

Report on the
University of Alabama in Huntsville
Huntsville, Alabama
October 1, 2008 through September 30, 2013

Filed: December 13, 2013



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Examiners of Public Accounts**
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Ronald L. Jones, Chief Examiner



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Ronald L. Jones
Chief Examiner

Honorable Ronald L. Jones
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-21, we submit this report on the results of the examination of the University of Alabama in Huntsville, Huntsville, Alabama, for the period October 1, 2008 through September 30, 2013.

Sworn to and subscribed before me this
the 4th day of Dec., 2013.

Sandra E Shirley
Notary Public

Sworn to and subscribed before me this
the 4th day of Dec., 2013.

Sandra E Shirley
Notary Public

Respectfully submitted,

Tom L Tolley

Tom L. Tolley
Examiner of Public Accounts

Bryant Harris

Bryant Harris
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**University of Alabama in Huntsville
October 1, 2008 through September 30, 2013**

The University of Alabama in Huntsville (“UAH”) offers 71 degree-granting programs, including 33 bachelor’s degree programs, 23 Master’s degree programs, and 15 Ph.D. programs through its colleges of Business Administration, Liberal Arts, Engineering, Nursing, and Science, and School of Graduate Studies.

The firm of PricewaterhouseCoopers LLP, Certified Public Accountants, conducted the financial audits for the fiscal years ended September 30, 2009; September 30, 2010; September 30, 2011; and September 30, 2012.

This report presents the results of an examination of UAH and a review of compliance by UAH 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 41-5-14.

Findings are numbered and reported by the examination period in which the finding originally occurred.

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.

- ◆ 2013-01 The University failed to complete a proper inventory of capital assets as required by policy.
- ◆ 2013-02 The University did not submit a report of abandoned property to the Treasurer during the examination period.
- ◆ 2013-03 The University did not request a performance bond as required by the Alabama Competitive Bid Law.

Due to a recent amendment to Title 41, Article 2 of the *Code of Alabama 1975*, a question has been raised about whether the University of Alabama in Huntsville must solicit bids for contracts involving amounts between \$7,500 and \$15,000. The *Code of Alabama 1975*, Section 41-16-20, was amended by Act Number 2012-462, Acts of Alabama, to raise the dollar threshold requiring bids from \$7,500 to \$15,000. However, the reference to the previous threshold of \$7,500 contained in the *Code of Alabama 1975*, Section 41-16-21(b), that exempts educational institutions governed by a board of trustees from the requirements of centralized purchasing, was not changed by Act Number 2012-462, Acts of Alabama. This has created an apparent ambiguity in the law as it relates to the University of Alabama in Huntsville. The University of Alabama in Huntsville should seek an Attorney General's Opinion to determine which threshold the Institution should utilize to ensure compliance with the Alabama Competitive Bid Law.

The following officials/employees were invited to an exit conference to discuss the results of the examination: Dr. Robert Altenkirch, President; Ray Pinner, Vice-President for Finance and Administration; and Robert Leonard, Associate Vice President for Finance and Business Services. The following individuals attended the exit conference: Ray Pinner, Vice-President for Finance and Administration; Robert Leonard, Associate Vice President for Finance and Business Services; Ms. Tharanee Ravindran, Director of Internal Audit; Winnet Leonard, Bursar; Patricia Ewert, Accounts Payable Manager; Melanie Newby, Director of Accounting and Financial Reporting; and Anna Alindogan, Contracts and Grants Accounting Manager. Representing the Department of Examiners of Public Accounts were: Mrs. Melissa Knepper, Audit Manager, Mr. Tom Tolley and Mr. Bryant Harris, Examiners.



Department of
Examiners of Public Accounts

COMMENTS

**University of Alabama in Huntsville
October 1, 2008 through September 30, 2013**

The University of Alabama in Huntsville (“UAH”) began in January 1950 as the Huntsville Center, a branch of the University of Alabama located in Tuscaloosa, Alabama. The first classes were held in West Huntsville High School for the original 137 students.

Before this Center was established, however, efforts were underway to place major portions of the U. S. Army’s rocket research and development activities as well as NASA’s Marshall Space Flight Center in the Huntsville area.

NASA wanted to provide educational opportunities for their employees, and major aerospace corporations began to locate in the area that was fast becoming a hub of the American space program. The need for advanced education in science and technology was acknowledged and supported by individual citizens and organizations alike.

Rocket scientist Dr. Werner von Braun traveled to Tuscaloosa along with NASA and Army officials on a mission to encourage the University of Alabama to establish a research institute in Huntsville. The purpose of such an institute would be to accelerate the educational program in Huntsville and to provide theoretical and experimental research pertinent to aerospace science and missile fields. Dr. von Braun made a persuasive presentation before the Alabama Legislature in June 1961 requesting a \$3 million bond issue to support the institute. Both houses of the Alabama Legislature unanimously passed the bill and the bond issue was approved by the citizens of Alabama later that year. The City of Huntsville and Madison County purchased an additional 200 acres and the Research Institute was constructed.

Master’s level degrees were offered in 1963 and the baccalaureate level in 1964. By 1969, UAH was made an autonomous university, part of the University of Alabama System with campuses in Tuscaloosa, Birmingham and Huntsville. Each campus had their own president, and Dr. Benjamin Graves served as UAH’s first president from 1970 to 1978.

