

Report on the

Alabama Private Investigation Board
State of Alabama
Montgomery, Alabama

October 1, 2017 through September 30, 2019

Filed: December 11, 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



Rachel Laurie Riddle
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 Alabama Private Investigation Board, 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,

Emily Christine Kilpatrick
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Alabama Private Investigation Board
October 1, 2017 through September 30, 2019**

The Alabama Private Investigation Board (the “Board”) operates under the authority of the *Code of Alabama 1975*, Sections 34-25B-1 through 34-25B-29. By law, the Board exercises license/regulatory authority over the practice of investigation by private investigators.

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 and agents 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; 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 charging a fee for returned checks without adopting an administrative rule to set the fee.
- 2019-02 Relates to the Board not performing monthly reconciliations.

- 2019-03 Relates to the Board not coding receipts correctly.
- 2019-04 Relates to a check not being deposited.
- 2019-05 Relates to the Board renewing a license without the applicant properly completing the renewal form.
- 2019-06 Relates to a traveler receiving per diem in their base city.
- 2019-07 Relates to the Board's not paying invoices timely.
- 2019-08 Relates to the Board not notifying the Secretary of State of vacancies prior to the expiration of the terms.
- 2019-09 Relates to meeting minutes not being signed by the presiding officer.
- 2019-10 Relates to two members reappointed to the Board not taking the oath of office.

Board members and the Executive Director were invited to an exit conference held on September 23, 2020. Individuals in attendance were: Charles F. Knight, Board Chairman; Claire H. Austin, Executive Director; and William Parker, Assistant, along with Robin Hutcheson and Christine Kilpatrick from the Department of Examiners of Public Accounts.



Department of
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COMMENTS

**Alabama Private Investigation Board
October 1, 2017 through September 30, 2019**

The Alabama Private Investigation Board (the “Board”) operates under the authority of the *Code of Alabama 1975*, Sections 34-25B-1 through 34-25B-29. By law, the Board exercises license/regulatory authority over private investigators, trainers, and assistant trainers. Private investigation is defined as the compensated act of any individual or company engaging in the business of obtaining or furnishing information with reference to any of the following:

- A crime committed or threatened against the United States or any state or territory of the United States;
- The identity, habits, conduct, business, occupation, honesty, integrity, credibility, including, but not limited to, the credibility of a person giving testimony in a criminal or civil proceeding, knowledge, trustworthiness, efficiency, loyalty, activity, movement, whereabouts, affiliations, associations, transactions, acts, reputations, or character of any person;
- The location, disposition, or recovery of lost or stolen property;
- The cause or responsibility for fires, losses, accidents, damages or injuries to persons or to property.

The Board is comprised of eight members. Six of the members shall be licensed private investigators with at least five years of experience at the time of appointment. One member shall be a consumer representative of the public at large appointed by the Governor. One member shall be appointed by the Alabama State Bar Association who is a member in good standing. Private Investigator appointments are made as follows: two by the Governor; one by the Lieutenant Governor; one by the Speaker of the House of Representatives; one by the Alabama Private Investigators Association; and one by the Attorney General. Members serve four-year terms and no member is allowed to serve more than two consecutive terms in office.

The Board contracted with Leadership Alliance, LLC to provide administrative services. Paula McCaleb, President of Leadership Alliance, LLC served as its executive director. The contract includes all clerical, administrative and investigation services.

The Board operates from Special Revenue Fund 1642 maintained in the State Treasury. The Board's operating funds are derived from fees collected by the Board in carrying out its statutory mission. 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 does not own any nonconsumable personal property reportable to the Property Inventory Control Division of the State Auditor's Office.

