures for the CSU. Management audits will be made to determine the effectiveness and efficiency of the organization, operation, and procedures of each state university, each auxiliary organization, and the CSU Office of the Chancellor. Officials and employees of each state university, each auxiliary organization, and the Office of the Chancellor will furnish all books, papers, contracts, management charts, and related information necessary for management audits. Additionally, the internal audit staff will perform audits, at least once every five years, of the activities of the CSU, as specified (EC Section 89045).

**FISCAL EFFECT:** Unknown

**COMMENTS:** *Need for the measure.* According to the author, “on the labor front, disparities in pay among faculty members and a lack of financial accountability resulted in a historic system-wide strike across all 23 CSU campuses in January of 2024. Eventually, this series of strikes came to an end when the parties agreed on a new contract with staggered raises. Campus-specific data would help demonstrate how staff are compensated and what funds are available to support salary growth in the future.”

The author argues that, “with over 450,000 students and 60,000 employees in the CSU system, the state must ensure that each of CSU’s 23 campuses is using public funds effectively and appropriately. Without publicly accessible data disaggregated by campus, the state cannot fully determine each campus’s specific financial needs. The lack of data also makes it more difficult

for stakeholders to have a full picture of available resources, such as unions participating in fair collective bargaining or students discerning how their fees are spent.”

Further the author states that, “to address the need for greater transparency regarding individual campuses, AB 326 would complement existing law by requiring each CSU campus to undergo an external audit every three years.”

*Current audit process at CSU.* The CSU currently hires Klynveld Peat Marwick Goerdeler (KPMG), one of the “big four” accounting organizations to conduct annual external financial audits of the CSU, including the 23 campuses and Chancellor’s Office. The audit performed by KPMG reviews each of the 23 campuses financial statements and produces a single audit report. The results of these reviews are publicly available online on the CSU’s transparency and accountability website: [Transparency & Accountability | CSU \(calstate.edu\)](https://www.calstate.edu/transparency).

Additionally, assurance audits of the 23 campuses and Chancellor’s Office, performed by Audit and Advisory Services, are also available online.

This measure requires audits of every campus of the CSU to be conducted and made public, at least every three years.

*The author may wish to align the frequency of the audits, as required to be conducted in this measure, to that of existing law and current policies established by the CSU Trustees.*

*Committee comments.* As noted in the *Existing law* section of this analysis, the internal audit staff shall perform audits, at least once every five years, of the activities of the CSU. It is unclear why this measure seeks to create new audits and why the audits must be conducted at least once every three years for every campus of the CSU.

Currently, the CSU posts audit findings of the CSU on its website: [Internal Audit Reports | CSU \(calstate.edu\)](https://www.calstate.edu/audit). It is presently unclear how the audit findings, as required by this measure, will be differentiated, and if they will be posted on the same website as the existing CSU audits.

*Moving forward, the author may wish to work with the CSU in order to provide clarity and to avoid potential confusion.*

The measure, as drafted, requires audits to be conducted at least every three years for all 23 campuses of the CSU, but the measure is silent as to who will conduct the audits and what entity will fund the firm that conducts the audits.

*Moving forward, the author may wish to provide more specificity as to which entity will conduct the additional audits, and ensure adequate funding is available to conduct the audits.*

Current law requires the CSU Trustees to ensure that the statutorily required audits are conducted, as dictated in law.

*The Committee may wish to examine if this bill has the potential of usurping the authority of the CSU Trustees.*

*Arguments in support.* According to the California Faculty Association (CFA), sponsors of the measure, “AB 326 proposes crucial amendments that mandate external financial audits of each CSU campus at least once every three years, significantly increasing the current audit frequency.”

Further, CFA contends that, “the bill's requirement to make all CSU audits public, including those conducted internally, is a commendable move towards enhancing transparency and fostering trust among students, faculty, staff, and the broader community.”

Lastly, CFA “believes that the enactment of AB 326 will lead to significant improvements in the financial oversight and accountability mechanisms within the CSU system. This, in turn, will contribute to the overall health and success of our institutions of higher learning.”

*Arguments in opposition.* According to the CSU, “as the country’s largest four-year public university system that serves more than 450,000 students, the CSU is committed to fiscal transparency. To this point, as an existing practice, each year the CSU undergoes an external financial audit that includes all 23 universities and the Chancellor’s Office. This audit reviews each university’s financial statements and produces a single report. These reports are publicly available online on the CSU Transparency & Accountability website.”

Further, the CSU states that, “while we appreciate and share the author’s priority of accountability, increasing the frequency of audits and requiring an external audit at each individual university will impose significant cost pressures while providing little to no public benefit beyond the system’s current audit practices. At a time where the system is facing a potential eight percent budget cut (\$375 million), as well as a deferral of compact funding, the CSU will need to make significant adjustments to maintain its mission of academic excellence.”

*Prior legislation.* AB 2398 (Kalra) of the 2023-24 Legislative Session, which was held on the Suspense File in the Senate Committee on Appropriations, was substantially similar to this measure.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

California Faculty Association (Sponsor)

### **Opposition**

California State University, Office of the Chancellor

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