Though its roots were planted firmly in the space program, UAH included study in the humanities as an important part of its undergraduate programs. English and history were among the first programs offered at the baccalaureate level. Early enrollments in the humanities and liberal arts kept pace with, and sometimes exceeded, those in science and engineering during the 1970s.

Today, more than 7,700 students take advantage of the academic and professional majors offered by UAH through the colleges of Business Administration, Engineering, Liberal Arts, Nursing, Science, and Graduate Studies.

*Schedule of State Compliance
and Other Findings*

Schedule of State Compliance and Other Findings
For the Year Ended September 30, 2013

Ref. No.	Finding/Noncompliance
2013-01	<p><u>Audit Finding:</u> Inventory Control Policy and Procedures state that the University will maintain accurate and reliable records of capital equipment. It also states that a campus-wide inventory survey will be completed every two years. Sixty items were chosen for testing purposes. Nine of the items had not been inventoried in the last two years. Dates listed as last inventoried for those items ranged from 2000-2010. Seven items were unable to be located, two items had incorrect serial numbers listed in the asset system, and one item did not have a University tag.</p> <p><u>Recommendation:</u> The University should maintain accurate and reliable records of capital equipment and conduct inventories as required by University policy.</p>
2013-02	<p><u>Audit Finding:</u> The <i>Code of Alabama 1975</i>, Section 35-12-76, requires any holder of property presumed abandoned to make a report to the Treasurer concerning the property. The report must be verified and must contain, at a minimum, all of the information designated under Section 35-12-76. The report shall be filed (or a requested extension granted) before November 1 of each year and cover the 12 months next preceding July 1 of that year. The holder of the property presumed abandoned shall send written notice to the apparent owner, not more than 120 days or less than 60 days before filing the report, stating that the holder is in possession of property subject to this article, if all of the requirements indicated within this section are met. The University did not file an unclaimed property report nor remit abandoned property to the Treasury Department during the period under examination.</p> <p><u>Recommendation:</u> The University should file unclaimed property reports and remit abandoned property to the Treasury Department in accordance with the <i>Code of Alabama 1975</i>, Title 35, Chapter 12.</p>
2013-03	<p><u>Audit Finding:</u> The <i>Code of Alabama 1975</i>, Section 41-16-28, states that a bond in a responsible sum for faithful performance of the contract, with adequate surety, shall be required in an amount specified in the advertisement for bids. Six bids were tested that should have required a performance bond. Five of the bids did not request a performance bond in the bid specifications. One bid did request a performance bond; however, documentation of the bond was not retained.</p> <p><u>Recommendation:</u> The University should obtain performance bonds in accordance with the <i>Code of Alabama 1975</i>, Section 41-16-28.</p>

Additional Information

Board Members and Officials
October 1, 2008 through September 30, 2013

Board Members		Term Expires
Hon. Robert Bentley (Beginning January 17, 2011)	Governor of Alabama	Ex-Officio
Hon. Bob Riley (Until January 16, 2011)	Governor of Alabama	Ex-Officio
Hon. Thomas R. Bice (Beginning January 1, 2012)	State Superintendent of Education	Ex-Officio
Hon. Larry E. Craven (From September 1, 2011 – December 31, 2011)	Interim State Superintendent of Education	Ex-Officio
Hon. Joseph B. Morton (Until August 31, 2011)	State Superintendent of Education	Ex-Officio
Hon. Paul W. Bryant, Jr.		2016
Hon. Karen P. Brooks		2015
Hon. John H. England, Jr.		2015
Hon. Joseph C. Espy, III		2013
Hon. Ronald W. Gray		2014
Hon. Andria Scott Hurst		2013
Hon. Vanessa Leonard		2017
Hon. W. Davis Malone, III		2016
Hon. John J. McMahon, Jr.		2016

Board Members and Officials
October 1, 2008 through September 30, 2013

Board Members	Term Expires
Hon. Harris V. Morrissette (Beginning February 8, 2013)	2019
Hon. Angus R. Cooper, II (Retired June 15, 2012)	
Hon. Finis E. St. John, IV	2013
Hon. William Britt Sexton	2016
Hon. Marietta M. Urquhart	2019
Hon. Kenneth L. Vandervoort (Beginning February 3, 2012)	2018
Hon. Joe H. Ritch (Retired September 16, 2011)	
Hon. James W. Wilson, III	2014

Board Members and Officials
October 1, 2008 through September 30, 2013

Officials

**Chief Administrative and
Fiscal Officials**

Dr. David B. Williams (Until April 1, 2011)	President
Dr. Malcolm Portera (From April 1, 2011 – October 24, 2011)	Interim President
Dr. Robert A. Altenkirch (Beginning October 24, 2011)	President
Mr. Ray Pinner	Vice-President for Finance and Administration

**The University of Alabama System
Administrative Officials**

Dr. Malcolm Portera (Until March 5, 2012)	Chancellor
Dr. Robert E. Witt (Beginning March 5, 2012)	Chancellor
Mr. C. Ray Hayes	Vice-Chancellor for Financial Affairs
Dr. Charles R. Nash	Vice-Chancellor for Academic and Student Affairs
Mr. Michael A. Bownes	Secretary of the Board of Trustees and Executive Assistant to the Chancellor
Mr. A. Newton Hamner (Retired June 30, 2009)	General Auditor
Ms. Sabrina B. Hearn (Beginning July 1, 2009)	General Auditor