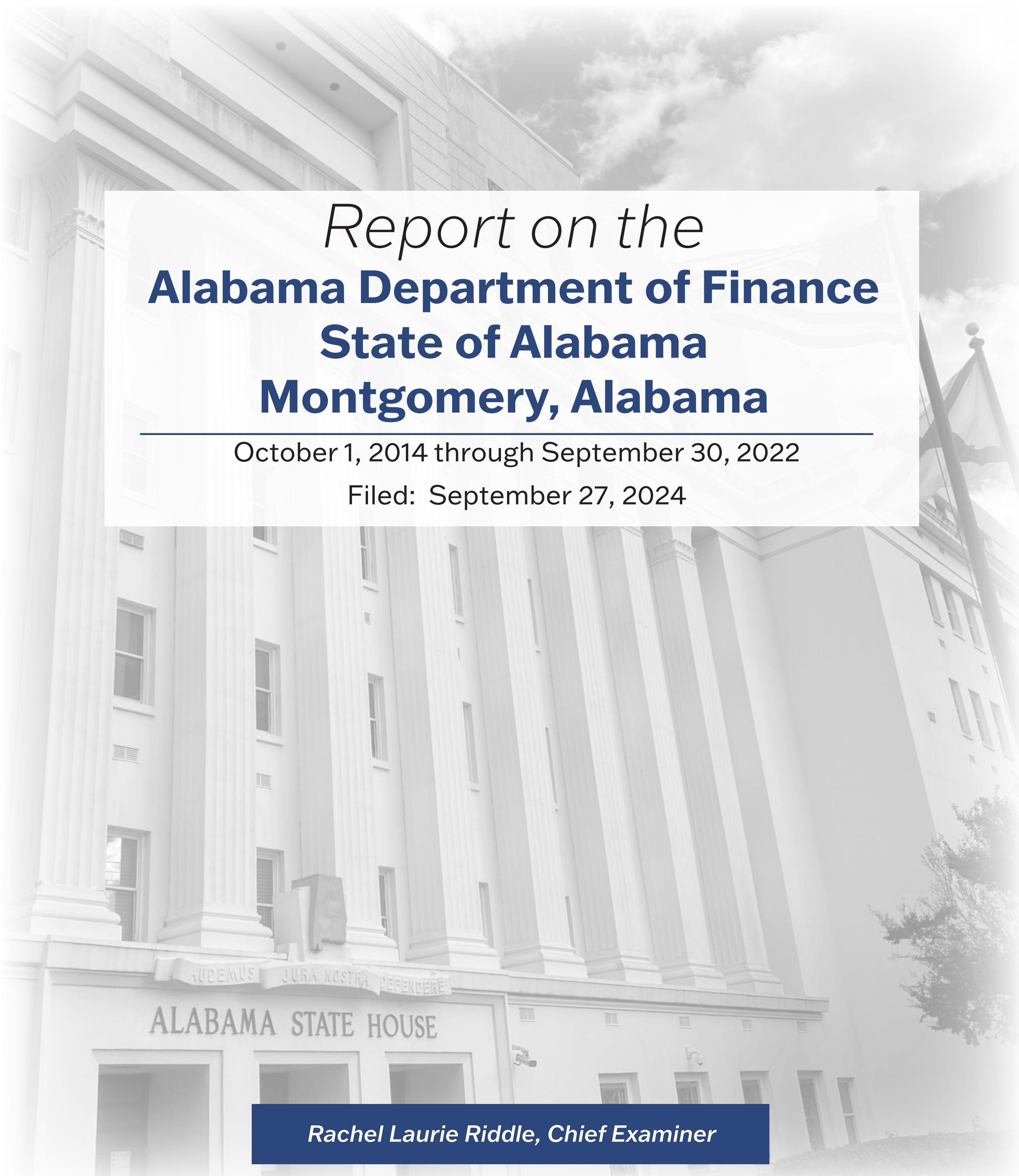
Alabama Department of
Examiners of Public Accounts

Report on the
Alabama Department of Finance
State of Alabama
Montgomery, Alabama

October 1, 2014 through September 30, 2022

Filed: September 27, 2024



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

Rachel Laurie Riddle
Chief Examiner

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

Dear Madam:

An examination was conducted on the Alabama Department of Finance, Montgomery, Alabama, for the period October 1, 2014 through September 30, 2022, by Examiners Claudia Wise, Matt Gullo, Kayla Ohliger, Troy Eastman and Trevonte Howard. I, Claudia Wise, 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 of the examination.

