



Alabama Department of Examiners of Public Accounts

Report on the **Alabama A&M University** **Normal, Alabama**

October 1, 2019 through September 30, 2022

Filed: July 21, 2023

AUDEMUS JURA NOSTRA DEFENDERE
ALABAMA STATE HOUSE

Rachel Laurie Riddle, Chief Examiner



Rachel Laurie Riddle
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

P.O. Box 302251, Montgomery, AL 36130-2251
401 Adams Avenue, Suite 280
Montgomery, Alabama 36104-4338
Telephone (334) 242-9200
FAX (334) 242-1775

Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

An examination was conducted on Alabama A&M University, Normal, Alabama, for the period October 1, 2019 through September 30, 2022, by Examiners Haley Green and Tom L. Tolley. I, Tom L. Tolley, served as Examiner-in-Charge on the engagement, and under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results and findings of the examination.

Respectfully submitted,

Tom L. Tolley
Examiner of Public Accounts

rb

Table of Contents

	<i>Page</i>
Summary	A
Contains items pertaining to state compliance, University operations and other matters.	
Schedule of State Compliance and Other Findings	C
Contains detailed information about findings pertaining to state legal compliance and other findings.	
Additional Information	1
Provides basic information related to the University.	
Exhibit #1	Board Members and Officials – a listing of the Board members and University officials.
	2
Exhibit #2	Schedule of Charges – a schedule that provides details on amounts that an employee of the University has been asked to repay.
	4
	Order of the Chief Examiner
	5



Department of **Examiners of Public Accounts**

SUMMARY

Alabama A&M University October 1, 2019 through September 30, 2022

Alabama A&M University (the “University”) is a state land-grant university, which provides opportunities for Bachelor, Master’s and Doctoral degrees in a number of different programs. The University receives funding from state, local, private and federal sources in addition to student tuition, fees and auxiliary activities. The University expends these resources for education and general purposes, auxiliary activities, research, public service, student services, institutional support, capital acquisitions and retirement of indebtedness.

The University is a part of the Alabama Cooperative Extension System, the outreach organization for the land grant function of Alabama A&M University and Auburn University.

The Thomas Agricultural Research Station at Hazel Green, Alabama, is a part of the University and provides outdoor laboratory space for agricultural research. Farm support buildings for plant, soil and animal sciences research are also available for use by the research scientists and students. The University is a participant in the state’s agricultural research program administered by the Alabama Agricultural Experiment Station, headquartered at Auburn University.

The State Black Archives, Research Center and Museum is located on the University’s campus. The Center serves the state by collecting and preserving source materials on the contributions, achievements and general experiences of black Americans, providing bibliographic information to state agencies, and encouraging the use of collected materials in state educational services.

The firm of Banks, Finley, White & Co., Certified Public Accountants conducted the financial audit for the fiscal years ended September 30, 2020, and September 30, 2021.

This report presents the results of an examination of the University and a review of compliance by the University with applicable laws and regulations of the State of Alabama in accordance with the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12.

FINDINGS

The following instances of noncompliance with state laws and regulations and other matters were found during the examination as shown on the Schedule of State Compliance and Other Findings and are summarized below:

- ◆ 2022-001: The Athletic Department did not ensure accountability was established and maintained for all athletic tickets printed or sold. This finding was previously reported as Finding 2019-001.
- ◆ 2022-002: The University did not reconcile bank accounts in a timely manner or obtain proper approval of the reconciliations performed.
- ◆ 2022-003: The University failed to reconcile student accounts receivable and accounts payable subsidiary ledgers to the general ledger during the examination period.
- ◆ 2022-004: The University failed to ensure journal entries were properly documented, reviewed, and approved.
- ◆ 2022-005: The Winfred Thomas Agricultural Research Station circumvented the University's purchasing process.
- ◆ 2022-006: The University failed to enter an employee's salary correctly in the administrative system resulting in an overpayment to the employee.
- ◆ 2022-007: The University did not comply with the *Code of Alabama 1975*, Section 35-12-76, in regard to remitting unclaimed property to the State of Alabama Treasurer's Office.

CHARGES AGAINST EMPLOYEE

As reflected on Exhibit 2, an employee was overpaid \$7,228.26, due to the employee's hire form being prepared improperly. The error on the hire form caused the employee to be paid at the wrong contract rate. A letter was sent to the employee requesting repayment in the amount of \$7,228.26. At a meeting with the Chief Examiner, the employee showed just cause as to why the amount should not be repaid; therefore, relief was granted as evidenced by the Order of the Chief Examiner.

