

Report on the

**Peace Officers' Annuity
and Benefit Fund
State of Alabama
Montgomery, Alabama**

October 1, 2015 through September 30, 2017

Filed: January 11, 2019



**Department of
Examiners of Public Accounts**

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Rachel Laurie Riddle, Chief Examiner



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Rachel Laurie Riddle
Chief Examiner

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

Dear Madam:

Under the authority of the *Code of Alabama 1975*, Section 41-5A-19, as added by Act Number 2018-129, I submit this report on the results of the examination of the Peace Officers' Annuity and Benefit Fund for the period October 1, 2015 through September 30, 2017.

Sworn to and subscribed before me this
the 2nd day of January, 20 19.

Kelly D. Matthews
Notary Public

Respectfully submitted,

Janet L. Berry
Examiner of Public Accounts

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Department of
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SUMMARY

**Peace Officers' Annuity and Benefit Fund
October 1, 2015 through September 30, 2017**

The Alabama Peace Officers' Annuity and Benefit Fund (the "Fund") operates under the authority of the *Code of Alabama 1975*, Sections 36-21-60 through 36-21-78 to provide retirement and other benefits to members of the Fund.

The Fund operates from membership fees and fines collected by state courts; vehicle registration reinstatement fees; commercial drivers' license fees; investment income; and interest.

This report presents the results of an examination of the Fund and a review of compliance by the Fund 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, as added by Act Number 2018-129. Our examination was performed for the purpose of determining whether the public officers, agents, and employees of the Fund properly and lawfully accounted for all money and other public assets or resources received, disbursed, or in the custody of the Fund. Our examination included determining compliance by the Fund with state laws and regulations that pertain to financial transactions; personnel; safeguarding of state-owned assets, property, and resources; information dissemination, processing, and retention; and official actions, rulemaking procedures, and meetings. As a part of our examination, we also reviewed internal control policies and procedures relating to the areas listed above. Our examination did not encompass managerial and operational matters, such as whether the Fund accomplished its mission or its regulatory, enforcement, investigative, or other oversight activities in an efficient, fair, timely, or legal manner.

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

The following instance of noncompliance with State laws and regulations and other matters was found during the examination as shown on the Schedule of State Legal Compliance and Other Findings and is summarized below.

CURRENT FINDING

- 2017-01 Relates to a board member receiving unallowable board member compensation.

Board members and the Executive Director were invited to an exit conference held on December 10, 2018. Individuals in attendance were John Hixon, Executive Director; J. Matt Bledsoe, Attorney, along with Robin Hutcheson, Audit Manager, and Janet L. Berry, Examiner, from the Department of Examiners of Public Accounts.



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COMMENTS

**Peace Officers' Annuity and Benefit Fund
October 1, 2015 through September 30, 2017**

The Alabama Peace Officers' Annuity and Benefit Fund (the "Fund") operates under the authority of the *Code of Alabama 1975*, Sections 36-21-60 through 36-21-78 to provide retirement allowances and other benefits to members of the Fund.

The Board of Commissioners, created by the *Code of Alabama 1975*, Section 36-21-61 consists of seven members:

- One appointed by the Governor,
- One elected by the members of the Peace Officers' Association,
- One elected by the members of the State Trooper Association, Inc.,
- One designated by the Association of Chiefs of Police,
- One elected by the State Police Association,
- One elected by the Fraternal Order of Police, and
- One elected by the Alabama Sheriff's Association.

The Governor's appointee serves a six-year term while others serve a four-year term. Each term begins on the day of appointment, election, or designation. Members may succeed themselves and serve until a replacement takes office.

The Board selects an executive director to serve as the Fund's chief executive officer. The agency has two other merit system employees.

The *Code of Alabama 1975*, Section 36-21-66, requires that all monies of the Fund shall be either deposited into the State Treasury or in a special trust account or accounts in any bank or banks in the state. All investments of money shall either be deposited with the State Treasurer or deposited with any bank in a custodial account.

The Fund currently maintains the following accounts and funds:

- **Regions Bank Checking Account** – Used as a clearing account to transfer revenue to the appropriate State Treasury Fund or to the investment account. Receipts are comprised of varying court costs, membership fees, and interest.

Year-End Balances as of:	
September 30, 2016	\$56,174.12
September 30, 2017	\$89,115.97

- **Regions Bank Investment Account** as of September 30, 2017:

Equity	\$14,758,641.00
Fixed Income	7,867,456.00
Cash and Equivalents and Accrued Income	1,660,792.00
Overall Account	<u>\$24,286,889.00</u>

- **Special Revenue Fund 0469** – Used to pay benefits to entitled members. Receipts consist of fees from motor vehicle registration reinstatement fees, commercial drivers’ license fees, prior year refunds, and transfers. Balances are reserved for payment of benefits and are not used for administrative operations.
- **Special Revenue Fund 0554** – Used for the agency’s administrative operations. Receipts are comprised of transfers from the investment account.

