



**Wallace State Community College**

**UNIFORM GUIDANCE SUPPLEMENTARY  
FINANCIAL REPORT**

**September 30, 2022**



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE.**

Jimmy Baker, Chancellor – Alabama Community College System  
Dr. Vicki Karolewics, President – Wallace State Community College  
Hanceville, Alabama

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Wallace State Community College's (the College), a component unit of the State of Alabama, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended September 30, 2022. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Governmental Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the College's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over*

*compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the College, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated January 17, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Birmingham, Alabama  
April 4, 2023

**Wallace State Community College  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2022**

**Section I – Summary of Auditors' Results**

***Financial Statements***

- |  |               |
|--|---------------|
| 1. Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP | Unmodified    |
| 2. Internal control over financial reporting:  |               |
| a. Material weaknesses identified?   | Yes           |
| b. Significant deficiencies identified not considered to be material weaknesses?                                     | None reported |
| c. Noncompliance material to the financial statements noted?   | No            |

***Federal Awards***

- |  |               |
|--|---------------|
| 1. Type of auditors' report issued on compliance for major programs  | Unmodified    |
| 2. Internal control over major programs:   |               |
| a. Material weaknesses identified?   | No            |
| b. Significant deficiencies identified not considered to be material weaknesses?                             | None reported |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? | No            |

**Wallace State Community College  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2022**

4. Identification of major programs

| <u>Assistance Listing Number</u> | <u>Federal Program</u>   |
|----------------------------------|--|
| <u>Student Financial Aid</u>     |  |
| <u>Cluster</u>                   |  |
| 84.007                           | Federal Supplemental Educational Opportunity Grants                                  |
| 84.033                           | Federal Work-Study Program   |
| 84.063                           | Federal Pell Grant Program   |
| 84.268                           | Federal Direct Student Loans   |
| <br>                             |  |
| <u>Economic Development</u>      |  |
| <u>Cluster</u>                   |  |
| 11.300                           | Investments for Public Works and Economic Development<br>Facilities                  |
| 84.425E                          | Higher Education Emergency Relief Fund (HEERF)<br>COVID-19 HEERF Student Aid Portion |
| 84.425F                          | COVID-19 HEERF Institutional Portion   |
| 84.425M                          | COVID-19 HEERF Strengthening Institutions Program (SIP)                              |

5. Dollar threshold used to distinguish between type A and type B programs \$919,321

6. Auditee qualified as low-risk under 2CFR 200.520 Yes

**Wallace State Community College  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2022**

**Section II - Financial Statements Findings**

In a separate report, dated January 17, 2023, we noted the following finding:

**2022-001      Payroll and Related Benefit Accruals**

*Criteria:* All liabilities of the College should be recorded in the financial statements on the full accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP).

*Condition:* Accrued liabilities pertaining to payroll and related benefits for instructional personnel were improperly recorded at year-end. Furthermore, estimated payments related to social security taxes were excluded from compensated absences liability at year-end.

*Cause:* Adjustments related to year-end accruals for payroll and related benefits did not include consideration of the total contract days of instructional personnel and the number of days worked by these employees through the end of the fiscal year. The accrual for compensated absences did not include salary related payments for social security taxes.

*Effect:* Accrued liabilities were materially understated, expenses were understated and beginning net position was overstated. As a result of audit procedures performed, management elected to record an adjustment to correct the balances.

*Recommendation:* We recommend that management evaluate the year-end payroll and related liabilities accrual process to ensure that all liabilities and expenses are properly recorded in order to present the financial statements in accordance with GAAP.

*Management's response:* The College acknowledges the finding and has implemented procedures to ensure the accruals are properly recorded at year-end.

**Section III - Federal Award Findings and Questioned Costs**

There were no matters to be reported.



