



Alabama Department of Examiners of Public Accounts

Report on the **Bishop State Community College Mobile, Alabama**

October 1, 2021 through September 30, 2023

Filed: September 6, 2024

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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 Bishop State Community College, Mobile, Alabama, for the period October 1, 2021 through September 30, 2023, by Examiners Phillippe Walker and Holly White. I, Phillippe Walker, 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,

Phillippe Walker
Examiner of Public Accounts

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EXAMINER'S SUMMARY

**Bishop State Community College
October 1, 2021 through September 30, 2023**

PURPOSE AND SCOPE OF THE EXAMINATION

This report presents the results of an examination of Bishop State Community College (hereinafter referred to as the “College”) and a review of the College’s compliance 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.

The firm of Kassouf & Co., Inc. conducted the financial audits of the College for the fiscal years ended September 30, 2022 and 2023.

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

RESULTS OF THE EXAMINATION

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 they are summarized below:

Findings

- ◆ 2023-001: The College did not ensure policies and procedures were properly followed regarding accountability for capitalized items.
- ◆ 2023-002: The College failed to assess the taxable benefit and report the personal use of a college-owned vehicle on two employees’ W-2 Forms. This finding was presented in the prior audit as finding number 2021-002.
- ◆ 2023-003: The College failed to ensure payments were made in accordance with approved contracts and failed to require all vendor negotiations to be handled through the purchasing agent.

- ◆ 2023-004: The College failed to publish its financial data as required by the *Code of Alabama 1975*, 41-4-65 and Board Policy *304.01: Financial Reporting*.
- ◆ 2023-005: The College did not comply with the Alabama Competitive Bid Law when purchasing equipment.
- ◆ 2023-006: The College did not ensure fundraising activities were approved and funds collected were accounted for as received.
- ◆ 2023-007: The College did not comply with the Immigration Reform and Control Act of 1986, by not ensuring an I-9 Form was on file for each employee.
- ◆ 2023-008: The College does not have controls in place to ensure that Dual Enrollment instructors are not compensated by both the College and the local Board of Education for the same instructional time.

EXIT CONFERENCE

The following officials/employees were invited to an exit conference to discuss the results of this examination: Olivier Charles, President; Jessica Davis, Regional Chief Financial Officer; Kelly Little, Regional Chief Financial Officer; and Jimmy Baker, Chancellor of the Alabama Community College System. The following individual attended the exit conference: Kelly Little, Regional Chief Financial Officer. Olivier Charles, President, attended virtually along with the following individuals from the Alabama Community College System: Sara Calhoun, Chief Financial Officer; Billy Merrill, Deputy Chief Financial Officer, and Jessica Davis, Regional Chief Financial Officer. The Department of Examiners of Public Accounts was represented by Mistie Beam, Audit Manager and Phillipe Walker and Holly White, Examiners.



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AGENCY OVERVIEW

**Bishop State Community College
October 1, 2021 through September 30, 2023**

Bishop State Community College (hereinafter referred to as the “College”) is a publicly supported institution in the Alabama Community College System (ACCS). The College is under the direction and control of the ACCS Board of Trustees through the Chancellor of the ACCS Office. The system of colleges was authorized in 1963 by the Alabama Trade School and Junior College Authority Act, codified in Article 5 of the *Code of Alabama 1975*, Section 16-60. The Colleges under the direction and control of ACCS are educational institutions offering learning opportunities through various degrees and certifications, dual enrollment, adult education, and workforce development programs.

More information on the College can be found at www.bishop.edu.