EXIT CONFERENCE

The following officials/employees were invited to an exit conference to discuss the findings and recommendations appearing in this report: Dr. Daniel Wims, President and Carlton Spellman, Vice-President for Business and Finance. The following individuals attended the exit conference: Dr. Daniel Wims, President; Carlton Spellman, Vice-President for Business and Finance; Gregory B. Jackson, Assistant Vice-President Budgeting and Planning/Internal Audit; Charles (Chip) Frazier, Interim Comptroller; and Kerry Grant, Assistant Comptroller. The Department of Examiners of Public Accounts was represented by Mistie Beam, Audit Manager; and Haley Green and Tom Tolley, Examiners.

*Schedule of State Compliance
and Other Findings*

Schedule of State Compliance and Other Findings

For the Year Ended September 30, 2022

Ref. No.	Finding/Noncompliance
2022-001	<p><u>Finding:</u></p> <p>Internal control is a process, affected by the University's board of trustees, management, and other personnel, designed to provide reasonable assurance regarding the reliability of financial reporting; the effectiveness and efficiency of operations; and compliance with applicable laws and regulations.</p> <p>An adequate system of internal controls includes establishing policies and procedures to ensure accountability for athletic tickets printed and sold, discounts provided, or complimentary tickets issued to individuals. The performance of reconciliations helps the University to maintain accountability for cash and to minimize the possibility that errors or irregularities, including misappropriations and fraud, could occur and not be detected.</p> <p>Three athletic events were selected for testing. A reconciliation of tickets sold to the amount of money deposited was requested for all three events. Examination results revealed:</p> <ul style="list-style-type: none">✓ Reconciliations provided were only for game day sales and were not reconciled to the general ledger.✓ Discounts were provided to alumni, faculty and staff, and for tailgate packages without documentation or a standard list of the types of discounts offered.✓ Neither a listing of complimentary tickets nor evidence of supervisory review of the complimentary tickets issued could be provided. <p>Based on the procedures performed and the documentation provided, it was determined that accountability for tickets printed and sold is not being maintained by the Athletic Department. This finding was previously reported as Finding 2019-001.</p> <p><u>Recommendation:</u></p> <p>The Athletic Department should develop policies and procedures that establish controls to ensure accountability is maintained for all athletic tickets printed and sold or provided to individuals as complimentary tickets. Documentation relating to tickets sold and issued as complimentary tickets or discounts provided should be reviewed by appropriate supervisors and maintained in the department in accordance with applicable record retention policies.</p>

Schedule of State Compliance and Other Findings

For the Year Ended September 30, 2022

Ref. No.	Finding/Noncompliance
2022-002	<p><u>Finding:</u></p> <p>An adequate system of internal controls includes establishing policies and procedures for performing bank reconciliations. The performance of timely reconciliations, which are reviewed and approved by an individual other than the preparer, helps the University to maintain accountability for cash and to minimize the possibility that errors or irregularities, including misappropriations and fraud, could occur and not be detected.</p> <p>For the examination period, all bank reconciliations for two months were selected for review. During the review it was determined that the University does not have policies requiring bank reconciliations nor procedures on how the reconciliations are to be performed. As a result, it could not be determined when the bank reconciliations were performed because there was not a date shown on the reconciliation. However, general ledger printouts supporting the amounts on the bank reconciliations were dated between four and eleven months after the reconciliation month rather than in the month immediately following. In addition, none of the reconciliations had signatures noting there was a review or approval performed or a date it was conducted.</p> <p><u>Recommendation:</u></p> <p>The University should develop and implement policies and procedures to reconcile all bank accounts in a timely manner. Additionally, the University should ensure all bank reconciliations are reviewed and approved by a separate, knowledgeable individual for proper segregation of duties.</p>

Schedule of State Compliance and Other Findings

For the Year Ended September 30, 2022

Ref. No.	Finding/Noncompliance
2022-003	<p><u>Finding:</u></p> <p>An adequate system of internal controls includes establishing policies and procedures requiring reconciliations of subsidiary ledgers to the general ledger. The performance of reconciliations helps the University to maintain accountability for amounts due to the University and amounts owed by the University and to minimize the possibility that errors or irregularities, including misappropriations and fraud, could occur and not be detected.</p> <p>The University has not established policies and procedures requiring subsidiary ledgers for student receivables and accounts payable to be reconciled to the general ledger. Consequently, the University did not prepare reconciliations of subsidiary ledgers to the general ledger for student receivables or accounts payable during the examination period. A review of the subsidiary ledgers indicated that the subsidiary ledgers did not agree with the amounts on the financial statements or general ledger. The aging report for accounts payable contained amounts owed that spanned multiple years going back as far as 2010. The student receivable subsidiary listing indicated that the University was annually adding back and then removing balances that had previously been deemed uncollectible and permission had been received from the Attorney General, in 2016, to write the balances off. A selection of other write-offs and manual adjustments were selected for review. However, adequate documentation and approval for these adjustments could not be provided.</p> <p><u>Recommendation:</u></p> <p>The University should develop and implement policies and procedures to reconcile subsidiary listings of accounts receivable and accounts payable to the general ledger. Additionally, adjustments made to accounts should have adequate supporting documentation and be properly approved.</p>

