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November 2, 1970

Mr. Robert T. Pantzer, President
University of Montana
Missoula, Montana 59801

Dear Mr. Pantzer:


In accordance with your request, we have reviewed the financial records of the Associated Students Program Council for the fiscal year ended June 30, 1970, and have prepared the accompanying report. The purpose of our review was to determine and report to you where, if any, there was a breakdown of responsibilities and/or the reporting of financial information.

To accomplish our review we examined data and interviewed persons related to the objectives of the Program Council. Although our report is based, to the extent possible, on written data it was necessary to place some reliance on information obtained through interviews. Wherever possible we attempted to corroborate this information.

If you have any questions concerning the report, we will discuss them with you at your convenience.

Very truly yours,

DOBBINS AND MCGREW
Certified Public Accountants


Partner

JRD:mc

REPORT TO THE PRESIDENT
UNIVERSITY OF MONTANA
November 2, 1970

Program Council

According to the by-laws of the Program Council "the council shall consist of a Director, an executive secretary, members appointed by Central Board from applications, and three faculty members." The director is to be a student appointed by Central Board. The executive secretary is to be the Student Union director (now called and hereafter referred to as the University Center director i.e., Ray Chapman). Although it is not stated in the by-laws the executive secretary does not have a vote on the council. The members are to be students. The faculty members are to serve by invitation of Central Board and have no voting power. As far as we could ascertain no faculty members served on the council and, therefore, the council was not complete as required in the by-laws.

The Program Director, Lee Tickell, was hired by the University Center director to serve on the council in the capacity of executive secretary.

The by-laws do not stipulate a required number of student members to serve on the council. Although fifteen to twenty members would be ideal, according to the student director and program director, nine members were on the council at the beginning of the year and eleven at year end. They also stated that it was somewhat difficult to interest students in serving on the council and to retain them for more than one term in order to benefit from their past experience. Academic fields represented on the council include Political Science, Music, French, History, Economics, Art, Sociology, and Mathematics.

The ASUM Constitution requires that a salaried auditor of student funds should serve on all committees where finances are involved. Article IX, Section 5 of the Constitution states that "the responsibilities and duties of the auditor shall be: (1) to serve on Central Board and all of its committees in an advisory capacity where finances are involved." Tickell stated that to his knowledge no auditor had attended any council meeting while he was program director or rendered any financial advice to him or the council.

The council has the ultimate vote in accepting or rejecting all programs. Their analysis of an individual program budget consists mainly of a review of the cost of the contract, estimate of production costs, estimate of total ticket sales, pricing of tickets, and an approximate gain or loss. There was no evidence to indicate that comprehensive reviews are made of the completed contracts to determine the success or failure of the events.

The council does not review bills for payment nor do they usually review the data processing printout, according to the student director. He was not aware that the February data printout reflected a \$16,123 deficit which did not include unsubmitted bills. The council may not have been aware of the deficits in August and September 1969 since they usually do not review the printouts. One student member stated he felt the student members were not interested in the printouts and did not want to be bothered with reviewing them.

According to the 1969-70 budget apparently no allowance was made for abnormal program losses and/or contingencies. The budget reflected expected net expenditures of \$54,000. This was to be covered by a \$50,000 request from Central Board and the University Center, and an anticipated \$4,000 carryover from the previous year. According to the August and September 1969 printouts there was a deficit rather than a carryover.

The council seems to be a prime target for other campus groups desiring to have events underwritten. Although in the students' opinion these events may balance the program schedule, Tickell estimated the costs of these events could approach \$8,000 for the fiscal year. Examples of these events are the Kyi-Yo Indian Conference, Black studies program, religious studies, environmentalists programs, and Highschool Interscholastics. An event not included in the above was the establishment of the Briscoe-Gray memorial through the gross proceeds of \$2,041, from the Roger Wagner Chorale. Although there was a letter signed by the student director authorizing a transfer of these funds, we were not able to find authorization for this expenditure in the council minutes.

Program Director (Executive Secretary)

According to the by-laws the executive secretary "shall be responsible for correspondence and direction as advised by the council." The basic job duties of the program director, hired by the University Center director to serve in the capacity of executive secretary of the council, are stated in a data sheet advertising the position in 1967. The duties, the advertisement states, "involve the direction and maintenance of student activities appropriate to the traditions and educational goals of the University of Montana," and further states "he will advise the ASUM Program Council and coordinate their efforts to provide a balanced program of art, recreation, films, and lecture-artist presentations." There was no official job description available for this position.

Since the program director has no vote on the council it must be assumed that "advise" as referred to in the job duties, must be confined to contacting and arranging programs as voted by the council. There was no evidence indicating the program director had not carried out these duties.

It may be assumed, also, that "advising" the council includes rendering financial advice. In order to function within a budget the council should have sufficient information on which to base decisions. Although it is apparent this information was available to the program director and University Center director it is not clear whether it is their responsibility.

It appears that the University Center director as executive secretary and the program director may have assumed the financial responsibilities of the program council perhaps because of inaction of the student auditor. The bookkeeper for the University Center director continued, apparently at Chapman's request, to maintain a hand accumulated list of the program councils' financial transactions until April 1970. The list was checked item by item by the bookkeeper to each month's printout but evidently not reconciled to the monthly printout totals. The hand list, as a result, reflected a net overstatement of funds available. Neither the printout nor the hand list included unsubmitted bills (the latter was pointed out to the program director on the hand listing).

