Lax accounting, planning factor into athletics deficit

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For The Post

Years of unchecked spending by the Department of Intercollegiate Athletics carved a major hole in Ohio University's checkbook — a hole OU now plans to fill by spending less to educate students, maintain aging dorms and fund research.

Sloppy accounting and poor planning under former Athletic Director Kirby Hocutt left the department with most of its $7 million deficit. While the department's budgets appeared balanced on paper, planners routinely omitted major expenditures, according to a *Post* analysis of those records and interviews with university officials. Hocutt declined to comment for this article.

The department's books from 2005–2008 show a pattern of not planning for expenses that were consistently present at the end of the year. For example, vacation and sick pay was rarely included in the original budget, but the Bobcats paid out tens of thousands of dollars in such pay.

The list of unplanned expenses is exhaustive.

Spending on everything from food to officials' fees to printing and photocopying was annually excluded from the original budgets. Other examples include wages for part-time student workers, television and radio advertising, equipment rentals and even dry cleaning for the football team's uniforms.

A *Post* analysis of Athletic Department budgets since 2005 shows the department overspent by an average of $1.2 million each year.

Even as the deficit piled up, the department made no change to its accounting practices until 2008, when Athletics began working with OU's Business Service Center to craft a more realistic budget.

OU President Roderick McDavis said he relied on Hocutt to inform him of any problems related to the Athletics budget. Athletics accounted for a deficit in 2009 and 2010, and McDavis said he approved deficit spending because the department's budget couldn't be fixed in a single year.

Overspending by Athletics makes up a third of OU's "structural deficit" — the difference between how much planning units are authorized to spend and how much the university has in cash. Losses at the OU Airport and a poor investment shortly before the dot-com bub-

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ble burst in 2000 make up the rest of the $21.3 million deficit.

Now, colleges, academic offices and Residential Housing will foot the bill. The money those units would have spent educating students, sponsoring research projects and maintaining student housing will be used to fill the hole.

A five-year plan will cut more than $15 million in unrestricted spending to resolve the deficit. Funding for those one-time items is separate from their operating budgets.

The reckoning comes amid a hiring freeze and tuition and fees hikes for students. Controversy erupted on campus over the administration's budgeting decisions — particularly regarding athletics' spending, which some faculty say deserves more scrutiny.

The colleges' one-time funds pay for a range of miscellaneous expenses each year — everything from part-time teachers and research projects to building maintenance and miscellaneous supplies.

Part-time teachers can cost colleges $3,000 to $5,000 per quarter. Starting a research project by buying raw materials and supplies ranges from $3,500 all the way up to $500,000.

Ben Ogles, dean of the College of Arts and Sciences, said the plan, which will cost his college almost $2 million, will force him to budget those unrestricted funds more sparingly during the five years.

"($2 million) is like four scientists with big start-up cost projects," Ogles said.

Housing and Dining Services will chip in a few million dollars in funds that would be used for miscellaneous capital projects.

Housing spent $7 million on capital projects this year, which will be scaled back by $1.5 million for 2011. As a result, a plan to repair the eroding catwalks of South Green, as brick and plaster chip away, is entering its 12th year.

"The funds are not available to do what we want to do," said Penny Trace, Residential Housing's associate director for capital planning.

Trace said Housing's first priority would always be maintaining the safety of the buildings.

The library will cut more than $400,000. Last year, much of that money paid for library materials — electronic databases without an annual subscription and new orders of subscriptions about to expire. The rest went toward replacing the deteriorating carpet in the Learning Commons and other cosmetic concerns at Alden.

Other colleges and offices spend their unrestricted money in a similar manner.

Rebecca Vazquez-Skillings, assistant vice president for budget planning and analysis, said the plan is spread across five years to ease the burden on OU.

It will be re-evaluated at the end of each year. New money from increased enrollment or investments could prevent the need for full cuts by colleges and offices.

John Day, a business professor and associate provost for academic budgeting, said OU could not allow the deficit to linger.

On the other hand, Day said, "This is money that (colleges) thought they would be able to spend."

The poor investment and overspending by the airport also contributed to OU's budget woes.

In 2000, OU made a $10 million investment into a stock index fund managed by Mellon Capital, an investment management firm based in San Francisco, under then-President Robert Glidden.

After the stock market dropped as the dot-com bubble burst, however, that investment flipped from an unrealized profit to an actual loss. It was liquidated in December 2009.

The university's budget books never accounted for the change until this year, as the finance department documented the extent of the deficit.

The airport's $1 million deficit results from a lack of usage of its facilities in 2007 and 2008. The airport does not charge OU market prices for regular expenses such as rental for hangar space and ground leases. Because the airport has fixed costs and few third party partners, the deficit developed.

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