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*Schedule of State Compliance
and Other Findings*

Schedule of State Compliance and Other Findings

October 1, 2021 through September 30, 2023

Ref. No.	Finding/Noncompliance
2023-001	<p><u>Finding:</u></p> <p>Alabama Community College System (ACCS) Board Policy 324.01: Capital Assets requires each college to conduct an annual physical inventory of capitalized items and reconcile to the financial statement for the corresponding fiscal year.</p> <p>ACCS Board Policy 301.02: Accounting Procedures states, “The Fiscal Procedures Manual for the Alabama Community College System shall be used by all institutions.”</p> <p>The Fiscal Procedures Manual, Capital Assets procedures section requires the inventory records to include a complete description of the equipment, manufacturer’s serial number, acquisition cost, date of purchase, location, and the College’s property control number. In addition, the property manager is responsible for resolving discrepancies between the official records and the location of the property and to report the discrepancies to the Chief Financial Officer.</p> <p>Following inventory policies and procedures helps the College to maintain accountability for property and to minimize the possibility that errors or irregularities, including misappropriations and fraud, could occur and not be detected.</p> <p>A review of the annual inventory performed by the property manager, including instructions, revealed each equipment report assigned to managers was to be initialed by each item to indicate: the item is located where it is listed on the report; the serial numbers match or write the serial numbers if not on the report; and to make notes if there are any discrepancies. The annual inventory documentation provided did not include initials beside each item to indicate the annual inventory was completed according to the instructions.</p>

Schedule of State Compliance and Other Findings
October 1, 2021 through September 30, 2023

Ref. No.	Finding/Noncompliance
	<p><u>Finding Continued:</u> A sample of 40 pieces of equipment was selected to validate capital assets are safeguarded by ensuring the College’s inventory records agree with the capital assets. Examination tests revealed:</p> <ul style="list-style-type: none"> ✓ Six pieces of equipment could not be located. ✓ The Institution’s property control number could not be located on eight pieces of equipment. ✓ Inventory records did not include serial numbers for 23 pieces of equipment. <p><u>Recommendation:</u> In order to ensure that accountability is maintained for property, the College should comply with Board Policy 324.01: Capital Assets and the Fiscal Procedures Manual. Additionally, instructions for the College’s physical inventory requirements should be followed.</p>
2023-002	<p><u>Finding:</u> The Internal Revenue Service Publication 15-B provides that certain fringe benefits, such as employer provided vehicles to be used for commuting purposes, provided to employees are considered taxable to the individual, unless they qualify for certain exemptions. The College provided college-owned vehicles to two employees for commuting during the examination period. The individuals did not qualify for an exemption under the Internal Revenue Service Guidelines. The College does not have policies and procedures in place to ensure the value of fringe benefits, as defined in IRS Publication 15-B, was included on the employees’ W-2 forms. As a result, the College did not properly report all taxable compensation on the employees’ W-2 forms.</p> <p><u>Recommendation:</u> The College should have policies and procedures in place to assess the taxable fringe benefits resulting from the personal use of college-owned vehicles to employees in accordance with IRS regulations and should ensure proper reporting on W-2 forms.</p>

Schedule of State Compliance and Other Findings
October 1, 2021 through September 30, 2023

Ref. No.	Finding/Noncompliance
2023-003	<p><u>Finding:</u></p> <p>An adequate system of internal controls would include a review of invoices compared to approved contractual agreements to ensure rates are properly approved and vendors are paid according to the agreement. In addition, the ACCS Fiscal Procedures Manual requires that all negotiations with the vendor pertaining to prices, terms, conditions, substitutes, deliveries, etc. are to be handled through the purchasing agent. During the examination the following issues with vendor payments were noted:</p> <ul style="list-style-type: none">✓ The College entered into an agreement with a vendor for services relating to educational training and consulting. According to the agreement, the vendor was to receive \$35/hour for work performed during the period of July 5, 2022, through August 25, 2022, not to exceed \$5,320. However, the College's financial records indicate the vendor was paid \$5,600, which exceeded the contract amount by \$280.00.✓ The College paid a retired employee for providing locksmith services at a service call rate of \$150 per day. The College did not have an executed agreement that detailed the services to be provided for the \$150 per day rate. The only documentation the College was able to provide was an email to the Director of Facilities from the vendor quoting the rate of \$150/day. Invoices were reviewed and minimal detail was included on the invoice of the work performed. <p><u>Recommendation:</u></p> <p>The College should implement internal controls to ensure all negotiations with vendors are handled through the purchasing agent; proper agreements are executed; and payments are made within the terms of the executed agreements.</p>

