

# **Report of the Spring 2004 Student Body Activities Fee Committee on Improvements to the Student Government Financial Processes**

## **Preamble**

Throughout the Spring semester of 2004, a committee chaired by the Vice President of Finance met weekly to discuss the current Student Government funding process (especially the Joint Funding Committee budgeting and allocations process), identify areas where funds were not necessarily being spent to benefit students, and recommend improvements and action items for the JFC, the legislative bodies, and the Student Government executives. This report summarizes our findings and recommendations. The outline of the remainder of this report is:

1. New record-keeping standards
  - a. Internal JFC records
  - b. Funded recognized organizations
  - c. The University and Student Activities
2. Maintenance and loss of funded recognized status
3. Improvements to budgeting processes
  - a. Capital purchases and other large expenditures
  - b. Effective use of Student Government reserve funds
  - c. Regular audits of funded recognized organizations

## **1. Record-Keeping Standards**

During the Committee's meetings, it became clear that we were suffering from a fundamental lack of information. **Record keeping in the past has been inconsistent from year to year, and prior records often cannot be located or only exist in paper form.** This is not acceptable; it encourages abuses of the system by organizations, and it makes it impossible for us to examine our own processes. Therefore, record keeping must improve at all levels in order to ensure that future instances of CMU Student Government can do their jobs and serve their constituents.

### **1.A. Joint Funding Committee**

The JFC must begin keeping:

1. A list, for all current funded recognized organizations, of at minimum:
  - a. Leadership contact information
  - b. Membership numbers
  - c. A current and specific mission statement for the group
  - d. Lists of all capital or expensive equipment owned, including at minimum the cost and date of purchase of said equipment (in order to anticipate future purchasing requests – see Section 3)**

**It is the responsibility of each student organization to furnish this information. Failure to do so should result in immediate loss of funded recognition.**

2. **Historical information in electronic form of budgeting requests and allocations.** Given the low cost of electronic storage in the modern era, there is no logical reason why records cannot be maintained from now on in perpetuity. The minimum information to be maintained is:
  - a. The amount each group requested
  - b. The amount JFC recommended for each group
  - c. The amount each group finally received
  - d. General cutting policies that were applied across the board (e.g., “no t-shirts or food this year”)
  - e. Specific reasons why other cuts were made (e.g., “this group’s membership has significantly declined)
  
3. **A manual of accepted standards and practices. This should include:**
  - a. Standard and relatively objective criteria for determining whether a line item in a given budget is acceptable. This includes guidelines such as “no charitable events.”
  - b. Instructions to JFC members in how to meet with, track, and evaluate the organizations they cover.
  - c. Documentation of JFC’s internal decision-making process.

All of the above-mentioned records must be available to members of the Student Body for inspection, with the understanding that certain sensitive information (e.g., line items related to Buggy budgets) cannot be released.

### **1.B. Funded Recognized Organizations**

Organizations must retain enough information that in the case of an audit, the JFC and governing bodies can be certain that the organization spends money in accordance with its stated purpose. This would therefore include:

1. All organizational expenditures
2. All organizational income
3. Lists of major events and activities
4. Information regarding recent changes to mission statements and bylaws

Organizations must maintain this information for at least five years.

Organizational record keeping is desirable in and of itself because it will help organizations maintain their viability and continually re-assess their mission and accomplishments. **It is the organization’s job to record this information. Failure to do so is grounds for immediate loss of funded recognition when inadequate record keeping is discovered by an audit.** It is reasonable for an organization to expect the Student Body VP for Finance to provide guidance in appropriate record keeping, and to specifically seek out the SBVPF whenever a question of requirements arises.

It is also essential that organizations maintain their OrgTracker records (officers and bylaws) current at all times. JFC shall not act on any budget request from any organization whose OrgTracker records are not up to date.

### **1.C. Carnegie Mellon University and Student Activities**

In order for the JFC and other student government bodies to be able to detect potential budgetary problems, there must be efficient and effective communication between CMU's accounting mechanisms (office of Student Activities) and the JFC. This is not a change in record keeping as much as a change in reporting procedures. Specifically, Student Government should ensure that on a monthly basis, the Student Body Vice President for Finance and the JFC receive (preferably in electronic form) a summary report of where each funded recognized organization stands in reference to its current budget allocation (i.e., its amount allocated, current amount available, and amount spent year-to-date).

This report is desirable for two reasons. First, it will allow Student Government to notice organizations that are nearing deficit and potentially take corrective action before actual deficits occur. Second, it will allow detection of unusual activity patterns (i.e., consumption of all allocated funds by October or large residual funds at the end of the academic year) that would reasonably justify further investigation or auditing.

