



MEMO

From the office of the...

AVP Finance

TO: Student Representative Assembly
FROM: Craig Dawdy, AVP Finance
SUBJECT: Bylaw 9; Non-MSU Groups – OPIRG
DATE: November 8, 2022

Dear SRA,

After viewing and discussing OPIRG's budget and answers to our questions, the Finance Committee voted in favour of recommending approval of OPIRG's budget for the 2022-2023 school year. However, there are some concerns and recommendations that were made regarding their finances, which alternatives should be investigated in the coming year.

Specifically, we have the following concerns:

- 1) A disproportionate amount of the budget is being spent on employee wages and admin expenses, which leads to concerns around actual value creation for MSU members.
 - a. A summary of the concern (based on 22/23 budget):
 - b. With \$88,884 Wages and \$19,855 in (non-honorarium) General Admin Expenses. That will use 79% of their MSU funding.

While the question of "How can value created by the employees be determined?" is no doubt a difficult one, it was raised frequently in the discussion of the budget. It is a bit more of an ambiguous concern, but there is a lack of clarity as to how the paid employees create value for MSU members.
 - c. In addition to this, on a note of transparency, in the submitted budget to the MSU there is no breakdown of employee salaries. This is available on their website, but it should also be included in any MSU submissions.
- 2) More clear direction on general fund usage. A substantial portion of the budget is held to be allocated on a needs basis (PIP projects and Donations).
 - a. \$13,000 on PIPs and \$10,000 on internal and community partnerships. Publishing clarity/transparency guides or documents on how these are planned to be utilized and have been utilized in an effective and accessible manner is appropriate for this size of fund.

To be more specific: There are multiple policies on their website for the use of PIPs which is great, however there is only one very general policy related to donations.

Further, based on the previous year budget these two funds were quite underutilized; \$6400 in donations and \$1,333 towards PIPs. With this, two concerns arise:

- b. Firstly, of transparency. If student funds are being donated there should be a record of it, \$6,450 of donations under 'Other Programing' lacks transparency.
 - c. Second, of usage. Is having such a substantial amount of the budget allocated to an expense category appropriate if there if there is no track record of usage?
- 3) Prior Year Event Expense Tracking.
 - a. In the 21/22 finalized budget, \$15,260 of various event expenses are lumped together into a single line item with no elaboration other than even names which is suspect.
 - b. Additionally, in the 21/22 budget there is \$1,607 allocated towards "Networking" with no further detail. Also included in the "Other Programming" section is a large amount of expenses that had not been previously planned for.
 - c. Also worth noting: there is roughly \$5200 unaccounted for in the expense tracking of the 21/22 budget (comparing opening bank balance on Sep1,2021 to closing bank balance on Aug31,2022), this should be looked into
 - d. Moving forward with the 22/23, there is a clearer division of which events funds are expected to be allocated towards, and in their follow up questions they did a good job giving additional detail. This information should ideally be openly disclosed in financial documents and not be left to be inquired about.
- 4) Questioning the genuine commitment of opt out policy. Some committee members felt the two-week window in which MSU members could receive a refund on their fee paid to OPIRG was too short.
- 5) How well utilized are funds towards "Accounting Services"? There is \$2,034 allocated towards "Accounting Services" (separate of \$4,746 towards audit and \$824 towards QuickBooks), some members felt there was no clarity on this line items purpose.
- 6) Longer term, the impacts of inflation will undercut efforts to pursue charitable activities. Not to question the practice of wages tied to inflation, but its effect; with wages that increase every year with inflation while the total fee collected remaining stagnant, the proportion of the budget that can be allocated to non-wage expenses will be reduced.

With all that being said, the Finance Committee does not put forth a motion for referendum.

For the reasons being:

- 1) Financially, there are no issues with the validity of the group's current year budget.
- 2) There are active efforts being made to reconcile prior year expenses.
- 3) While it is questionable to see such an immense amount of funding being put towards salaries and admin, the money is being directed towards the mandates and goals of the group which received OPIRG its student fee.

Overall, OPIRG McMaster needs stricter financial controls and turnover processes. While the current team is putting in a good effort to provide current year budgets and prior year actuals, there are short comings being driven by past actions. This is not a uniquely OPIRG problem by any means but nevertheless needs to be addressed. Notably concerns 2,3, and 5 are all indicative of poor financial controls and management, and for a group with such a large budget, this must be addressed. As solid as a team may be in the current year, future provisions need to be made. The Finance Committee is confident that the current team is capable of taking the correct actions to overcome these concerns.

The Finance Committee has done its preliminary questioning and the answers to our questions are in the email.

Thank you,
Craig Dawdy

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