Respectfully submitted,

Claudia Wise.

Claudia Wise
Examiner of Public Accounts

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Examiners of Public Accounts

EXAMINER'S SUMMARY

Alabama Department of Finance
October 1, 2014 through September 30, 2022

PURPOSE AND SCOPE OF EXAMINATION

This report presents the results of an examination of the Alabama Department of Finance (the "Department") and a review of the Department's compliance with applicable laws and regulations of the State of Alabama. This examination was conducted 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. The examination was performed to determine whether the public officers, agents, and employees of the Department properly and lawfully accounted for all money and other public assets or resources received, disbursed, or in the custody of the Department.

This examination included procedures to determine whether the Department complied with the state laws and regulations that pertain to its financial transactions; personnel; safeguarding of state-owned assets, property, and resources; information dissemination, processing, and retention; and official actions, rulemaking procedures, and meetings. The Department's internal control policies and procedures relating to the areas listed above were also reviewed; however, this examination did not encompass managerial and operational matters, such as whether the Department accomplished its mission or its regulatory, enforcement, investigative, or other oversight activities in an efficient, fair, timely, or legal manner.

The mission and purpose of the Department is described in the accompanying Agency Overview.

RESULTS OF THE EXAMINATION

Nonconsumable personal property in the custody of the Department was compared with the property records maintained by the Property Inventory Control Division of the State Auditor's Office as required by the ***Code of Alabama 1975***, Section 36-16-9. Testing revealed no discrepancies.

Tests performed during the examination did not disclose any significant instances of noncompliance with applicable laws and regulations.

EXIT CONFERENCE

An exit conference was held on September 11, 2024. Individuals in attendance were Susan Wilhelm Assistant Finance Director, April Richardson, Accounting Director; along with Brad Grier, Sandra Dawson-Charles and Claudia Wise from the Department of Examiners of Public Accounts.

Department of
Examiners of Public Accounts

AGENCY OVERVIEW

Alabama Department of Finance
October 1, 2014 through September 30, 2022

The Alabama Department of Finance (the "Department") was established by the ***Code of Alabama 1975***, Sections 41-4-1 through 41-4-327. The Director of the Department of Finance is appointed by and serves at the pleasure of the Governor. The Director acts as the Chief Financial Officer of the State and advisor to the Governor and the Legislature in financial matters. The Finance Director appoints and supervises all officers and personnel of the Department of Finance and establishes necessary divisions within the Department. The following sections of the ***Code of Alabama 1975***, apply to the Director of the Department of Finance:

- 2-3A-4; 2-6-74; 9-2-20.1; 9-2-20.2; 9-5-1; 9-6A-6; 9-10A-15; 9-11-23; 9-14A-4; 9-14A-5; 9-14A-21; 11-85-104; 14-1-18; 14-2-6; 16-15-6; 16-16-4; 16-18B-5; 16-25-19; 16-60-86; 16-65-4; 22-3A-6; 22-6-71; 22-12B-2; 22-23A-5; 22-23B-5; 22-29-6; 22-30F-6; 22-34-5; 22-50-25; 23-1-154; 23-1-174; 23-1-305; 23-6-6; 24-1A-4; 29-2-152; 31-9A-12; 33-13-6; 33-16-6; 33-17-6; 36-1-7.1; 36-27-23; 36-27-25; 36-29-2; 41-4-30 through 41-4-38; 41-9-61; 41-9-140; 41-9-570; 41-10-25; 41-10-53; 41-10-202; 41-10-265; 41-10-355; 41-10-395; 41-10-455; 41-10-495; 41-10-545; and 41-10-624.

In addition to the Finance Director's Office, the Department of Finance is comprised of the following divisions that provide financial management and operational support to State of Alabama governmental agencies as well as several divisions that provide support services for the Department of Finance:

- ***Executive Budget Office*** – The Executive Budget Office (EBO) is a division of the State of Alabama's Department of Finance and is operated under the direction of the State Budget Officer. The mission of the EBO is to effectively prepare the Governor's budget proposal, properly administer and supervise the execution of legislative appropriations, estimate revenues for budget preparation and administration, and assist in the drafting of the budget appropriation bills.