The *Code of Alabama 1975*, Section 36-21-73, requires an actuarial valuation every three years or earlier, of the receipts and income accruing to the Fund. During the period examined, an actuarial valuation was prepared annually. The actuary is required to determine what percentage of the proposed payments, annuities, and benefits can be paid while keeping the board on an actuarially sound basis and in actuarially solvent condition. The board must make adjustments of annuities and benefits as recommended by the actuary. Any change in benefits as a result of the actuarial study must apply to all persons receiving benefits.

The Fund owned non-consumable personal property consisting of automobiles, office furniture, computers and equipment. A comparison was done of non-consumable personal property in the custody of the Fund with property records maintained by the Property Inventory Division of the State Auditor’s Office. No discrepancies were noted.

*Schedule of State Legal
Compliance and Other Findings*

Schedule of State Legal Compliance and Other Findings
For the Examination Period Ended September 30, 2017

Ref. No.	Finding/Noncompliance
2017-01	<p><u>Finding:</u></p> <p>A board member received board member compensation in the amount of \$30.00 per day for attending board meetings. During the examination period the member received a total of \$450.00 for board compensation pay. The member is also a full-time state employee. As a full-time state employee, the member was not entitled to the \$30.00 per day board member compensation pay according to the <i>Code of Alabama 1975</i>, Section 36-6-3 and <i>Attorney General Opinion 2007-102</i>. The member reimbursed the agency for the payments made in error.</p> <p>The <i>Code of Alabama 1975</i>, Section 36-6-3 states, “Wherever the duties of more than one office, position or employment shall be filled, performed or discharged by one officer or employee, such officer or employee shall only receive the salary named for the highest paid office, position or employment so filled, performed or discharged.”</p> <p><i>Attorney General Opinion 2007-102</i> states, “Section 36-6-3 of the Code of Alabama provides that a state employee who also serves on a state board is entitled to the salary or compensation named for the highest paid office, position, or employment and is not entitled to be compensated for both positions.”</p> <p><u>Recommendation:</u></p> <p>The agency should verify the employment of board members to ensure that members are not being paid for two positions of profit and that members only receive the salary for the highest paid office, position or employment.</p>

Schedule of Cash Receipts, Disbursements and Balances
Fund 0554 - Operating Fund
For the Period October 1, 2015 through September 30, 2017

	2016-2017	2015-2016
<u>Receipts</u>		
Transfer from Investments	\$ 495,000.00	\$ 510,000.00
<u>Disbursements</u>		
Personnel Costs	241,885.20	236,518.80
Employee Benefits	81,700.19	81,290.90
Travel, In-State	8,459.76	7,393.65
Repairs and Maintenance	971.00	501.00
Rentals and Leases	2,339.00	1,219.62
Utilities and Communication	16,025.50	14,154.99
Professional Services	132,093.82	122,034.39
Supplies, Materials, and Operating Expenses	7,451.78	7,363.94
Transportation Equipment Operations	1,800.70	1,997.73
Other Equipment Purchases	523.48	
Total	<u>493,250.43</u>	<u>472,475.02</u>
Excess of Receipts Over Disbursements	1,749.57	37,524.98
Cash Balances at Beginning of Year	<u>104,791.69</u>	<u>67,266.71</u>
Cash Balances at End of Year	106,541.26	104,791.69
Reserve for Unpaid Obligations	<u>(15,722.16)</u>	<u>(59,167.59)</u>
Unreserved Cash Balances at End of Year	<u>\$ 90,819.10</u>	<u>\$ 45,624.10</u>

Schedule of Cash Receipts, Disbursements and Balances
Fund 0469 - Benefit Fund
For the Period October 1, 2015 through September 30, 2017

	2016-2017	2015-2016
<u>Receipts</u>		
Motor Vehicle Registration Reinstatement Fees	\$ 1,340,923.94	\$ 612,631.53
Commercial Drivers' Licenses	12,628.25	13,335.00
Prior Year Refunds	508.63	304.06
Transfer from Investments	3,400,595.00	4,087,765.00
Total	<u>4,754,655.82</u>	<u>4,714,035.59</u>
<u>Disbursements</u>		
Grants and Benefits	<u>4,743,855.02</u>	<u>4,677,343.23</u>
Excess of Receipts Over Disbursements	10,800.80	36,692.36
Cash Balances at Beginning of Year	<u>40,367.76</u>	<u>3,675.40</u>
Cash Balances at End of Year	<u>\$ 51,168.56</u>	<u>\$ 40,367.76</u>