*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> The Board has not adopted an administrative rule to set a fee amount to recover worthless checks. The Board charges licensees a fee of \$30.</p> <p>The <i>Code of Alabama 1975</i>, Section 8-8-15 states, “(b) Commencing January 1, 1999, the bad check charge in subsection (a) shall increase by one dollar (\$1) per year through January 1, 2003, at which time the <i>maximum</i> bad check charge shall be thirty dollars (\$30).”</p> <p>The <i>Code of Alabama 1975</i>, Section 41-22-3(9) defines a rule as, “Each agency regulation, standard, or statement of general applicability that implements, interprets, or prescribes law or policy, or that describes the organization, procedure, or practice requirements of any agency and includes any form which imposes any requirement or solicits any information not specifically required by statute or by an existing rule or by federal statute or by federal rule or regulation; provided, however, all forms shall be filed with the secretary of the agency and with the Legislative Reference Service and all forms, except intergovernmental, interagency, and intra-agency forms which do not affect the rights of the public and emergency forms adopted pursuant to Section 41-22-5, shall be published in the Agency Administrative Code.”</p> <p><u>Recommendation:</u> The Board should adopt an administrative rule to set the fee for a worthless check.</p>
2019-02	<p><u>Finding:</u> The Board did not perform monthly reconciliations for amounts received and deposited in the State Treasury to the amounts recorded in the Board’s accounting records during the examination period.</p> <p>Monthly reconciliations allow entities to determine if amounts received and recorded were deposited into the State Treasury to the credit of the entity. If reconciliations are not performed monthly, errors or loss due to theft may not be detected in a timely manner.</p> <p><u>Recommendation:</u> The Board should perform monthly reconciliations of amounts deposited into the State Treasury to the amounts recorded in the Board’s accounting records.</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> The Board incorrectly coded fines, mailing labels, refunds and bad check fees as license fees.</p> <p>According to the Department of Finance’s Fiscal Policy and Procedures Manual (FPPM) page 3-4, “Deposits of revenues include taxes, fees, fines, interest, rent, grants, and federal funds. The required codes of revenues are fund, agency, and revenue source code.” Additionally, on page 3-18 of the FPPM, REV/SRC – agencies are required to enter the four-digit revenue source code from the chart of accounts and select the revenue source code that describes the receipt that is being certified.</p> <p><u>Recommendation:</u> The Board should use the revenue source codes established by the Department of Finance to correctly record their revenues in the accounting system.</p>
2019-04	<p><u>Finding:</u> Thirty-six licensee files were reviewed for the examination period. According to one licensee file, the Board did not deposit a \$300 check into the bank that was received in December 2018.</p> <p>The Board is responsible for establishing and maintaining a system of internal accounting controls to provide reasonable assurance that revenues are deposited in a timely manner. Failure to promptly deposit checks and money orders unnecessarily increases the risk of loss or misuse of state funds.</p> <p><u>Recommendation:</u> The Board should ensure that all revenues are deposited.</p>
2019-05	<p><u>Finding:</u> The Board is not requiring all applicants for renewal to complete the continuing education portion of the renewal form. The Board renewed a license without the applicant certifying completion or providing proof of the required hours of continuing education.</p> <p>The <i>Code of Alabama 1975</i>, Section 34-25B-26(a) states “Each licensee shall complete eight hours of continuing professional education acceptable to the Board each calendar year.”</p> <p><u>Recommendation:</u> The Board should ensure all requirements are met for renewal prior to issuing the license.</p>

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

Ref. No.	Finding/Noncompliance
2019-06	<p><u>Finding:</u> A traveler was reimbursed daily per diem of \$11.25 while traveling within their base city.</p> <p>The <i>Code of Alabama 1975</i>, Section 36-7-20(b) provides that, “No travel allowance shall be paid for a trip of less than six hours’ duration. For travel which does not require an overnight stay, the traveler shall be paid a meal allowance of 15 percent of the regular per diem rate for a trip of from six to 12 hours’ duration, and for travel in excess of 12 hours’ duration, the traveler shall be paid one meal allowance and one-fourth of the per diem allowance.”</p> <p>According to the Department of Finance’s Fiscal Policy and Procedure Manual, “No meal allowance will be paid if the traveler remains in the city where his/her home or base is located.”</p> <p><u>Recommendation:</u> The Board should ensure meal allowances are not paid if the traveler remains in their base city.</p>
2019-07	<p><u>Finding:</u> The Board did not pay vendors for services received in a timely manner and in the correct fiscal year. Eleven invoices for services incurred in fiscal year 2016 were paid in fiscal year 2017, and two invoices for services incurred in 2017 were paid in fiscal year 2018. We noted the following discrepancies:</p> <ul style="list-style-type: none"> • The Attorney General’s Office submitted invoices for legal services rendered in April 2016 for \$915, and in August 2016 for \$855.00. The Board paid the invoices in November 2017. A \$840 invoice for legal services rendered in September 2017 was paid in June 2018. • The Department of Finance submitted six invoices totaling \$3,341.44 for telecommunications and data processing services rendered in March through September 2016. The Board paid the invoices in November 2017. The Department submitted three invoices totaling \$160.46 for postage costs incurred in March, July and August 2016. The Board paid the invoices in November 2017. • A traveler incurred travel expenses for \$704.95 in August and September 2017. The Board paid the travel claim in January 2018. <p>The Board is responsible for establishing policies and procedures to ensure all invoices are paid in a timely manner and in the current fiscal year.</p> <p><u>Recommendation:</u> The Board should ensure all invoices are paid in a timely manner and in the correct fiscal year.</p>

