

Report on the

**Electronic Security Board of Licensure
State of Alabama
Montgomery, Alabama**

October 1, 2017 through September 30, 2019

Filed: November 20, 2020



**Department of
Examiners of Public Accounts**

**401 Adams Avenue, Suite 280
Montgomery, Alabama 36104-4338
P.O. Box 302251
Montgomery, Alabama 36130-2251
Website: www.examiners.alabama.gov**

Rachel Laurie Riddle, Chief Examiner



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Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

P.O. Box 302251, Montgomery, AL 36130-2251
401 Adams Avenue, Suite 280
Montgomery, Alabama 36104-4338
Telephone (334) 242-9200
FAX (334) 242-1775

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

Dear Madam:

An examination was conducted on the Electronic Security Board of Licensure, Montgomery, Alabama, for the period October 1, 2017 through September 30, 2019. Under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results and findings of the examination.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Charles Bass'.

Charles Bass
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Electronic Security Board of Licensure
October 1, 2017 through September 30, 2019**

The Electronic Security Board of Licensure (the "Board") operates under the authority of the *Code of Alabama 1975*, Sections 34-1A-1 through 34-1A-12. The Board licenses and regulates persons and business entities engaged in sales, service, installation, maintenance or monitoring of intrusion/burglar alarm systems, access control, closed circuit TV systems and locksmiths.

This report presents the results of an examination of the Board and a review of compliance by the Board 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. Our examination was performed for the purpose of determining whether the public officers, agents, and employees of the Board properly and lawfully accounted for all money and other public assets or resources received, disbursed, or in the custody of the Board. Our examination included determining compliance by the Board 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 Board 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 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.

CURRENT FINDINGS

- 2019-01 Relates to the Board not establishing a rule to set the renewal/expiration date for licenses.

- 2019-02 Relates to the Board adopting administrative rules that conflict with one another.
- 2019-03 Relates to the Board imposing monetary penalties without making an individual determination of whether the licensee is guilty of a violation.
- 2019-04 Relates to a member serving on the Board without being confirmed by the Senate.
- 2019-05 Relates to the Board not notifying the Secretary of State of vacancies on the Board.

Board members and the Executive Director were invited to an exit conference held on October 6, 2020. Individuals in attendance were Janet Robinson, Executive Director, along with Robin Hutcheson and Charles Bass from the Department of Examiners of Public Accounts.



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COMMENTS

**Electronic Security Board of Licensure
October 1, 2017 through September 30, 2019**

The Electronic Security Board of Licensure (the “Board”) operates under the authority of the *Code of Alabama 1975*, Sections 34-1A-1 through 34-1A-12. The Board licenses and regulates persons and business entities engaged in sales, service, installation, maintenance or monitoring of intrusion/burglar alarm systems, access control, closed circuit TV systems and locksmiths. The Board licenses qualified applicants, investigates complaints, and conducts disciplinary hearings.

The Board is comprised of six members appointed by the Governor and confirmed by the Senate to four-year terms. Members are limited to no more than two consecutive terms. The Board must include the following representation:

- Two members representing the alarm system industry.
- One member of the Alabama Consulting Engineers Association.
- One member of the Alabama Sheriff’s Association.
- One member who is a locksmith.
- One consumer member.

The Board contracts with RT Management, Inc. to provide facilities, personnel, equipment and other administrative services. Lynne Taunton, president of RT Management, Inc., served as Executive Director.

The Board operates from Special Revenue Fund 0944 maintained in the State Treasury. The Board’s operating funds are derived from licensing fees, penalties, and fines. The Board is subject to the State’s normal budget procedures and cannot expend funds without legislative appropriation. The Board retains all unexpended funds at year-end.

The Board had no nonconsumable personal property valued \$500 or more in their custody as of September 30, 2019.

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*Schedule of State Legal
Compliance and Other Findings*

Schedule of State Legal Compliance and Other Findings
For the Examination Period Ended September 30, 2019

Ref. No.	Finding/Noncompliance
2019-01	<p><u>Finding:</u></p> <p>The Board established a license renewal/expiration date of December 31 without adopting an administrative rule to officially set the date. The December 31 expiration date conflicts with the <i>Code of Alabama 1975</i>, Section 34-1A-5(b)(2), and Administrative Rule 304-X-1-.03(k).</p> <p>The <i>Code of Alabama 1975</i>, Section 34-1A-5(b)(2) states: “Effective for the license year beginning January 1, 2014, and thereafter, the board may provide for the licenses to be renewed on a staggered basis <i>as determined by rule</i> of the board and, in order to <i>stagger the licenses</i>, may issue the license for less than a two-year period.” (emphasis added)</p> <p>In addition, the <i>Code of Alabama 1975</i>, Section 34-1A-5(e) states, (e) “Any license granted pursuant to this chapter shall be issued for a two-year period but may be staggered for renewal as otherwise provided for.”</p> <p>The <i>Administrative Rule</i> 304-X-1-.03(k) states, “...Each license shall be renewed by the <i>expiration date of the current license</i>.” (emphasis added).</p> <p><u>Recommendation:</u></p> <p>The Board should adopt an administrative rule to set the renewal/expiration date of licenses that does not conflict with the <i>Code of Alabama 1975</i>, and other administrative rules.</p>

