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Neil Humphrey

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Paul McCarthy, interviewer

Fairbanks, Alaska

Paul McCarthy asked Dr. Humphrey to go over the situation that just came out in the papers and his decision to resign. Dr. Humphrey said he knew this was a challenging situation before he accepted this position. This was a system attempting to offer services throughout the state, had a broad scope of programs, a strong research component, and gone through the trauma of financial difficulties that were related to a cash flow problem. There were assurances that the cash flow problem had been substantially alleviated and what was needed was a good management base and then get on with the job of higher education. He came in late September and the audit for fiscal year 76 revealed that there was a million and two thousand dollar deficit. He was alerted that there were problems beyond the cash flow problems. The animosity toward the university from the legislation was immediately identified. The university was actually operating in July, August and part of September without an appropriation for statewide administration. They were expected to go through the legislative audit to get the money released and to discuss a supplemental appropriation for general programs for statewide administration. He asked for a delay since he had just arrived and they wanted the meeting immediately. They met with them and they handed him his head. Their attitude was you may be new but you are the president and the university has been wrong. They would not release the money and their hostility was overwhelming. They agreed to meet again on October 19th. That meeting went poorly as far as the public part is concerned. Senator Fergus called an executive session and he and others were invited to the session and there was some progress. Once the legislators were not speaking to their constituents and to the press then there was a better understanding, but there was specific disagreement. The university had gone from six appropriation lines in 1967 to 67 appropriation lines in fiscal year 1978. They had gone from appropriation of general fund monies only to re-appropriation of all restricted federal grants and contracts. He said management of the university is extremely difficult. He said they continued to work on the problem. By June 30, 1977 there was a deficit of six million dollars and other serious financial problems. He came to the conclusion that the legislature was not willing to work with the university to resolve the serious problems. The legislature attempted to control the university. He made it clear that he would no longer be willing to be responsible for a highly politicized institution. He said in his best interest and he hopes in the university's best interest he announced his resignation.

McCarthy asked about the legislature being unwilling to give him the prerogative to do his job. Humphrey said the significant problem in this university is too much authority in the president. The Board of Regents has given too much authority to the president and it hasn't been shared with the chancellors and the faculty. He had hoped to get that defused and to make sure that the chancellor's positions were strengthened. He would like to work on the problem in a partnership way. He said the

university is obviously wrong in creating a deficit. This would involve an indictment in other states. He said it is a serious problem, but the legislature is looking at an erroneous way of correcting the problem. It isn't corrected by beating the university over the head, there must be confident people administrating the university and there has to be a good audit procedure. He said the problem has been compounded by Dave Scott. He was the budget director of the institution. He was fired by Interim President Ferguson because of a disagreement. They were working to get the budget problem straightened out and he felt that Scott made things difficult. He didn't think the budgetary audit committee knew what Scott was doing. Humphrey found the database was almost non-existent and the accounting structure was very poor. It was difficult to obtain the correct information. On October 31st he had everyone hand count the fall registration. There were 39,000 registered but 9000 FTE spread over 13 administrative units. The whole database problem must be resolved before anyone can manage the university. The legislative committee audited their documentation and refused to accept its validity. They wanted to use a different set of figures. The accounting system is behind. There is the use of soft ledgers. Many people in the accounting department have put in a lot of hard work this fall but it is still totally deficient. It is not a good accounting system. There was progress but it wasn't enough. McCarthy asked about the computer system used and the transition and funds that were expended at the end of the fiscal year. Humphrey said the basic premise is the accounting system was attempted to be changed and it didn't work. They withdrew the new system. They assumed to have money they did not have. They were unjustified in spending year end money. They should have known their data was suspect. Budget credits should have been changed by the Board of Regents and not by administrators.

He was asked about the people making program decisions who were also involved with finances. Humphrey said he didn't have enough information to answer that question but it is important in managing a university that there is planning, budgeting and reporting. He said the academic plan of 1975 was a narrative on its way of being a plan. It could have become a plan. The reporting system is accounting and reporting of activities to implement the objective of the institution. This is the failure of the state legislature to understand that flow. It is not run as other businesses. They tried to convince the executive branch that this wouldn't work for them. The executive branch was sympathetic, but strained by the law.

He was asked if the legislature and the executive branch are used to dealing with profiting agencies instead of non-profit like the university. Humphrey said they are used to dealing with executive agencies. The concepts are not applicable to an institution of higher education. He talked about arriving two and a half months into the fiscal year and the budget for that year had not been adopted yet. They were expected to put together a budget for the following year in six weeks. He said a serious mistake he made was trying too hard. They were working day in and day out. He wished he had asked for a 48 hour week.

He was asked about Scott again. Humphrey said it was unwise for the legislature to hire him after being fired by the university. McCarthy asked the budgeting process not being understood by the legislature and the public. Humphrey said in order to move money through the 67 lines of administration appropriation they have to go through the board of regents, governor and legislature. He feels 23 lines of administration appropriation lines would be the right number. He talked about restricted receipts.

McCarthy asked him about accounts receivable. Humphrey said there were a number of things that went wrong. The university has a high dependence on federal grants and contracts. The federal grants are on letters of credit, but most of them were on contract. They were quarterly billings instead of monthly billing. There was no billing for months on end because of the state of the accounting. They changed the schedule of billing. It has improved, but needs more work. When the legislature realized the cash flow problem they withdrew their revolving fund. It is a liability on the balance sheet so it won't add to the deficit. A part of the accounts receivable are student accounts. They were allowing students to pay for part of their tuition and making the balance of their payment about mid-term. The student was allowed to continue their registration, but it remained on the books.

McCarthy asked about the university computing center. Humphrey said UA had entered a contract with SET to provide computer services. He looked at the contract before he even arrived at the university and commented about it.