## **2. Maintenance and Loss of Funded Recognized Status**

The fundamental strain on the Activities Fee system is an ever-increasing number of groups eligible for JFC funding. As CMU's campus grows and becomes more diverse, new groups will naturally emerge and contribute to life at CMU. This is natural and desirable. However, some groups will, over time, cease to be active or viable as student organizations. When this occurs, Student Government must be able to free up those groups' funds for use by active organizations with genuine needs. Therefore, **Student Government must exercise its authority to revoke funded recognition.** The appropriate grounds for use of this power would be:

### **2.A. Loss of Recognition for Failure to Fulfill Organizational Mission**

Upon gaining funded recognition, all student organizations shall submit a document to the Student Body Vice President for Finance that details:

1. The organization's purpose and goals – its “mission statement”
2. The metrics for how the organization will know whether it is succeeding in that purpose.

If, while under review (e.g., for an audit), it becomes evident to JFC or any other body that the organization has failed to meet some or all of its own requirements, the

organization must be reviewed in detail to determine whether funded recognition is still appropriate.

## **2.B. Loss of Recognition for Organizational Disarray**

If a funded recognized organization meets any of these criteria:

1. Fails to submit a budget to JFC
2. Is not able to produce a list of officers and enter it into OrgTracker by October
3. Is not able to provide Student Government with financial records on request

then that organization should be considered to have fallen into disarray and become non-viable. Organizations without the ability to keep basic records and fulfill process requirements are not likely to be able to effectively use Activities Fee funding to benefit the student body.

## **2.C. Loss of Recognition for Violating Rules and Guidelines**

Any serious breach of Student Government policy, including but not limited to misappropriation of funds, falsification of records, or obstruction of an audit, would strongly suggest that the organization in question should not be funded recognized. Honest mistakes are, of course, forgivable, but any attempt to deceive or defraud the student body must not be tolerated.

Each of the above grounds for loss of funded recognition is left intentionally ambiguous. Funded recognition should neither be given nor taken away lightly. If an organization's misbehavior or shortcomings are not serious, then it is better to err on the side of caution and allow them to remain funded. However, it is the JFC's right and obligation to pursue any of these matters to the point that the Committee and the legislative bodies feel comfortable voting on the question.

Organizations that lose their funded status by an edict of JFC should be able to appeal this decision to the joint legislative bodies, preferably at the JFC approval meeting. Of course, by Constitutional rules, if an organization wins the appeal but has not submitted a budget, they will be ineligible for a JFC subsidy that year.

## **3. Improvements in Annual Budgeting Processes**

It was noted that in any given year, organizations might have large capital expenses that distort the budgeting process for all other groups. Both large surpluses and large deficits are undesirable, and both can be avoided by tracking of capital purchases and a more efficient use of Student Government reserve funds.

### **3.A. Tracking and Distribution of Capital Expenditures**

The JFC must begin compiling a running and updated list of capital equipment holdings of each student organization. **A capital purchase shall be defined as items that cost over a certain amount (the current recommendation is \$1000), depreciate, and need to be repurchased every few years.** The tracked information should include, at a minimum, the cost of the item, date purchased, and approximate expected duration of use. The goal is to know when groups are likely to request extra capital funds, so that JFC can plan accordingly. This improved tracking will also enable JFC to detect groups that are requesting capital purchases with inappropriate frequency. Organizations should have more latitude on equipment replacement the farther the piece of equipment is past its date of full depreciation.

### **3.B. Leveraging of Reserve Account Funds**

The Constitution requires Student Government to maintain a reserve between 7% and 15% of annual income. JFC must begin determining, on an annual basis, the actual reserve target that should be met. If the Activities Fee reserve is near its upper target and there is a funds shortage (such as due to multiple capital expenditures or several new groups), it would be appropriate to draw on the reserve in one year. In future years, JFC would then need to refill the reserve so that it would not reach the mandatory 7% minimum. If used correctly, the reserve funds can “smooth out” the year-to-year budget process and prevent fiscal crises. As part of this mechanism, any and all surplus JFC funds left at the end of the fiscal year should first be used to refill the reserve.

### **3.C. Regular Audits of Student Organizations**

The Student Body Vice President for Finance must audit at least one organization in depth each year and publicly disseminate his/her findings. Such an audit must include a close and detailed examination of all of an organization’s financial records, including verification of purchases made.

The VPF and any supporting staff or committee shall also perform more “shallow” audits (essentially, a rapid review to look for major discrepancies or “red flags”) of organizations that total approximately 10% of the JFC allocation. The results of these audits must also be publicly disseminated. Here, the goal is to ensure that all budgeted line items are consistent with the organization’s mission and that no gross violations of Student Government policy are taking place. All student organizations should be reviewed through this process at least once per decade, hence the 10% rule above.