



Randolph County Commission

Randolph County, Alabama

October 1, 2021 through September 30, 2023

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ALABAMA DEPARTMENT OF
EXAMINERS of Public Accounts

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

Dear Madam:

An examination was conducted on the Randolph County Commission, Randolph County, Alabama, for the period October 1, 2021 through September 30, 2023. 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,

Victoria Langley
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Randolph County Commission
October 1, 2021 through September 30, 2023**

The Randolph County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Randolph County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 1. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services and educational services to the citizens of Randolph County.

The objectives of a traditional audit are to determine whether the financial statements present fairly the financial position and results of financial operations. It is a standard business and best practice for governments to reconcile, adjust and close financial accounts at the end of each accounting cycle and to prepare financial statements. Financial statements are used to communicate to management, citizens, investors, creditors and other stakeholders the resources received by the County, how those resources were used and what resources remain at the end of each reporting period. Financial statements are the core of financial reporting and are the principal means of communicating financial information to external users.

Several attempts were made to obtain year-end financial statements in order to perform a financial statement audit of the Commission’s activities and the results of its operations. However, the Commission had not prepared financial statements for fiscal years 2022 and 2023, as indicated in Finding 2023-001. On April 30, 2025, the Chief Examiner informed the Commission that the Department has a duty to audit and examine the Commission's books and records; therefore, a legal compliance examination would have to be performed in lieu of traditional financial statement audits for the fiscal years ended September 30, 2022 and September 30, 2023.

The Commission’s failure to have traditional financial statement audits for the above referenced fiscal years may impact the Commission’s credit rating and/or ability to borrow money in the future. Additionally, if the Commission expended \$750,000 or more in federal awards during any fiscal year, its failure to have the federal awards audited as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)* may result in the loss of future federal funding.

This report presents the results of an examination of the Commission and a review of the Commission'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.

FINDINGS

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

- ◆ 2023-001: The Commission failed to produce financial statements, including a Schedule of Expenditures of Federal Awards, for the fiscal years ended September 30, 2022 and September 30, 2023. This finding was previously reported as Finding 2021-001 and Finding 2019-001.
- ◆ 2023-002: The Commission failed to ensure sales and use taxes were properly distributed. This finding was previously reported as Finding 2021-005.
- ◆ 2023-003: The Commission failed to ensure that restricted Capital Improvement funds were expended only for allowable purposes. This finding was previously reported as Finding 2021-006, Finding 2019-008, Finding 2016-005 and Finding 2015-004.
- ◆ 2023-004: The Commission failed to reconcile the amounts shown in its bank accounts to the amounts shown in its accounting records in a timely manner. This finding was previously reported as Finding 2021-008, Finding 2019-009 and Finding 2016-006.
- ◆ 2023-005: The Commission failed to ensure that capital asset balances were properly reported. This finding was previously reported as Finding 2021-010, Finding 2019-016, Finding 2016-014, Finding 2015-010 and Finding 2004-002.

EXIT CONFERENCE

Commission members and administrative personnel, as reflected on Exhibit 1, were invited to discuss the results of this report at an exit conference. Individuals in attendance were County Administrator Travis Heard; and Commissioners Larry Roberts, Derek Farr, Pamela Johnson, and Lorenzo Foster. Also in attendance were the following representatives from the Department of Examiners of Public Accounts: BriAnna Upchurch, Audit Manager; and Victoria Langley; Examiner.

*Schedule of State and Local
Compliance and Other Findings*

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

Ref. No.	Finding/Noncompliance
2023-001	<p><u>Finding:</u> The Governmental Accounting Standards Board's (GASB) <i>Codification of Governmental and Financial and Reporting Standards</i>, Section 1100.101, provides that a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions. Pursuant to the <i>Code of Alabama 1975</i>, Section 41-5A-21, the Chief Examiner of Public Accounts has prescribed the Alabama County Commission Finance Manual as the required accounting system for all County Commissions and as such, each county commission must have the ability to produce a complete set of financial statements in a timely manner. Additionally, any entity that expends more in federal awards than the thresholds established under the audit requirements of Title 2 U. S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)</i> during any fiscal year is required to report the federal expenditures on the Schedule of Expenditures of Federal Awards and to have a single audit conducted for that year. The Commission did not produce financial statements, including the Schedule of Expenditures of Federal Awards, for the 2022 and 2023 fiscal years covered by this examination period. Procedures were not in place to ensure financial statements were prepared. As a result, a financial audit could not be conducted, and a determination could not be made as to whether a federal single audit was necessary. This finding was previously reported as Finding 2021-001 and Finding 2019-001.</p> <p><u>Recommendation:</u> The Commission should prepare financial statements in a timely manner at the end of each fiscal year and should determine the amount of federal expenditures for single audit purposes.</p>

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

Ref. No.	Finding/Noncompliance
2023-002	<p><u>Finding:</u> The <i>Code of Alabama 1975</i>, Section 40-12-4, allows the Commission to levy a sales and use tax to be used exclusively for school purposes. In July 2002, the Commission levied a one percent sales and use tax to be paid to the Randolph County Board of Education and the Roanoke City Board of Education. The payments to the boards of education are to be made based on the percentages determined by the State Department of Education in accordance with the <i>Code of Alabama 1975</i>, Section 16-13-31. The Commission has a contract with an outside agency to collect and distribute the tax. The Commission receives the distribution percentages from the State Department of Education annually and is responsible for ensuring the percentages are updated by the agency making the distributions. Beginning in October 2020, the updated percentages were not provided and therefore, the distributions were not accurate. The Commission failed to ensure sales and use taxes were distributed according to the percentages determined by the State Department of Education. As a result, during the period between October 2020 and April 2024, the Roanoke City Board of Education received \$283,752.88 of sales and use taxes that should have been paid to the Randolph County Board of Education. On September 30, 2024, the Roanoke City Board of Education signed an agreement to pay the Randolph County Board of Education \$7,882.02 per month for three years or until the full amount has been repaid. This finding was previously reported as Finding 2021-005.</p> <p><u>Recommendation:</u> The Commission should ensure that sales and use taxes are distributed in accordance with percentages determined by the State Department of Education.</p>

