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News

Second Opinion

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Forget "Trust, but verify." A more apt phrase to describe the mood at some colleges today would be "Don't trust, and challenge."

Saying they're unconvinced by bleak financial reports produced by university business chiefs, increasingly skeptical students and faculty are outsourcing number crunching to independent auditors, often with the hope of exposing hidden pots of money in cavernous college coffers.

Administrators say we're broke? That's not what our accountant tells us. Such is the sentiment at the University of Maine, where a recently completed audit [challenges the notion that the university is in dire straits](#) and will have to cut positions. Drawing primarily upon audited financial statements, an Eastern Michigan University accounting professor issued a student- and faculty-commissioned [report](#) last week that found the Maine system's unrestricted net assets grew to \$84 million in 2009, up from about \$50 million in 2005. The findings contradict administrators' gloomy public statements about the fiscal situation at the system, according to Howard Bunsis, who wrote the report. The University of Southern Maine campus, which was given its own analysis in Bunsis's audit, sustained a \$2.7 million budget reduction last year, prompting controversial plans to [cut German studies](#), among other measures.

"I think that administrators simply are not telling the truth. It's that simple," Bunsis said. "They are grossly overestimating the financial problems of their universities, and what's most harmful is that they are claiming these institutions are in financial trouble when they are not. I think students and faculty all over the country should be rising up against administrators who are using the economic crisis to make cuts."

While the report's conclusions have been challenged by system officials, faculty say it has given them ammunition in the budget debate.

Bunsis, chair of the Collective Bargaining Congress for the American Association of University Professors, has conducted a number of budget analyses in recent years. He says he will be paid \$1,000 for his Maine report.

"I'm not doing this to get rich, and I'm not getting rich," he said. "I'm doing this because I believe in higher education."

Bunsis, who holds a Ph.D. in accounting from the University of Chicago, is a non-practicing certified public accountant and lawyer. Credentialed or not, however, Maine system officials have taken issue with his work, saying he classified restricted funds as unrestricted, while glossing over years of deficits in unrestricted dollars at Southern Maine.

"What you see is an attempt to simplify what is not really simple at all, in order to suggest that you can have what you want, which is not to have your program cut or get pay raises in a difficult financial environment," said Rebecca Wyke, vice chancellor for finance at the Maine system.

The back and forth between Wyke and Bunsis is indicative of budget debates now happening across the country, where faculty and administrators frequently look at the same numbers and see very different things. Given those differing views, it's no surprise faculty want their own financial analysts, according to Lillian Taiz, president of the California Faculty Association, which is affiliated with the National Education Association, the AAUP and Service Employees International Union.

The California Faculty Association has commissioned AAUP officials for a number of financial reports on its campuses, and recently called on the state attorney general to investigate allegations of financial mismanagement at university-supporting foundations.

University Enterprises Inc., Sacramento State's non-profit provider of auxiliary services.

When administrators are pressed to defend cuts even at times when they're constructing buildings or engaging in other expensive activities, they frequently note that much of the money that comes into university coffers is designated for specific purposes and can't be spent on just anything. Faculty don't dispute that there are some funds that are truly restricted, including certain grants and donations, Taiz said. What an independent analysis often shows, however, is that funds that are designated as "restricted" by administrators have merely been earmarked for a specific priority that may or may not have the backing of faculty during a budget crisis, Taiz said.

"The more you accept [administrators'] explanations of things, you really are put in a box," said Taiz, a history professor at California State University at Los Angeles. "You can't debate because they'll say 'Oh that [money is] restricted; it's out of our hands.' I don't know how many times I've heard that – 'It can't be helped' – as if the gods were deciding."

Matters of Trust

The very nature of faculty-commissioned audits suggests an erosion of trust during difficult economic times. But Susan Menditto, director of accounting policy for the National Association of College and University Business Officers, said she's heard plenty of stories lately about fiscal officers working hard to translate complex financial information to the campus community.

"I think there in general is a lot of effort going on on campus to kind of defog the financial statements and relate what's happening," she said.

Menditto concedes that she might be less likely to hear an unpleasant story about budgetary obfuscation than one about effective transparency. On the other hand, there are potential problems with the work of outside auditors, Menditto said. While not commenting on any individual audits that she hasn't had the opportunity to review, Menditto questioned whether outside analysts were working with the same complete set of facts chief budget officers typically employ.

"You may not get a sense of expenditures on the immediate horizon necessarily when you look at the financial statements," she said. "You don't necessarily have access to the five year plan. They are complex institutions."

There is some dispute, however, about whether the nuance of budgetary matters that administrators often cite merely obscures the true fiscal picture.

"They'll say things like 'Well, we've designated that money for something else.' That's another one of these kind of misnomers," said Rudy Fichtenbaum, a professor of economics at Wright State University who has conducted numerous independent audits for the AAUP. "A designation is a priority. It's a decision they're making, and 99 percent of the time that's what this [auditing] is really about, a question for the university: What are your priorities? Generally speaking, in my experience, administrators don't make a name for themselves by having their faculty be well paid. They put up buildings and start programs."

Fichtenbaum has contributed to audits of a number of AAUP chapters involved