

Report on the  
**University of Alabama in Huntsville**  
Huntsville, Alabama  
October 1, 2014 through September 30, 2015

Filed: February 3, 2017



**Department of  
Examiners of Public Accounts**

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*Ronald L. Jones, Chief Examiner*





Ronald L. Jones  
Chief Examiner

State of Alabama  
Department of  
**Examiners of Public Accounts**

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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, 2014 through September 30, 2015.

Sworn to and subscribed before me this  
the 28<sup>th</sup> day of November, 2016.

Sandra E Shirley  
Notary Public

Sworn to and subscribed before me this  
the 28<sup>th</sup> day of November, 2016.

Sandra E Shirley  
Notary Public

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Respectfully submitted,

Tiffany L. Mason  
Examiner of Public Accounts

Lola Fuqua Haney  
Examiner of Public Accounts



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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**University of Alabama in Huntsville  
October 1, 2014 through September 30, 2015**

The University of Alabama in Huntsville (the “University”) is a doctoral-granting research institution with approximately 8,500 students. The University prepares students for demanding positions in engineering, the sciences, business, education, nursing, as well as the arts, humanities and social sciences. Approximately half of the University's graduates earn a degree in engineering or science making the University the top producer of engineers and physical scientists in Alabama. The campus is among U. S. News & World Report’s Tier 1 national universities, which places it among the top 4 percent of the 2,600 four-year universities in the nation. Also, the Carnegie Foundation for the Advancement of Teaching ranks the University as a “high research activity” institution. The University is the anchor tenant in Cummings Research Park, the second largest research park in the United States.

The firm of PricewaterhouseCoopers LLP, Certified Public Accountants, conducted the financial audit for the fiscal year ending September 30, 2015.

This report presents the results of an examination of the University and a review of compliance by the University 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.

- ◆ 2014-002 The University failed to properly safeguard capital equipment.
- ◆ 2015-001 The University did not ensure that accountability was established and maintained for all athletic tickets printed.
- ◆ 2015-002 The University failed to comply with University policy regarding payment of unused leave balances at termination.

- ◆ 2015-003 The University did not comply with the *Code of Alabama 1975*, Sections 41-16-80 through 41-16-88, by not obtaining proper vendor disclosure forms for all contracts and bids in excess of \$5,000.00.

The following officials/employees were invited to an exit conference to discuss the results of the examination: Dr. Robert Altenkirch, President; Ray Pinner, Senior 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, Senior Vice-President for Finance and Administration; Robert Leonard, Associate Vice-President for Finance and Business Services; Tharane Ravindran, Director of Internal Audit; Winnet Leonard, Bursar; Terri Couch, Accounts Payable; Melanie Newby, Director of Accounting and Financial Reporting; Diane Gibbs, Director of Payroll Services; Mary Pat Bohrman, Student Accounts Associate; Donald R. Thompson, Central Receiving-Warehouse Manager; and Terence Haley, Director of Procurement and Business Services. Representing the Department of Examiners of Public Accounts were: Melissa Knepper, Audit Manager; Lola Fuqua-Haney, Examiner and Tiffany Mason, Examiner.





Department of  
**Examiners of Public Accounts**

**COMMENTS**

**University of Alabama in Huntsville  
October 1, 2014 through September 30, 2015**

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, 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.

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.

During the 1980s, UAH capitalized on its ties with Huntsville business and technology communities, and research centers in optics, microgravity, robotics, and space plasma were founded. In 1989, UAH's first eminent scholar joined the University in computer engineering. The University has also established eminent scholars in business, propulsion, systems engineering, physics, global understanding and the humanities to further enrich the academic, cultural and research environment of the campus.

Robert Altenkirch, president of the New Jersey Institute of Technology, became the university's sixth president in October 2011. Since Dr. Altenkirch's arrival, he has established a division for student affairs, constructed a new student union building, and student services building, in addition to establishing a department of space science, an honors college, a college of education and a college of professional and continuing studies.