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

Ref. No.	Finding/Noncompliance
2023-003	<p><u>Finding:</u> The <i>Code of Alabama 1975</i>, Section 11-29-6, the legal authority for the Capital Improvement Fund, restricts money in this fund to only be used to assist in the restoration and improvement of county government buildings, bridges, roads, streets, and other facilities, and to promote the health, safety, and public welfare of the citizens of the State. The Commission made loans from the Capital Improvement Fund to the General Fund during prior fiscal years. The Commission was unable to provide documentation that expenditures made by the General Fund were in accordance with the <i>Code of Alabama 1975</i>, Section 11-29-6. The Commission failed to ensure that restricted Capital Improvement funds were expended only for allowable purposes in prior years, nor have any of the unallowable amounts been repaid. As a result, at September 30, 2023, the General Fund owed the Capital Improvement Fund \$509,049.30. This finding was previously reported as Finding 2021-006, Finding 2019-008, Finding 2016-005 and Finding 2015-004.</p> <p><u>Recommendation:</u> The Commission should not make interfund loans using restricted funds and should ensure that amounts due to the Capital Improvement Fund from the General Fund are repaid.</p>

Schedule of State and Local 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>, Sections 11-3-11(a)(3) and (4) give the Commission the authority to examine, settle, and allow all accounts and claims chargeable against the county and to examine and audit the accounts of all officers having the care, management, collection, or disbursement of money belonging to the county or appropriated for its use and benefit. Therefore, to fulfill this responsibility, it is incumbent upon the management of the Commission to establish, implement and maintain policies and procedures to require the reconciliation of cash shown in the Commission’s accounting records to the amounts shown in the bank accounts on a monthly basis to minimize the possibility that errors or irregularities, including misappropriations and fraud, could occur and not be detected. During the examination period, the Commission failed to reconcile the amounts shown in its bank accounts to the amounts shown in its accounting records in a timely manner. Errors made on reconciliations that were attempted subsequent to the reporting period resulted in significant over and understatements in cash balances. As a result of not reconciling the bank accounts in a timely manner and not reconciling the amounts to the accounting records, errors could occur and not be detected. This finding was previously reported as Finding 2021-008, Finding 2019-009 and Finding 2016-006.</p> <p><u>Recommendation:</u> The Commission should establish and implement policies, procedures and internal controls to require bank accounts to be reconciled timely and accurately.</p>

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

Ref. No.	Finding/Noncompliance
2023-005	<p><u>Finding:</u></p> <p>The Governmental Accounting Standards Board’s (GASB) <i>Codification of Governmental Accounting and Financial Reporting Standards</i>, Section 1400, requires capital assets to be properly valued, depreciated and reported in the government-wide financial statements. To comply with this standard, adequate records should be maintained to support the balances for capital assets and periodic inventories of capital assets should be taken to substantiate the records. A complete and accurate periodic inventory of capital assets was not taken and reconciled to the accounting records. Testing of capital assets revealed the following issues:</p> <ul style="list-style-type: none">✓ The Commission did not maintain a listing for additions and deletions of capital assets.✓ Purchases of new equipment were not always added to capital asset records and equipment items sold as surplus were not always deleted from capital asset records.✓ The Commission did not depreciate items that made up the balances reported in the accounting records for capital assets. <p>The Commission failed to ensure capital asset balances were properly reported. Consequently, it was not possible to determine the accuracy of balances reported as capital assets in the Commission’s accounting records at September 30, 2023. This finding was previously reported as Finding 2021-010, Finding 2019-016, Finding 2016-014, Finding 2015-010 and Finding 2004-002.</p> <p><u>Recommendation:</u></p> <p>A complete and accurate periodic inventory of capital assets should be taken and reconciled to the accounting records, and the Commission should maintain listings of additions and deletions of capital assets that reconcile to the amounts reported as capital assets on the Commission’s accounting records. In addition, capital assets should be depreciated in accordance with accounting principles generally accepted in the United States of America.</p>

Additional Information

Commission Members and Administrative Personnel
October 1, 2021 through September 30, 2023

<u>Commission Members</u>		<u>Term Expires</u>
Hon. Larry Roberts	Commissioner	2028
Hon. Derek Farr (2)	Chairman	2028
Hon. Christopher Brown	Commissioner	2024
Hon. Pamela Johnson (3)	Chairman	2028
Hon. Lorenzo Foster (1)	Chairman	2028

Administrative Personnel

Lisa Herren	Chief Administrative Officer	May 31, 2024
Travis Heard (4)	Chief Financial Officer	Indefinite

- (1) Chairman from September 1, 2021 – June 15, 2022
- (2) Chairman from June 16, 2022 – April 15, 2023
- (3) Chairman from April 16, 2023 – January 31, 2024
- (4) Travis Heard replaced Lisa Herren as Chief Administrative Officer on June 1, 2024