Schedule of State Compliance and Other Findings

For the Year Ended September 30, 2022

Ref. No.	Finding/Noncompliance
2022-004	<p><u>Finding:</u></p> <p>An adequate system of internal controls includes establishing policies and procedures that require the work of one individual to be reviewed and approved by another, and to require proper supporting documentation for adjustments made to the general ledger.</p> <p>Twenty-five journal entries were tested for proper approval and adequate documentation. Tests revealed seven instances in which journal entries were not properly approved. Additionally, adequate supporting documentation could not be provided for six journal entries.</p> <p>Performing reviews and requiring adequate supporting documentation along with appropriate supervisory approvals helps the University maintain accountability as well as minimize the possibility that errors or irregularities, including misappropriations and fraud, could occur and not be detected.</p> <p><u>Recommendation:</u></p> <p>The University should implement policies and procedures to ensure internal controls are in place that require journal entries to be properly documented, reviewed, and approved.</p>

Schedule of State Compliance and Other Findings

For the Year Ended September 30, 2022

Ref. No.	Finding/Noncompliance
2022-005	<p><u>Finding:</u></p> <p>According to the University and Foundation Accounts Policies for Banking, “Cash receipts include currency, checks and other negotiable documents received by a department; e.g., for goods or services or as a refund, reimbursement, or gift. All moneys received by departments must be deposited intact and include all cash receipts on hand. Expenditures may not be made from cash receipts, and cash receipts may not be retained in a department for its use.”</p> <p>According to the University’s Purchasing Department Policies and Procedures Manual, Purchase Orders Policy 4.1, “A Purchase Order is the formal document that authorizes the acquisition of goods or services. No individual has the authority to enter into purchase contracts or in any way financially obligate the University except the Director of Purchasing or Buyers. Purchases made that obligate the University without a Purchase Order are unauthorized.”</p> <p>In addition, the <i>Code of Alabama 1975</i>, Section 41-16-20(a), states, “With the exception of contracts for public works whose competitive bidding requirements are governed exclusively by Title 39, all contracts of whatever nature for labor, services, work, or for the purchase or lease of materials equipment, supplies, and other personal property or other nonprofessional services, involving fifteen thousand dollars (\$15,000) or more, made by or on behalf of any state department, board, bureau, commission, committee, institution, corporation, authority, or office shall, except as otherwise provided in this article, be let by free and open competitive bidding, on sealed bids, to the lowest responsible bidder”.</p> <p>During the examination period, the Winfred Thomas Agricultural Research Station (“Research Station”) allowed a company to haul grain to be sold without a contract. The company would obtain payment from the buyer of the grain in the form of a check. The company would then write a check to the Research Station for the amount of the payment less the cost of hauling the grain to the buyer. As a result, the Research Station did not obtain a purchase order as required by Purchase Orders Policy 4.1 and violated the University and Foundation Accounts Policies for Banking by making expenditures from receipts. Due to the manner in which the transactions were processed, the University may not have complied with the <i>Code of Alabama 1975</i>, Section 41-16-20(a).</p> <p><u>Recommendation:</u></p> <p>The Research Station should follow established policies and procedures by ensuring purchase orders are obtained for purchases, purchases are not made with receipts and that expenditures are monitored to ensure compliance with the Alabama Competitive Bid Law.</p>

Schedule of State Compliance and Other Findings

For the Year Ended September 30, 2022

Ref. No.	Finding/Noncompliance
2022-006	<p><u>Finding:</u></p> <p>An adequate system of internal controls includes establishing and following policies and procedures to ensure employees are paid accurately by ensuring pay rates are entered into the accounting system correctly. Having policies and procedures in place helps the University to pay personnel appropriately and to minimize the possibility that errors or irregularities, including misappropriations and fraud, could occur and not be detected.</p> <p>An employee began employment with the University in March 2022. The employee's hire form, which was prepared by the supervisor, was completed incorrectly and showed the employee's annual salary had an end date of September 30, 2022. Since the employment was not intended to end on September 30, 2022, the end date on the form should have been left blank. The form was approved on eight different occasions by seven different approvers. Based on the hire form, the employee's annual salary was entered into the accounting system to be paid over 7 months instead of 12 months, resulting in a payroll overpayment totaling \$7,228.26.</p> <p><u>Recommendation:</u></p> <p>The University should establish and follow policies and procedures to ensure pay rates are entered into the accounting system correctly and employees are paid accurately.</p>

