# Department of Education

## Montgomery, Alabama

October 1, 2019 through September 30, 2025

Filed: July 24, 2026

ALABAMA DEPARTMENT OF
**EXAMINERS** of Public Accounts

Rachel Laurie Riddle, *Chief Examiner* | 334-777-0500 | www.alexaminers.gov

**State of Alabama**
Department of
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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 Department of Education, Montgomery, Alabama, for the period October 1, 2019 through September 30, 2025, by Examiners Charnelle Martin, Make'ylia Manuel, Braeden Mitchell and Mackenzie McDougal. I, Charnelle Martin, served as Examiner-in-Charge on the engagement, and under the authority of the ***Code of Alabama 1975***, Section 41-5A-19, I submit this report to you on the results of the examination.

Respectfully submitted,

Charnelle Martin

Charnelle Martin
Examiner of Public Accounts

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# *Table of Contents*

Department of
# Examiners of Public Accounts

## EXAMINER'S SUMMARY

**Department of Education**
**October 1, 2019 through September 30, 2025**

### ***PURPOSE AND SCOPE OF EXAMINATION***

This report presents the results of an examination of the Department of Education (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.

***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 Legal Compliance and Other Findings and they are summarized below.

- 2025-001: The Department made payments to a vendor for data processing services without a contract in place.

- 2025-002: The Department did not submit a contract to the Contract Review Permanent Legislative Oversight Committee for review. This was previously reported as Finding 2019-001.

- 2025-003: The Department made payments to vendors for professional services that exceeded amounts stipulated in the respective contracts.

- 2025-004: Several issues were identified in the administration of the Department's Foundation Program that affected the accuracy, transparency, and statutory compliance of the funding calculations.

***EXIT CONFERENCE***

An exit conference was held on June 25, 2026. Individuals in attendance were Dr. Eric Mackey, State Superintendent; Arthur Watts, Deputy Superintendent; Jason Swann, General Counsel; Tina Hammonds, Associate General Counsel; Nora J. Thorington, Executive Secretary; Jonathan Brumlow, Policy Advisor, Office of Governor; along with Dixie B. Thomas, Daniel Dupree and Charnelle Martin from the Department of Examiners of Public Accounts. Board Members: Wayne Reynolds, Jackie Zeigler, Tonya Chestnut, Tracie West and Kelly Mooney attended virtually.

## AGENCY OVERVIEW

**Department of Education**
**October 1, 2019 through September 30, 2025**

The Department of Education (the "Department") operates under the provisions of the ***Code of Alabama 1975***, Title 16. The Department executes educational policies for public schools in the State as authorized by law and determined by the State Board of Education.

The Board Members and Official in charge of governance of the Department are shown on Exhibit 1. Functions of the State Board of Education are carried out through the State Superintendent of Education and the personnel of the Department, whom the Superintendent directs. Additional information on the Department of Education can be found on their website at www.alabamaachieves.org.

*Schedule of State Legal Compliance and Other Findings*

| Ref. No. | Finding/Noncompliance |
|---|---|
| 2025-001 | **Finding:**<br>During the testing of expenditures it was noted that the Alabama State Department of Education (the “ALSDE”) made payments to a vendor for data processing services without a contract in place. The ALSDE’s failure to ensure that a contract was prepared and executed prior to obtaining services increased the risk of unauthorized expenditures, inadequate service delivery, and non-compliance with procurement requirements.<br><br>Chapter 5 of the Department of Finance’s *Fiscal Policy and Procedures Manual* sets out specific contract information that is required to be included in contracts as well as steps of the proper approval process to ensure legal compliance and accountability. Since there was no formal agreement in place, the ALSDE would not be able to ensure services were provided according to defined terms and requirements.<br><br>**Recommendation:**<br>The ALSDE should ensure all professional services are supported by an executed contract prior to the start of services and before any payments are made for services. |
| 2025-002 | **Finding:**<br>The ALSDE did not submit a contract for professional services to the Contract Review Permanent Legislative Oversight Committee (the “Committee”) for review. Payments for these services were paid on state warrants from appropriated funds. As a result, the Committee and the public were not informed of ALSDE’s expenditures for professional services. This was previously reported as Finding 2019-001.<br><br>The ***Code of Alabama 1975***, Section 29-2-41 states, “Each state department entering into a contract to be paid out of appropriated funds, federal or state, on a state warrant which is notified by the committee is required to submit to the committee any proposed contract for personal or professional services. Each contract shall be accompanied by an itemization of the total cost estimate of the contract.”<br><br>**Recommendation:**<br>The ALSDE should ensure all professional services contracts that are paid on a state warrant out of appropriated funds are submitted to the Contract Review Permanent Legislative Oversight Committee. |

| Ref. No. | Finding/Noncompliance |
|---|---|
| 2025-003 | **Finding:**<br>The ALSDE made payments to vendors for professional services that exceeded amounts stipulated in the respective contracts. The ALSDE is responsible for ensuring that payments are made based on the terms and conditions agreed upon. It is also ALSDE's responsibility to ensure that contract invoices are properly reviewed and analyzed, and payments to contractors for goods and services have been received and accepted pursuant to contractual terms and conditions.<br><br>During the examination period, two contracts were paid in amounts that exceeded their authorized limits. A vendor contracted to provide data processing services was paid a total of \$5,049,120.00 despite the contract total only being \$4,553,740.00, resulting in an overpayment of \$495,380.00. Additionally, a vendor contracted to provide professional and technical services for test development was overpaid \$378,545.00 during the second year of the contract term. The contract stipulated second year's amount was for \$2,745,962.00 but, the vendor received \$3,124,507.00 in that year. These overpayments occurred due to the ALSDE's failure to properly monitor payments on the contracts to ensure payments were made within the contracts' terms.<br><br>**Recommendation:**<br>The ALSDE should ensure vendors are paid in accordance with contract terms and payments do not exceed agreed upon amounts. |