- ***Division of Procurement*** – The Chief Procurement Officer heads this Division. The Division of Procurement purchases all personal property (except as otherwise provided by law) for each department, board, bureau, commission, and agency of the State, supervises contracts and leases for personal property, sets personal property standards for quality and quantity, maintains price and supply-source records, supervises state printing and binding, and performs such other duties as the Director of Finance may assign.

- ***Finance Accounting and Administration Division*** – The Finance Accounting and Administration Division is responsible for the accounting functions and maintenance of accounting systems for the Department of Finance. This includes budget preparation, depositing receipts, revenue billing, payment of expenses and travel, purchasing, financial reporting, property inventory and system administration.

- ***State Comptroller's Office*** – The State Comptroller heads this office. The State Comptroller is responsible for keeping the books, records, and accounts relating to the finances of state government, which are required to be maintained by the Department of Finance. This includes maintenance of records of receipts and disbursements of the State Treasury, and issuance of all State warrants drawn on the State Treasury. Each state department or agency receives monthly reports on the status of its accounts/funds and purchasing activity from the State Comptroller's Office.

- ***Legal Division*** – The Legal Division provides legal services to the Director of Finance and the Department's divisions. The Chief of the Legal Division also serves as Legal Counsel for the State Board of Adjustment and the Legal Division provides clerical support for the Board.

- ***Personnel Division*** – Finance Personnel provides administrative support to management and employees of the department for the following areas: employee selection and orientation, compensation administration, training, leave administration, complaint resolution, and disciplinary matters. Additional responsibilities include monitoring compliance with department policies, State Personnel Department Board Rules, and federal regulations governing work activities.

- ***Information Services Division*** – The Information Services Division (ISD) is no longer a division of Finance. The Office of Information Technology (OIT) was created and the ISD functions were transferred to OIT. The Finance Department continued to perform accounting services for OIT until fiscal year 2021. OIT paid Finance quarterly for these services.

- ***State Business Systems Division*** – State Business Systems (SBS) is a cross-discipline unit that supports and works to improve state-wide business processes. The Division contains a wide range of analytical and technical resources to support payroll/personnel, accounting, employee time tracking, web development, desktop support and Finance Department related projects.

- ***Division of Risk Management*** – The Division of Risk Management manages risk through risk control and risk financing to minimize the adverse effects of certain types of losses. Risk financing includes self-insurance through several different funds. The State Insurance Fund manages and controls the insurance of all State property including all school properties in the State of Alabama. The General Liability Trust Fund provides liability protection for State employees acting in the line and scope of their job requirements. The State Employee Injury Compensation Trust Fund was established in 1994 to provide medical and indemnity benefits to State employees who are injured on the job. The Educators Liability Trust Fund was established in 2013 to provide liability protection for employees of local school boards acting in the line and scope of their job requirements. Managing insurance coverage includes assistance to agencies in securing, underwriting, pricing, billing, and claims handling.

- ***Real Property Management*** – Real Property Management was established in 2015 as an agency within the Alabama Department of Finance, creating centralized management of real property. There are 3 divisions within Real Property:

  1. ***Division of Construction Management (DCM)*** – promulgates and enforces the State Building Code through plan reviews and inspections as well as administration of state funded contracts. Administration of the Construction Industry Craft Training (CICT) Program is carried out by DCM in conjunction with the CICT Board.
  2. ***Division of Facilities Management (DFM)*** – supervises the management and maintenance of the capitol building and all other buildings and property owned or leased by the state in Montgomery. DFM also includes central mail operations for state government.
  3. ***Division of Leasing Management (DLM)*** – oversees executive branch leases of real estate and manages a variety of building projects and reviews real estate leases for compliance with State law.

  Real Property Management also manages the functions of the Alabama Building Renovation Finance Authority (ABRFA). ABRFA is a public corporation with the responsibility of the renovation, improvement, and maintenance of State-owned office buildings in Montgomery. ABRFA is authorized to sell bonds in support of the State buildings. Rental income is received from the State Agencies that lease the office space in the buildings listed above, and this money is used to make bond principal and interest payments.