Tickell indicated he relied on the hand accumulated list at April 30, 1970, for the April council meeting. In April the council requested financial advice from the program director as to what funds, if any, were available for extra programming in the spring quarter. Tickell presented the hand accumulated list to the council for their programming decision.

General

The Program Council uses the cash basis of accounting for income and expenditure. This system has many inherent weaknesses and is discouraged by the American Institute of Certified Public Accountants. One of the main weaknesses is the failure to recognize expenses until the funds are actually expended. Until a system of accounting for commitments is provided it will not be possible to reflect a true financial picture.

The bookkeeper for the University Center director maintained a job cost ledger on each event until April 1970. These ledgers were also maintained on a cash basis without reconciliation of overall totals. Although this system was fairly successful there was no assurance that all costs were charged to the appropriate job nor did it reflect commitments and an allocation of overhead.

By random sample several events were chosen for detailed examination. The following are observations of that examination.

Income was usually not near as high as anticipated by the council. Some of the high-cost contract events where admission was charged resulted in the largest losses. Many major events were scheduled close together. For example:

| <u>Date</u> | <u>Cost of Contract</u> |
|-------------|-------------------------|
| 10/18/69 | \$ 6,000 plus % |
| 10/21/69 | 1,800 |
| 11/5/69 | 2,400 |
| 11/9/69 | 2,500 |
| 11/14/69 | 3,500 plus |
| 11/19/69 | 3,750 |
| 12/3/69 | 1,350 |
| 12/4/69 | 1,500 |
| 2/27/70 | 3,750 plus % |
| 3/7/70 | 7,000 plus % |
| 4/24/70 | 1,500 |
| 4/25/70 | 5,000 plus |
| 4/30/70 | 10,000 |
| 5/6/70 | 1,500 |
| 5/10/70 | 5,000 |
| 5/14/70 | 4,000 plus % |

Physical Plant W.O. 7538 for \$251.39 was charged to Program Council's funds and should have been charged to the University Center.

Invoices from some campus facilities are very slow in being processed. The following is a sample of physical plant billings:

| <u>Order #</u> | <u>Date</u> | |
|----------------|--------------|-------------|
| | <u>Event</u> | <u>Paid</u> |
| 7318 | 9/23/69 | 1/30/70 |
| 7533 | 11/14/69 | 2/18/70 |
| 7569 | 11/24/69 | 4/27/70 |

The program director stated that physical plant charges for a production ran up to \$1,500. Of physical plant charges examined, the largest charge was \$536.59 for the Mason Williams program.

Most expenses seem to be reasonable in view of the event being produced. Examples of income and expenses relating to a specific event are as follows:

Abe Fortas (Speaker)

| | | |
|--------------------------|----------|---------------------|
| Income | | \$ - 0 - |
| Expenses | | |
| Contract | \$ 2,000 | |
| U.C. posters | 30 | |
| U.C. rent and chairs | 106 | |
| U.C. food | 23 | |
| Red Lion - entertainment | 57 | |
| Loss | | * \$ <u>(2,216)</u> |

Roger Wagner Chorale

| | | |
|---------------------------------|----------|---------------------|
| Income | | \$ 2,041 |
| Expenses | | |
| Contract | \$ 3,750 | |
| Tickets | 55 | |
| Ushers | 45 | |
| Advertising | 246 | |
| Moving piano (Montana Transfer) | 83 | |
| Programs (Delaneys) | 127 | |
| Supplies | 9 | |
| U.C. coffee and cups | 12 | |
| U.C. technicians | 7 | |
| Theatre - rent and technicians | 206 | |
| Loss | | * \$ <u>(2,499)</u> |

*There is no assurance that this loss includes all expenses and it does not include an allocation of overhead and ticket sellers wages.

Summary and Conclusions

It is our opinion that the problem is related to the failure of various people involved to have proper financial information on which to make sound business decisions. We believe the existing situation can not necessarily be attributed to any one event or individual.

In our opinion the factual situations and conclusions can be summarized as follows:

1. The Program Council was not complete in that the required faculty members were not on the committee or in attendance at the meetings. The council was, therefore, deprived of whatever benefit would have resulted from the presence of three adult faculty members.
2. The Program Council meetings were not attended by the student auditor as required by the ASUM Constitution. The failure of the council to require the attendance of the student auditor resulted in a situation where the only person with a background in financial analysis required to be in attendance was not present to render financial advice. The presence of the student auditor would have minimized the possibility of the situation which developed at the fiscal year end.
3. Although it may appear that Tickell assumed the responsibility of financial guidance, his failure to adequately perform this function should have been apparent to the Program Council and they should have been more specific in requiring information from him or from the student auditor. The job duties stated in the data sheet advertising the position of Program Director did not specifically require a person trained or experienced in financial matters.
4. In regards to the advice requested in April by the council and the reply given by Tickell it must be determined whether Tickell was justified in relying on the data he used as a basis for his advice. Since the information was prepared by the bookkeeper for the University Center and he had no reason to believe the information was not correct it is our opinion that Tickell was justified in relying on the hand accumulated list.
5. In our opinion there is no evidence to conclude that the method of accounting, i.e., cash vs accrual, materially contributed to the existing situation. This is not to imply, however, that the cash method of accounting could not, in a specific situation, result in information so erroneous as to result in unsound business decisions.
6. We did not find any evidence of defalcations, although a formal audit and/or thorough study of internal control was not the purpose of our review.