Schedule of State Compliance and Other Findings
October 1, 2021 through September 30, 2023

Ref. No.	Finding/Noncompliance
2023-004	<p><u>Finding:</u> The <i>Code of Alabama 1975</i>, Section 41-4-65 and ACCS Board Policy <i>304.01: Financial Reporting</i> requires each college of the Alabama Community College System (ACCS) to publish its financial data electronically on its principal website prominently indexed.</p> <p>The Chancellor's procedures for this policy require each college of the ACCS to have a link on its principal website titled <i>Financial Disclosure</i> so financial data from fiscal year 2007 and for each fiscal year thereafter remain accessible.</p> <p>Examination results revealed the financial data was not published on the principal website of the College. Once located from another page of the website, it was determined the only Financial Disclosure Reports shown that were accessible were expenditures for 2023-2024.</p> <p>By not publishing financial data, the expenditures made by the College are not transparent to the public since they cannot be viewed.</p> <p><u>Recommendation:</u> The College should publish its financial data from fiscal year 2007 forward with a link accessible to Financial Disclosures from its principal website in order to comply with the <i>Code of Alabama 1975</i>, Section 41-4-65 and ACCS Board Policy <i>304.01: Financial Reporting</i>.</p>

Schedule of State Compliance and Other Findings

October 1, 2021 through September 30, 2023

Ref. No.	Finding/Noncompliance
2023-005	<p><u>Finding:</u></p> <p>Until October 1, 2022, the bid requirements for the College were found in the <i>Code of Alabama 1975</i>, Sections 41-16-50 through 41-16-63. The <i>Code of Alabama 1975</i>, Title 41-16-50, requires expenditures for the purchase of materials, equipment, supplies and other personal property exceeding certain thresholds is to be made under contractual agreement entered into by free and open competitive bidding and awarded to the lowest responsible and responsive bidder. During the examination period, the College let a bid for machine tool equipment requiring the prices remain in effect for 90 days by the successful bidder.</p> <p>Prices charged to the College for the equipment could not be traced to the winning bid award amounts for all items. The College paid additional prices for several of the pieces of equipment included in the bid. Upon further review, the winning bidder documented in the bid response that prices would remain in effect for 30 days. According to College personnel, due to the pandemic many items were backordered, and the College could not get anyone to confirm prices remain a set amount for a long period of time. The College did not rebid the items with amended bid specifications relating to the timeframe for purchases and awarded the bid without regard to the 90-day requirement. After the 30-day guarantee from the awarded vendor expired, the College continued to purchase equipment from the vendor without rebidding. As a result, the College was not in compliance with the <i>Code of Alabama 1975</i>, Title 41-16-50.</p> <p><u>Recommendation:</u></p> <p>The College should ensure contracts are awarded and purchases are made in compliance with Alabama bid laws.</p>