- ***Debt Management*** – The Division of Debt Management and Capital Planning is involved in the issue of all general obligation and certain special revenue bonds of the State of Alabama.

- ***Indigent Defense Services*** – This division provides financial services, guidance, and statistical data to the judicial circuits of Alabama. This office also oversees the payment of court appointed attorneys for certain legal services performed on behalf of indigent clients in the State's family courts.

Funds Managed by the Department of Finance

The Department of Finance operates from several funds maintained in the State Treasury. In addition to annual appropriations from the State General Fund and the Education Trust Fund, departmental operations generate revenues from charges for services provided to State departments and agencies. The Department of Finance manages the following funds maintained in the State Treasury.

- ***State Insurance Fund*** – This fund is used by the Risk Management Division. The fund is authorized by the ***Code of Alabama 1975***, Section 41-15-1. Its revenue sources come from insurance premiums billed to customers/investment income. This fund insures direct physical loss on buildings and contents for state owned property. This fund is not budgeted. This is an enterprise fund.

- ***Auto Physical Damage Liability Fund*** – This fund is used by the Division of Risk Management (DORM). Revenue sources are from insurance premiums billed to customers. This fund provides insurance coverage against physical damage portion for auto accidents for state employees operating state-owned vehicles. All claims are adjusted by American Southern Insurance Company and coordinated with DORM. This fund was set up on October 12, 1995. This is a non-budgeted fund. It is a special revenue fund.

- ***Finance – Debt Division Fund*** – This fund is authorized by the ***Code of Alabama 1975***, Section 41-4-37. Established in 2000. Revenue sources are from the periodic billing for accounting services. It was created to manage the State's public debt. It is a special revenue fund.

- ***Finance Director Special Revenue Fund*** – Created to manage close out of funds remaining from Printing and Publications fund. This fund does not have any revenue source.

- ***First White House Renovation Fund*** – This is a Division of Service fund. It was created to manage renovation projects for the historical building. Its revenues come from emergency funds and other transfers. It is a Capital Project fund.

- ***Wynfield Special Revenue Fund*** – A Division of Service fund. Revenue sources come from the general fund transfers and other transfers. This fund was created to manage the costs associated with maintaining the Wynfield property that was donated to the state. It is a special revenue fund.

- ***Auto Liability Fund*** – This fund is within the Division of Risk Management. Revenue sources come from the insurance premiums billed to customers. The fund provides lawsuit liability coverage for state employees operating state-owned vehicles. This fund is non-budgeted. It is a special revenue fund.

- ***BP Oil Spill Fund*** – Created in 2010 to hold reimbursements from BP to be used to cover state costs of employees sent to work on the Deepwater Horizon oil spill emergency. Revenue sources come from transfers. It is a special revenue fund.

- ***Real Property Management Fund*** – The fund is authorized by the ***Code of Alabama 1975***, Section 41-4-352. All user fees collected, direct appropriations, and other funds received under the provisions of this article shall be deposited into a revolving fund in the State Treasury designated as the Real Property Management Fund, and the Director of Finance is authorized to make deposits and expenditures from time to time from such fund to carry out the purposes of this article. All balances of revenue, income, and receipts remaining in the Real Property Management Fund at the end of the fiscal year shall carry over to the next fiscal year and shall not revert to the State General Fund or any other fund under the provisions of Section 41-4-93. No funds shall be withdrawn or expended except as budgeted and allotted according to Sections 41-4-80 to 41-4-96 and Sections 41-19-1 to 41-19-12, inclusive, and only in amounts as stipulated in the general appropriations act or other appropriations acts. This fund is part of the Division of Real Property. Moved to the Department of Finance on October 1, 2015 – formerly known as "Building Commission". Revenue sources come from user fees. It includes Construction Management (Building Commission), Facilities Management, leasing Management, Home Inspections. It is an internal service fund.

- ***Craft Training Fund*** – The fund is authorized by the ***Code of Alabama 1975***, Section 41-4-411. The Craft Training Fund is created for the benefit of the State of Alabama and its citizens and shall continue to exist as a special fund in the State Treasury and shall be funded with the construction industry craft training fees and administered solely in accordance with Section 41-4-412 and the decisions of the Craft Training Board. The revenue received by the fund shall be invested by the State Treasurer in permitted investments until the Craft Training Board uses money for the purposes established in that section. Earnings on permitted investments shall remain a part of the fund. This fund is part of the Division of Real Property. It was established on October 1, 2016. The revenue sources come from the user fees. It was created to manage the funds of the Craft Training Board and the Alabama Construction Industry Craft Training Program. It is a special revenue fund.