| Ref. No. | Finding/Noncompliance |
|---|---|
| 2025-004 | **Finding:**<br>During our review of the Alabama Department of Education's (the "ALSDE") administration of the Foundation Program, several issues were identified that affect the accuracy, transparency, and statutory compliance of funding calculations. These issues primarily relate to how the ALSDE documents student growth funding rates, calculates student growth amounts, and documents local match data used in annual budget development and subsequent funding distributions. Together, these issues reduce the transparency of the funding process and increase the risk of funding issues across districts.<br><br>**Documentation of Virtual Student Growth Rate**<br>The ***Code of Alabama 1975***, Section 16-13-231(2)(e), allows the ALSDE to determine the rate to fund net student growth for full-time virtual students based on "average costs to the districts of educating a full-time virtual student beginning in fiscal year 2022." The ALSDE confirmed that although a 20 percent rate is applied to full time virtual student growth, there was no documentation provided showing how this rate was originally determined. The same rate has been used for all subsequent years, but the absence of a formal record means the ALSDE cannot demonstrate statutory compliance or support the basis for continuing to use this percentage. This also allows the ALSDE to potentially change this number without documented justification.<br><br>**Calculation of Student Growth Funding Rate**<br>Additionally, the calculation performed by ALSDE to determine the funding rate for student growth was not conducted in accordance with statutory requirements. According to Section 16-13-231 of the ***Code of Alabama 1975***, the Foundation Program's allowance for student growth should be calculated by multiplying specified per-student allowances by the net year-over-year increase in average daily membership. Student growth should not be included as an allowance in this calculation. However, upon review of the allowances used for fiscal year 2024 and fiscal year 2025, it was found that prior year student growth funding amounts were incorporated into the calculations. This practice is inconsistent with the statute's definition and results in modified funding allocations for school districts. ALSDE has confirmed that prior year student growth amounts were inadvertently included in the Foundation Program calculations for both fiscal year 2024 and fiscal year 2025. |

| Ref. No. | Finding/Noncompliance |
|---|---|
| | **<u>Finding Continued:</u>**<br>**Documentation of Required Local Match Amounts**<br>Upon reviewing the amounts allocated for each district's required local effort, several inconsistencies were identified. The ALSDE clarified that it has customarily utilized revenue codes associated with district ad valorem taxes to determine the requisite 10 mills of local school district ad valorem tax match under the Foundation program as prescribed in Section 16-13-231 of the ***Code of Alabama 1975***. Further, the ALSDE noted that certain districts are considered exceptions regarding which revenue codes are factored into the local match calculation. While ALSDE acknowledged the existence of these exceptions, supporting documentation outlining the rationale for each district's specific treatment was neither consistent nor sufficiently detailed.<br><br>Finally, an issue was noted regarding the determination of local match amounts used in funding calculations. The longstanding practice of the ALSDE has been to extract revenue data from districts' accounting systems approximately one week before the November 1 budget request deadline required by the Executive Budget Office. Because districts may later make modifications to their accounting records during the year-end close out process and thereby overwrite their accounting data, the ALSDE was not able to recreate or provide the exact supporting documentation for the amounts used in the Foundation Program calculations. The calculations submitted to the Executive Budget Office are used in determining the amounts funded to each district through the Education Trust Fund budget as part of the Foundation Program. The calculations are based upon amounts that may be adjusted by local districts during their year-end closeout, therefore documentation should be maintained of the original amounts extracted and used during the budget process for the Education Trust Fund.<br><br>**<u>Recommendation:</u>**<br>The ALSDE should ensure comprehensive documentation is maintained to substantiate amounts utilized in funding distributions. All calculations must be adequately supported by relevant records. The ALSDE should enhance documentation processes and regularly review any exceptions to traditional funding mechanisms. Strengthening documentation practices, verifying compliance of formulas with statutory requirements, and advancing data verification procedures will improve the reliability and equity of Foundation Program allocations. |

# *Other Information*

# *Board Members and Official*
## *October 1, 2019 through September 30, 2025*

| **Board Members** | | **Term Expires** |
|---|---|---|
| Hon.. Kay Ivey, Governor | Ex-Officio | 2027 |
| Hon. Kelly Mooney | Member | 2029 |
| Hon. Jacqueline Zeigler | Member | 2029 |
| Hon. Allen Long, M.D. | Member | 2029 |
| Hon. Tonya Chestnut, Ed.D. | Member | 2029 |
| Hon. Wayne Reynolds, Ed.D. | Member | 2027 |
| Hon. Marie Manning | Member | 2027 |
| Hon. Tracie West | Member | 2027 |
| Hon. Yvette Richardson, Ed.D. | Member | 2027 |
| Hon. Stephanie Bell | Member | 2025 |
| Hon. Belinda McRae | Member | 2025 |
| Hon. Cynthia McCarty, Ph.D. | Member | 2023 |
| Hon. Jeff Newman | Member | 2021 |
| Hon. Tommie Stewart, Ph.D. | Member | 2021 |
| Hon. Ella B. Bell | Member | Deceased |

**Official**

Eric G. Mackey, Ed.D.

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