Schedule of State Compliance and Other Findings

October 1, 2021 through September 30, 2023

Ref. No.	Finding/Noncompliance
2023-006	<p><u>Finding:</u></p> <p>The Alabama Community College System (ACCS) Board of Trustees Policy 301.02: Accounting Procedures requires all institutions to use the ACCS Fiscal Procedures Manual, and Policy 806.01: Student Organizations requires colleges to maintain, publish, and distribute policies regarding student organizations.</p> <p>The ACCS Fiscal Procedures Manual established procedures that require reconciliations of cash collected on a daily and monthly basis. The procedures also require cash to be accounted for as received, deposited promptly and safeguarded.</p> <p>The College's fundraising policies and procedures for student clubs and organizations require the President to approve any activities prior to the event using a Fundraising Activity Form. Additionally, a financial report must be submitted to the Dean of Students and President's office within three (3) days of the culmination of the Fundraising activity, and the organization is responsible for following all College policies.</p> <p>During the examination period, the Student Government Association (SGA) collected money for concessions at athletic events. Examination results revealed:</p> <ul style="list-style-type: none"> ✓ An approved Fundraising Activity Form could not be located for concessions for Fall 2021. ✓ Only 2 deposits were made for concessions in November 2021 in the amounts of \$60 and \$130. ✓ A Fundraising Activity Form was provided for Fall 2022 and Spring 2023, but it was not approved by the President. ✓ No deposits were recorded for concessions according to the general ledger for Fall 2022 and Spring 2023. ✓ A financial report could not be located for Fall 2021, Fall 2022, or Spring 2023. <p>Both deposits for concessions were selected for review. Neither deposit included reconciliation documentation of cash collected for concessions to the amount deposited with the cashier's office. It could not be determined which games the deposits covered; whether the cash was accounted for as received; or deposited promptly.</p> <p><u>Recommendation:</u></p> <p>The College should follow established policies and procedures to ensure accountability is maintained for all cash collected through fundraising activities.</p>

Schedule of State Compliance and Other Findings
October 1, 2021 through September 30, 2023

Ref. No.	Finding/Noncompliance
2023-007	<p><u>Finding:</u> The Immigration Reform and Control Act of 1986, requires an employer to complete a Form I-9 for employees hired after November 6, 1986, and retain the form for as long as an employee works for the employer. When employment ends, the employer must retain the individual's form for one year from the date employment ends, or three years after the first day of employment, whichever is later. The form verifies the identity and employment authorization of all new employees, including citizens and noncitizens.</p> <p>A sample of 25 employees paid during the examination period was selected for review. Six I-9 Forms could not be provided. As a result, the College is not in compliance with the Immigration Reform and Control Act of 1986.</p> <p><u>Recommendation:</u> The College should ensure compliance with the Immigration Reform and Control Act of 1986, by completing and retaining the Form I-9.</p>

Schedule of State Compliance and Other Findings

October 1, 2021 through September 30, 2023

Ref. No.	Finding/Noncompliance
2023-008	<p><u>Finding:</u></p> <p>The College employs adjunct faculty to provide dual enrollment instruction to high school students. The Dual Enrollment program allows eligible high school students to earn high school and college credits for courses taken while still enrolled in high school. Many of the courses are taught at the local high schools, during the regular school day, by high school teachers who meet the credentialing requirements of the Alabama Community College System.</p> <p>The Alabama Community College System’s (ACCS) Chancellor’s Procedure for Policy 801.03: Dual Enrollment/Dual Credit for High Schools Students states that faculty may not receive dual compensation for instructional time. In addition, Attorney General (AG) Opinion 2021-021, opined that a public employee may not be compensated twice for the same work and that a second position must be performed during periods of ‘free time,’ off duty time, or while on leave without pay from the first position.</p> <p>A review of dual enrollment adjunct faculty indicated that the College does not have controls in place that ensure instructors were not compensated by both the College and the local Board of Education for the same instructional time. Testing revealed that the College paid the instructor(s) based on a local adjunct faculty salary schedule for the same instructional time that the Board of Education paid the employee their regular teaching salary. As a result, the College is not in compliance with ACCS Policy 801.03 nor AG Opinion 2021-021.</p> <p><u>Recommendation:</u></p> <p>In order to comply with ACCS Policy 801.03 and AG Opinion 2021-021, the College should design and implement controls to ensure that Dual Enrollment adjunct faculty are not compensated twice for the same work performed for local Boards of Education.</p>

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Additional Information

College Officials
October 1, 2021 through September 30, 2023

Officials	Position
Jimmy Baker	Chancellor, Alabama Community College System
Olivier Charles	President (Beginning August 1, 2022)
Dr. Lawrence Brandyburg	President (Until July 5, 2022)
Jessica Davis	Regional Chief Financial Officer, Alabama Community College System
Kelly Little	Director of Accounting