Schedule of State Compliance and Other Findings

For the Year Ended September 30, 2022

Ref. No.	Finding/Noncompliance
2022-007	<p><u>Finding:</u></p> <p>The <i>Code of Alabama 1975</i>, Section 35-12-72(a) states, “Property is presumed abandoned if it is unclaimed by the apparent owner during the time set forth below for the particular property:...(14) Wages or other compensation for personal services, one year after the compensation becomes payable...(18) All other property, three years after the owner’s right to demand the property or after the obligation to pay or distribute the property arises, whichever first occurs.”</p> <p>The law provides that the State Treasurer shall serve as the custodian of property or funds deemed abandoned under its provisions. The <i>Code of Alabama 1975</i>, Section 35-12-76(a) states, “A holder of property presumed abandoned shall make a report to the Treasurer concerning the property. The report shall be filed electronically, and the monies be remitted electronically...(c) The report shall be filed before November 1 of each year and cover the 12 months next preceding July 1 of that year.”</p> <p>The University does not have a policy in place to review outstanding checks each year to determine reportable unclaimed property. As a result, the University did not submit an unclaimed property report for fiscal year 2022.</p> <p>Testing revealed 12 payroll checks totaling \$7,125.38 were over one year old as of June 30, 2022, and 267 checks totaling \$103,410.48 were over three years old as of June 30, 2022. Since the University did not review the outstanding checks, it could not be determined whether all or some of the checks should have been remitted as unclaimed property.</p> <p><u>Recommendation:</u></p> <p>The University should establish and implement policies and procedures to review outstanding checks each year to determine reportable unclaimed property and file a report concerning the property or funds considered abandoned in accordance with the <i>Code of Alabama 1975</i>, Section 35-12-76(a).</p>

Additional Information

Board Members and Officials
October 1, 2019 through September 30, 2022

Board Members	Term Expires
----------------------	---------------------

Hon. Kay Ivey, Governor	President, Ex-Officio	
Hon. Kevin Ball	First District	2026
Hon. Scherrie Banks	Second District	2024
Hon. Tiffany Johnson Cole	Third District	2024
Hon. Roderick DeWayne Watts	Fourth District	2028
Hon. Ginger Harper	Fifth District	2026
Hon. Chris Robinson	Fifth District	2023
Hon. Jerome Williams	Sixth District	2022
Hon. John Hackett, Jr.	Seventh District	2023
Hon. Frank Williams	At-Large 1	2024
Hon. Nichelle Gainey	At-Large 2	2024
Hon. Richard Crunkleton	At-Large 3	2026
Hon. Perry D. Jones	At-Large 3	2020

Board Members and Officials
October 1, 2019 through September 30, 2022

Officials

Dr. Andrew Hugine, Jr.	President (Retired December 31, 2021)
Dr. Daniel K. Wims	President (Beginning January 1, 2022)
Clayton Gibson	Senior Vice-President for Business and Finance (Until July 20, 2021)
Dr. Lynda Batiste	Interim Vice-President for Business and Finance (Beginning May 31, 2021)
	Assistant Vice-President for Finance and Comptroller (Until May 30, 2021)
Charles Frazier	Interim Comptroller (Beginning September 17, 2022)

Schedule of Charges
October 1, 2019 through September 30, 2022

Person/Official Charged	Date	Amount Charged	Amount Paid	Amount Relieved By Chief Examiner	Amount Unpaid	Description of Charge
<u>Directly Charged To:</u>						
Auther P. Johnson, Research Station Operations Technician	3/24/2022-07/31/2022	\$ 7,228.26	\$	\$ 7,228.26	\$	The employee's salary was paid at the wrong contract rate resulting in payroll overpayments.
Total Charges		<u>\$ 7,228.26</u>	<u>\$</u>	<u>\$ 7,228.26</u>	<u>\$</u>	

Order of the Chief Examiner

ORDER OF THE CHIEF EXAMINER

**RE: ALABAMA A&M UNIVERSITY
OCTOBER 1, 2019 THROUGH SEPTEMBER 30, 2022**

This matter of amounts due from employee, Auther Johnson, for Alabama A&M University was brought before me on the 16th day of May 2023, pursuant to the provisions of the *Code of Alabama 1975*, Section 41-5A-20. The employee for Alabama A&M University appeared before me on that date, and I am of the opinion that the former employee has provided evidence to constitute just cause for relief of the charges in the amount of \$7,228.26. Therefore, relief in the amount of \$7,228.26 is granted accordingly.

Entered this the 25th day of May, 2023.

A handwritten signature in dark ink, appearing to read 'R. L. Riddle', written over a horizontal line.

**Rachel Laurie Riddle
Chief Examiner**