The University of Alabama (the “University”), the State of Alabama’s oldest public university, is a senior comprehensive doctoral-level institution. The University offers programs of study in 12 academic divisions leading to Bachelor’s, Master’s, Education Specialist, and Doctoral degrees. The only publicly-supported law school is at the University. Other academic programs unavailable elsewhere in Alabama include doctoral programs in anthropology, library and information studies, metallurgical and material engineering, music, Romance languages, and social work.

The University is a component of the University of Alabama System and is governed by the Board of Trustees of the University of Alabama. The President of the University is appointed by the Chancellor of the University of Alabama System with approval of the Board of Trustees. The President reports directly to the Chancellor, and is responsible for hiring and promotion of faculty and staff for the University.

The firm of PricewaterhouseCoopers, LLP 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 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.

Tests performed during the examination did not disclose any significant instances of noncompliance with applicable state laws and regulations.
Due to a recent amendment to Title 41, Article 2 of the *Code of Alabama 1975*, as a result of Act Number 2012-462, Acts of Alabama, a question has been raised as to whether educational institutions governed by a board of trustees, such as the University of Alabama, must solicit bids for contracts that exceed $7,500, as provided by Section 41-16-21, or $15,000, as provided by Section 41-16-20. 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 and similar institutions. It is suggested that an Attorney General’s Opinion be requested to determine the applicable threshold for the Institution to utilize in future contracts to ensure compliance.

The University’s internal auditors conducted the following investigations into matters involving thefts by University employees:

In a report issued September 9, 2010, the internal auditors identified inappropriate charges on a University purchasing card. The charges were for personal expenses made by a former employee in the Department of Nutrition and Hospitality Management. The matter was turned over to the Tuscaloosa District Attorney’s Office, and according to the University of Alabama Police Department, the purchasing card holder was indicted by a grand jury on June 23, 2010. The judgment handed down in the Circuit Court of Tuscaloosa County dated December 19, 2012 ordered the employee to pay $21,323.96 in restitution to the University. As of the report date, court fees of $200.00 have been paid. No funds have been repaid to the University.

In a report dated April 21, 2009, the internal auditors identified the theft of a payment for high school credit courses by a former employee in the College of Continuing Studies (CCS) Academic Outreach Area. As of the report date, no funds have been paid back to the University.

The University also discovered the inappropriate use of a University purchasing card by a former employee. The matter was turned over to the Tuscaloosa District Attorney’s Office. The employee has been terminated and the judgment handed down in the Circuit Court of Tuscaloosa County placed the employee on three years’ probation and ordered the employee to pay $62,000.00 in restitution. As of the report date, court fees of $100.00 have been paid. No funds have been repaid to the University.
The following officials/employees were invited to an exit conference: Ms. Reba J. Essary, Associate Vice-President for Finance; Ms. Nancy H. Whittaker, Associate Vice-President for Administration; Ms. Julie Shelton, Director of Financial Accounting and Reporting; Mr. Davis V. McCrory, Director of Internal Audit; Ms. Kristy D. Pritchett, Director of Receivables and Collections; Mr. Kevin Stevens, Director of Procurement Services and Mr. George D. Tutt, Director of Payroll. The following individuals attended the exit conference: Ms. Reba J. Essary, Associate Vice-President for Finance; Ms. Nancy H. Whittaker, Associate Vice-President for Administration; Ms. Julie Shelton, Director of Financial Accounting and Reporting; Mr. Davis V. McCrory, Director of Internal Audit; Ms. Kristy D. Pritchett, Director of Receivables and Collections; Mr. Kevin Stevens, Director of Procurement Services and Mr. George D. Tutt, Director of Payroll. Representing the Department of Examiners of Public Accounts were: Ms. Andera Anderson, Audit Manager and Mr. Peter Fisher, Examiner.