- ***Telecommunications Revolving Fund*** – Provides for the coordination and promotion of efficiency in the acquisition, operation and maintenance of telecommunications and computer equipment, services, and networks used by state agencies. This is an internal service fund.

- ***Mail and Supply Room Revolving Fund*** – This fund is authorized by the ***Code of Alabama 1975***, Section 41-4-180. The fund was set up to account for the activity of the mail room withing the Service Division. Its revenues come from internal billings based on usage. This is an internal service fund.

- ***Capitol Complex Maintenance and Repair Fund*** – This fund is used to account for transfers received from the State General Fund in lieu of rent from the State House for the legislative space. Additionally, it receives rental income from the office buildings owned by the State. The ***Code of Alabama 1975***, Section 41-4-17 authorizes the Department of Finance to charge rent for the use and occupancy of any building owned by the State located in the Capitol complex and maintained by the Department of Finance, or any other building maintained by the Department of Finance nor or in the future. This is an internal service fund.

- ***Risk Management Administrative Fund*** – This fund is used by the Risk Management Division for operations and for administrative costs of other risk management funds. This is an internal service fund

- ***General Liability Trust Fund*** – This fund is authorized by the ***Code of Alabama 1975***, Section 36-1-6.1 and provides liability protection for state employees acting in the line and scope of their job requirements. This is an internal service fund.

- ***Fidelity Bonds Escrow Fund*** – This fund is used to account for the dishonesty bond premiums for employees that are paid by each department. This is an internal service fund.

- ***State Employees Injury Compensation Trust Fund*** – Provides benefits to eligible state employees for job-incurred injury. This fund is authorized by the ***Code of Alabama 1975***, Section 36-29A-3. This is an internal service fund.

- ***Accounting and Administration Fund*** – This fund is used to account for the costs of the Finance Central Accounting Office. Its revenues come from internal billings for the services provided. This is an internal service fund.

- ***Finance Director's Office Fund*** – This fund is used to account for the departmental related activities of the Finance Director's Office. The revenues come from internal billings for the services provided. This is an internal service fund.

- ***Finance Personnel Fund*** – This fund is used to account for the activities of the Personnel Division of the Department of Finance. Its revenues come from internal billings for the services provided. This is an internal service fund.

- ***Finance Legal Division Fund*** – This fund is used to account for the activities of the Legal Division of the Department of Finance. Its revenues come from internal billings for the services provided. This is an internal service fund.

- ***State Business Systems Fund*** – This fund is used to account for State Business Systems. The State Business Systems supports statewide business processes including STAARS, eStart and GHRS. Its revenues come from internal billings based on usage. This is an internal service fund.

- ***State Procurement Fund*** – This fund is authorized by the ***Code of Alabama 1975***, Section 41-4-110 and is used to support a state-wide procurement process. Its revenue sources include contract administrative fees from vendors when state agencies use their services or buy their products. Revenues are also obtained by charging state agencies who use the division of Purchasing or operating costs. This is an internal service fund.

- ***Comptroller Internal Service Fund*** – This fund is authorized by the ***Code of Alabama 1975***, Section 41-4-50 and is used to support state-wide financial operations. Its revenues come from internal billings for the services provided. This is an internal service fund.

- ***Office of Indigent Defense Services Fund*** – This fund is used to account for the financial services provided to judicial courts and oversees payment of court appointed attorneys. This is a special revenue fund.

- ***Educators Liability Trust Fund*** – This fund is authorized by the ***Code of Alabama 1975***, Section 16-22-4.1. This fund covers employees of public k-12 schools in Alabama for acts and omission undertaken in the scope of their official duties. This is an internal service fund.

Amounts collected by the Department of Finance from fees received in exchange for services provided to State agencies which are unexpended at the end of the fiscal year remain in the fund for subsequent year appropriation and expenditure.