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*Schedule of State Compliance  
and Other Findings*

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***Schedule of State Compliance and Other Findings***  
***For the Year Ended September 30, 2015***

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Ref. No.	Finding/Noncompliance
2014-002	<p><b><u>Audit Finding:</u></b></p> <p>Control procedures should ensure that accountability is established and maintained for capital equipment. The University’s capitalization threshold for equipment is \$5,000. Asset numbers are assigned to each item purchased and a bar code label is attached to the item. Asset Management conducts a campus-wide survey of equipment every two years. The accountability for equipment lies; however, with the Budget Unit Head, who is responsible for all property assigned to his or her area. Transfer forms are required when equipment is moved from one department or unit to another. Property that cannot be located during the inventory survey is noted as “Missing” on the <i>Fixed Asset Inventory Acknowledgement Form</i> and is earmarked “Missing” on the property records. The Budget Unit Head should make every effort to locate the missing property and advise Asset Management if items are located.</p> <p>Missing property will remain earmarked on the department’s property records and the University accounting records for up to 60 days after completion of the department’s inventory survey. If the missing property is not found after 60 days, a missing property report will be sent to the Controller for further action. Asset Management will then coordinate with Accounting and Finance to adjust the book value of the missing property.</p> <p>The University deleted 73 capital equipment items with a historical value of \$1,565,664.29 during the 2014-2015 fiscal year. A list of deletions due to the property being missing was requested, and the list consisted of 24 items with a historical value of \$859,781.04 or 54.9% of the total amount of property deleted. An exit conference was held with University officials on October 19, 2016. On November 14, 2015 we were informed that the University had located 16 of the 24 items with a historical cost of \$715,709.34. According to the University the 16 items will be added back to the inventory in the 2016-2017 fiscal year.</p> <p>A sample of 60 items from the University’s capital equipment listing was chosen for the test of equipment location. Seven of the selected items could not be located. Nine items tested did not have bar code label attached to the equipment. Five items selected for testing had a serial number that did not agree with the serial number listed on the capital equipment listing.</p> <p><b><u>Recommendation:</u></b></p> <p>In order to ensure that accountability is maintained for capital equipment, the University should develop and require adherence to control procedures that adequately safeguard capital equipment.</p>

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***Schedule of State Compliance and Other Findings***  
***For the Year Ended September 30, 2015***

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Ref. No.	Finding/Noncompliance
2015-001	<p><b><u>Audit Finding:</u></b>            Proper controls should ensure that accountability is established and maintained for all athletic tickets printed and sold or provided to individuals as complimentary tickets. According to the UAH Intercollegiate Athletics Policy and Procedures Manual, Section 5.1, student-athletes are allowed two complimentary tickets per date in the respective sport. The student-athlete list is submitted for approval prior to the game, and recipients must provide identification to receive the tickets. The policy also allows complimentary tickets to UAH athletic staff for all home contests. Athletic staff members may get additional tickets for their spouse and children, or one guest per contest. A staff pass list is retained at the ticket booth for each contest, and the staff member must sign for their tickets. The ticket system used by the University tracks the number of complimentary tickets printed for each event.</p> <p>During the examination, documentation of complimentary tickets was requested for eleven contests. A complimentary ticket list could not be provided or the list provided did not match the number of complimentary tickets printed for the eleven contests selected for testing.</p> <p><b><u>Recommendation:</u></b>            The University should develop controls to ensure that accountability is established and maintained for all athletic tickets printed and sold or provided to individuals as complimentary tickets.</p>
2015-002	<p><b><u>Audit Finding:</u></b>            Procedures should ensure that individuals are made aware of all policies at the time they are hired. On September 8, 2009, the University issued a memorandum to the University Faculty and Research Staff announcing the establishment of defined postdoctoral research positions within the University. The memorandum stated, "Employees in these limited-term positions will receive the same benefits enjoyed by Research Associates, with an exception for annual leave. These limited-term employees will be instructed to use all of their accrued leave prior to their agreed-upon termination date. If the leave is not used, a Postdoctoral Research Assistant will not get a lump sum payout for the balance of their leave upon their separation from the University."</p> <p>During the examination period, a Postdoctoral Research Assistant terminated employment with the University. The employee was not informed prior to his termination that he would need to use his leave or lose it. Since the employee was not informed of the policy, it was waived and the employee was paid \$1,971.14 for his leave at termination. Subsequent to this payment, a formal policy was drafted and distributed to all employees.</p>