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

Ref. No.	Finding/Noncompliance
2019-08	<p><u>Finding:</u> The Board did not notify the Secretary of State of vacancies occurring as a result of the expiration of two board members' terms that expired June 13, 2017 and August 3, 2019.</p> <p>The <i>Code of Alabama 1975</i>, Section 36-14-17(d)(1) states, "The chair of an existing board shall notify the Secretary of State by electronic means of a vacancy scheduled to occur on the board as a result of the expiration of a term at least 45 days before the vacancy occurs."</p> <p><u>Recommendation:</u> The Board should notify the Secretary of State of vacancies occurring as a result of the expiration of members' terms at least forty-five days before the terms expire.</p>
2019-09	<p><u>Finding:</u> Thirteen Board meeting minutes were reviewed for the examination period. Three of the Board meeting minutes were not signed by the presiding officer.</p> <p>The <u>State Records Commission Guidelines for Taking Formal Meeting Minutes</u> states, "Normally, the minutes do not become official until they are approved at the next meeting. The presiding officer should sign them at that time."</p> <p><u>Recommendation:</u> The presiding officer should sign all approved minutes.</p>
2019-10	<p><u>Finding:</u> Two members reappointed to the Board did not take the oath of office.</p> <p>The <i>Code of Alabama 1975</i>, Section 34-25B-4(d) states, "Following the initial appointments, all successor members of the board shall be appointed for a term of four years and shall serve until their successors are appointed and qualified by subscribing to the constitutional oath of office, which shall be filed with the Secretary of State."</p> <p><u>Recommendation:</u> The Board should administer oaths of office to each member upon each appointment and file the oaths with the Secretary of State.</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>		
License/Permit Fee	\$ 85,180.00	\$ 96,255.00
Professional Occupation Penalty	1,450.00	
Total	<u>86,630.00</u>	<u>96,255.00</u>
<u>Disbursements</u>		
Travel, In-State	4,693.76	3,971.31
Rentals and Leases	512.00	832.00
Utilities and Communication	1,988.26	4,326.23
Professional Services	95,813.73	96,815.59
Supplies, Materials, and Operating Expenses	4,283.72	4,026.78
Total	<u>107,291.47</u>	<u>109,971.91</u>
(Deficiency) of Receipts Over Disbursements	(20,661.47)	(13,716.91)
Cash Balances at Beginning of Year	<u>145,448.78</u>	<u>159,165.69</u>
Cash Balances at End of Year	124,787.31	145,448.78
Reserve for Unpaid Obligations	<u>(20,864.35)</u>	<u>(16,552.99)</u>
Available Cash Balances at Year-End	<u>\$ 103,922.96</u>	<u>\$ 128,895.79</u>

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

Board Members		Term Expires
Hon. Charles F. Knight	Chairman	2023
Hon. Jim Casteel	Member	2021
Hon. Eddie L. Cox	Member	2020
Hon. Tracy O. Crane	Member	2019
Hon. Derrick Cunningham	Member	2020
Hon. Charles G. Hopkins, Jr.	Member	2020
Hon. Donald B. Mansell	Member	2021
Hon. Christopher B. Murray	Member	2023
Hon. Dollye Edmondson	Member	2019

Official

Ms. Paula McCaleb
Executive Director
60 Commerce Street, Suite 1440
Montgomery, AL 36104
(334) 215-0693
www.apib.alabama.gov