Additional Services Provided by the Department of Finance

Institutional Services Correction Program

In addition to appropriations for the normal functions of the Department of Finance, the Department is responsible for some other functions of government that fall into a fund entitled "Finance - Special Appropriations." Included in these special appropriations is the Institutional Services Correction Program (Feeding Prisoners Program). The Feeding of Prisoners is governed by the ***Code of Alabama 1975***, Sections 14-6-42 and 14-6-43. Each county sheriff's office reports monthly the number of prisoners held in the jail for each day. Also, the State of Alabama's General Fund conditionally appropriates funds per inmate per day. The sheriffs of the several counties of the State receive pay for services in preparing food, serving food and other services incident to the feeding of prisoners, not including the cost of the food to be served to such prisoners based on a scale that corresponds to the number of inmates housed by the respective county.

Alabama Board of Adjustment (BOA)

BOA is authorized by the ***Code of Alabama 1975***, Sections 41-9-60 through 41-9-84 and was established to provide a method of payment by the State for injuries or property damage or death, which the State has a legal or moral obligation to pay in those cases where legal action against the State is barred by the doctrine of sovereign immunity. The Board is composed of four ex-officio members as follows: the Director of Finance, the State Treasurer, the Secretary of State, and the State Auditor. The Board of Adjustment is an independent quasi-judicial agency of the Legislative Branch of the State of Alabama. The Legal Division of the Department of Finance is required to provide legal representation and clerical support for the Board, and its day-to-day operations are administered by this Division. The Clerk of the Board is responsible for maintaining the minutes of the Board, receiving all claims filed with the Board of Adjustment and administering the process of hearing and disposing of claims. The Board of Adjustment *does not* pay other claims against the State of Alabama but may order the agency, commission, board, institution, or department of the State of Alabama to pay a claim if the Board determines that in law, justice, or good morals the claim should be paid, and the payment is permissible under the laws and rules governing the operation of the Board of Adjustment.

Additional information pertaining to the Department of Finance can be found on the Department's website www.finance.alabama.gov.

Other Information

Officials

October 1, 2014 through September 30, 2022

Officials		Term Expires
Hon. Bill Poole	Finance Director Alabama Department of Finance Alabama State Capitol 600 Dexter Avenue, Suite N-200 Montgomery, AL 36104 (334) 242-7160 www.finance.alabama.gov	
Hon. Kelly Butler	Finance Director	2021
Hon. Clinton Carter	Finance Director	2018
Hon. Bill Newton	Finance Director	2016

Authority Members		Term Expires
Hon. Kay Ivey	Chairman	2027
Hon. Young Boozer	Member	2027
Hon. Bill Poole	Member	Indefinite
Hon. Robert Bentley	Member	2017
Hon. Kelly Butler	Member	2021
Hon. John McMillan	Member	2021
Hon. Clinton Carter	Member	2018
Hon. Bill Newton	Member	2016

Board of Adjustment Members
October 1, 2014 through September 30, 2022

Board Members		**Term Expires**
Hon. John Merrill	Ex Officio	2023
Hon. Young Boozer	Ex Officio	2027
Hon. Jim Zeigler	Ex Officio	2023
Hon. Bill Poole	Ex Officio	Indefinite
Hon. Kelly Butler	Ex Officio	2021
Hon. John McMillan	Ex Officio	2021
Hon. James Bennett	Ex Officio	2015
Hon. Samantha Shaw	Ex Officio	2015
Hon. Clinton Carter	Ex Officio	2018
Hon. Bill Newton	Ex Officio	2016

Construction Industry Craft Training Board Members
October 1, 2014 through September 30, 2022

Board Members		Term Expires
Hon. Chris Braswell	Chairman	2023
Hon. Thomas McNeal	Vice-Chairman	2024
Hon. Gary Savage	Member	2023
Hon. Mark Bratton	Member	2024
Hon. Brad Avery	Member	2025
Hon. Ken Todd	Member	2026
Hon. Bennie Andrews	Member	(Deceased)
Hon. Jason A. Goodgame	Member	2022
Hon. Gary Nichols	Member	2022
Hon. Jerry Grissom	Member	2021
Hon. Gail Braswell	Member	2020
Hon. Christopher L. Swain	Member	2020
Hon. Bruce Taylor	Member	2021
Hon. David Hare	Member	2018
Hon. Al Stanley	Member	2018
Hon. Jonathan Watts	Member	2018
Hon. John Garrison	Member	2017