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***Schedule of State Compliance and Other Findings***  
***For the Year Ended September 30, 2015***

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Ref. No.	Finding/Noncompliance
	<p><b><u>Recommendation:</u></b>  The University should establish procedures to ensure that employees are informed of all relevant policies and procedures relating to their employment.</p>
2015-003	<p><b><u>Audit Finding:</u></b>  The <i>Code of Alabama 1975</i>, Sections 41-16-80 through 41-16-88, contains the disclosure requirements for contracts and grants in excess of \$5,000.00. Section 41-16-82 (b), states that all persons who, for the purpose of direct financial gain, submit a proposal, bid, contract, or grant proposal to the State of Alabama, shall include a disclosure statement developed by the Attorney General and approved by the Legislative Council. Section 41-16-83, lists the required information and states that the State of Alabama shall not enter into any contract or appropriate any public funds with any person who refuses to provide information required by this section.</p> <p>The University System developed its own custom disclosure form for use by persons entering into contracts with the University which does not include all disclosures listed on the form developed by the Attorney General or all of the information listed in Section 41-16-83. Acceptance of this custom form by the University in the place of the form developed by the Attorney General may not comply with Section 41-16-83.</p> <p>During the examination, vendor disclosure statements were requested for twenty-two contracts and bids. The University provided twelve disclosure statements. However, only six were the correct form developed by the Attorney General. The University was unable to provide any statements for the other ten bids and/or contracts.</p> <p><b><u>Recommendation:</u></b>  The University should develop procedures to ensure that the disclosures required by the <i>Code of Alabama 1975</i>, Sections 41-16-80 through 41-16-88, are obtained for all contracts and bids in excess of \$5,000.00.</p>

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# *Additional Information*

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***Board Members and Officials***  
***October 1, 2014 through September 30, 2015***

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<b>Board Members</b>		<b>Term Expires</b>
Hon. Robert Bentley	Governor of Alabama	Ex-Officio
Hon. Thomas R. Bice, Ed.D.	State Superintendent of Education	Ex-Officio
Hon. Harris V. Morrissette	First District	2021
Hon. Marietta M. Urquhart	First District	2019
Hon. Joseph C. Espy, III	Second District	2019
Hon. W. Davis Malone, III	Second District	2016
Hon. Kenneth L. Vandervoort, M.D.	Third District	2018
Hon. James W. Wilson, III	Third District	2021
Hon. Paul W. Bryant, Jr.	Fourth District	2015
Hon. Finis E. St. John, IV	Fourth District	2020
Hon. Ronald W. Gray	Fifth District	2021
Hon. William Britt Sexton	Fifth District	2017
Hon. John D. Johns	Sixth District	2016
Hon. Vanessa Leonard	Sixth District	2018
Hon. Karen P. Brooks	Seventh District	2021
Judge John H. England, Jr.	Seventh District	2016
Hon. Barbara Humphrey	Seventh District	2020



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***Board Members and Officials***  
***October 1, 2014 through September 30, 2015***

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**Officials**

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**Chief Administrative and  
Fiscal Officials**

Dr. Robert A. Altenkirch	President
Mr. Ray M. Pinner	Vice-President for Finance and Administration

**The University of Alabama System  
Administration**

Mr. Michael A. Bownes	Secretary of the Board of Trustees
Dr. Robert E. Witt	Chancellor
Mr. C. Ray Hayes	Executive Vice-Chancellor and Chief Operating Officer
Mr. Jo Bonner	Vice-Chancellor for Governmental Relations and Economic Development
Ms. Sabrina B. Hearn	General Auditor
Dr. Charles R. Nash	Vice-Chancellor for Academic and Student Affairs
Ms. Kellee Reinhart	Vice-Chancellor of System Relations
Mr. R. Cooper Shattuck	General Counsel