Schedule of State Legal Compliance and Other Findings
For the Examination Period Ended September 30, 2019

Ref. No.	Finding/Noncompliance
2019-02	<p><u>Finding:</u> The Board has adopted administrative rules that conflict with one another.</p> <p><i>Administrative Rule</i> 304-X-1-.04(6)(a) states: “Companies which are currently in the burglar alarm, electronic access control, monitoring station, CCTV, or locksmith business and do not renew a license by the licensee's designated expiration date (as evidenced by the postmark date) <u>shall be required to submit a new applicant application and pay all applicable fees.</u>” (emphasis added).</p> <p><i>Administrative Rule</i> 304-X-1-.04(6)(b) states: “Companies which are currently in the burglar alarm, electronic access control, monitoring station, CCTV, or locksmith business and <u>do not renew an expired license by March 31st of the current renewal period shall be assessed a \$500.00 penalty.</u>” (emphasis added).</p> <p><i>Administrative Rule</i> 304-X-1-.04(6)(c) states: “Companies which are currently in the burglar alarm, electronic access control, monitoring station, CCTV, or locksmith business and <u>do not renew an expired license by April 30th of the current renewal period shall be assessed an additional \$500.00 penalty.</u>” (emphasis added).</p> <p><u>Recommendation:</u> The Board should discontinue charging late penalties for a license that is no longer valid and amend the administrative rules to remove the contradictions.</p>

Schedule of State Legal Compliance and Other Findings
For the Examination Period Ended September 30, 2019

Ref. No.	Finding/Noncompliance
2019-03	<p><u>Finding:</u></p> <p>The Board imposed monetary penalties of \$7,800.00 on eleven companies in fiscal year 2018 and \$15,775.00 on nineteen companies in fiscal year 2019 who failed to renew an expired license without the Board making an individual determination of whether a licensee is guilty of a violation as required by statute.</p> <p>The <i>Code of Alabama 1975</i>, Section 34-1A-7(f) states, “Any person or business entity that is not licensed by the board, or has not renewed a license within the immediately preceding 24 months, may be subject to injunctive action in a court of competent jurisdiction. The board may institute proceedings in equity to enjoin any person or business entity from engaging in any unlawful act enumerated in this chapter. Such proceedings shall be brought in the name of this state by the board in the circuit court of the city or county in which the <u>unlawful act</u> occurred or in which the defendant resides. If the board obtains injunctive relief, the individual or business entity shall be subject to a one thousand dollar (\$1,000) fine for <u>each instance of performing locksmith, alarm, CCTV, or other activity regulated by this chapter.</u></p> <p>Further, the <i>Code of Alabama 1975</i>, Section 34-1A-7(g) states, “In addition to any other disciplinary action taken by the board, any person or business entity licensed by the board who violates this chapter or rule or regulation promulgated pursuant to this chapter shall be subject to a monetary penalty. If the <i>board determines that the person is in fact guilty of the violation</i>, the board shall determine the amount of the monetary penalty for the violation, which shall not exceed one thousand dollars (\$1,000) for each violation. The board may file a civil action to collect the penalty.”</p> <p><u>Recommendation:</u></p> <p>The Board should only impose a monetary penalty if a licensee violates the Board’s statute, administrative rule or regulation.</p>

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***Schedule of Cash Receipts, Disbursements and Balances
For the Period October 1, 2017 through September 30, 2019***

	2018-2019	2017-2018
<u>Receipts</u>		
Licensee Fees	\$ 446,897.25	\$ 364,063.75
Professional/Occupational Penalties	25,405.57	32,139.47
Total	<u>472,302.82</u>	<u>396,203.22</u>
<u>Disbursements</u>		
Travel, In-State	3,549.03	3,198.80
Travel, Out-of-State		1,396.00
Repair and Maintenance	105.00	168.00
Professional Services	509,192.70	609,768.39
Supplies, Materials, and Operating Expenses	1,152.00	2,049.00
Total	<u>513,998.73</u>	<u>616,580.19</u>
Deficiency of Receipts Over Disbursements	(41,695.91)	(220,376.97)
Cash Balances at Beginning of Year	<u>589,687.37</u>	<u>810,064.34</u>
Cash Balances at End of Year	547,991.46	589,687.37
Reserve for Unpaid Obligations	<u>(33,264.52)</u>	<u>(84,988.54)</u>
Available Cash Balances at Year-End	<u><u>\$ 514,726.94</u></u>	<u><u>\$ 504,698.83</u></u>

Board Members and Official
October 1, 2017 through September 30, 2019

Board Members		Term Expires
Hon. John David Orr, Sr.	Chairman	2022
Hon. Sheriff Derrick Cunningham	Member	2019
Hon. Robert Scott Hunter	Member	2021
Hon. Kristi Jennings	Member	2020
Hon. Joseph Marsh	Member	2020
Hon. Seanne' Warrior	Member	2021

Official

Mrs. Lynne Taunton
Executive Director
7956 Vaughn Road, PMB 392
Montgomery, AL 36116
Phone: (334) 264-9388
Fax: (334) 264-9332
www.aesbl.alabama.gov