## Wallace State Community College Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2022

| Federal Agency Pass-through<br>Grantor Program Title        | Federal<br>Assistance<br>Listing<br>Number | Pass-<br>Through Grantor's<br>Number | Pass-<br>Through to<br>Subrecipients | Total Federal<br>Expenditures |
|---|--|--------------------------------------|--------------------------------------|-------------------------------|
| <b><u>Student Financial Assistance Cluster</u></b>          |  |                                      |                                      |                               |
| <b><u>U.S. Department of Education</u></b>                  |  |                                      |                                      |                               |
| <b><u>Direct Programs</u></b>                               |  |                                      |                                      |                               |
| Federal Supplemental Educational Opportunity Grants         | 84.007                                     |                                      | \$ -                                 | \$ 241,586                    |
| Federal Work-Study Program                                  | 84.033                                     |                                      | -                                    | 149,650                       |
| Federal Pell Grant Program                                  | 84.063                                     |                                      | -                                    | 9,898,707                     |
| Federal Direct Student Loans                                | 84.268                                     |                                      | -                                    | 7,491,674                     |
| Total Student Financial Assistance Cluster                  |  |                                      | -                                    | 17,781,617                    |
| <b><u>Research and Development Cluster</u></b>              |  |                                      |                                      |                               |
| <b><u>National Science Foundation</u></b>                   |  |                                      |                                      |                               |
| <b><u>Direct Programs</u></b>                               |  |                                      |                                      |                               |
| Education and Human Resources                               | 47.076                                     |                                      | -                                    | 41,162                        |
| <b><u>U. S. Department of Education</u></b>                 |  |                                      |                                      |                               |
| <b><u>Direct Programs</u></b>                               |  |                                      |                                      |                               |
| Higher Education - Institutional Aid                        | 84.031                                     |                                      | -                                    | 200,452                       |
| Total Research and Development Cluster                      |  |                                      | -                                    | 241,614                       |
| <b><u>TRIO Cluster</u></b>                                  |  |                                      |                                      |                               |
| <b><u>U.S. Department of Education</u></b>                  |  |                                      |                                      |                               |
| <b><u>Direct Programs</u></b>                               |  |                                      |                                      |                               |
| TRIO Student Support Services                               | 84.042                                     |                                      | -                                    | 268,800                       |
|   | 84.044                                     |                                      | -                                    | 469,584                       |
| Total TRIO Cluster  |  |                                      | -                                    | 738,384                       |
| <b><u>WIOA Cluster</u></b>                                  |  |                                      |                                      |                               |
| <b><u>U. S. Department of Labor</u></b>                     |  |                                      |                                      |                               |
| <b><u>Passed Through Alabama Department of Commerce</u></b> |  |                                      |                                      |                               |
| WIOA Adult Program  | 17.258                                     | N.A.                                 | -                                    | 73,424                        |
| WIOA Youth Activities                                       | 17.259                                     | N.A.                                 | -                                    | 17,509                        |
| WIOA Dislocated Worker Formula Grants                       | 17.278                                     | N.A.                                 | -                                    | 2,033                         |
| <b><u>Passed Through Jefferson County Commission</u></b>    |  |                                      |                                      |                               |
| WIOA Adult Program  | 17.258                                     | N.A.                                 | -                                    | 53,547                        |
| WIOA Dislocated Worker Formula Grants                       | 17.278                                     | N.A.                                 | -                                    | 3,914                         |
| Total WIOA Cluster  |  |                                      | -                                    | 150,427                       |

(Continued)

**Wallace State Community College**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended September 30, 2022**

| Federal Agency Pass-through<br>Grantor Program Title                         | Federal<br>Assistance<br>Listing<br>Number | Pass-<br>Through Grantor's Number | Pass-<br>Through to<br>Subrecipients | Total Federal<br>Expenditures |
|--|--|-----------------------------------|--------------------------------------|-------------------------------|
| <b><u>Economic Development Cluster</u></b>                                   |  |                                   |                                      |                               |
| <b><u>U. S. Department of Commerce</u></b>                                   |  |                                   |                                      |                               |
| <b><u>Direct Programs</u></b>  |  |                                   |                                      |                               |
| Investments for Public Works and Economic Development Facilities             | 11.300                                     |                                   | -                                    | 2,000,000                     |
| Total Economic Development Cluster   |  |                                   | -                                    | 2,000,000                     |
| <b><u>Other Federal Awards</u></b>   |  |                                   |                                      |                               |
| <b><u>U. S. Department of Education</u></b>                                  |  |                                   |                                      |                               |
| <b><u>Direct Programs</u></b>  |  |                                   |                                      |                               |
| COVID-19 Higher Education Emergency Relief Fund (HEERF)                      |  |                                   |                                      |                               |
| Student Aid Portion  | 84.425E                                    |                                   | -                                    | 5,282,090                     |
| COVID-19 (HEERF) Institutional Aid Portion                                   | 84.425F                                    |                                   | -                                    | 3,064,443                     |
| COVID-19 (HEERF) Strengthening Institutions Program (SIP)                    | 84.425M                                    |                                   | -                                    | 26,971                        |
| Total COVID-19 Higher Education Emergency Relief Fund (HEERF)                |  |                                   | -                                    | 8,373,504                     |
| <b><u>Passed Through Alabama Community College System</u></b>                |  |                                   |                                      |                               |
| Adult Education - Basic Grants to States                                     | 84.002                                     | 0922AE093                         | -                                    | 320,755                       |
| <b><u>Passed Through Alabama State Department of Education</u></b>           |  |                                   |                                      |                               |
| Career and Technical Education - Basic Grants to States                      | 84.048                                     | V048A200001                       | -                                    | 20,650                        |
| Career and Technical Education - Basic Grants to States                      | 84.048                                     | V048A210001                       | -                                    | 670,181                       |
| Total Career and Technical Education-Basic Grants to States                  |  |                                   | -                                    | 690,831                       |
| <b><u>U.S. Department of Labor</u></b>                                       |  |                                   |                                      |                               |
| <b><u>Direct Program</u></b>   |  |                                   |                                      |                               |
| WIOA Dislocated Worker National Reserve Demonstration Grants                 | 17.280                                     |                                   | -                                    | 123,873                       |
| <b><u>Passed Through Alabama Community College System</u></b>                |  |                                   |                                      |                               |
| H-1B Job Training Grants   | 17.268                                     | HG-33165-19-60-A-1                | -                                    | 147,741                       |
| <b><u>Passed Through American Association of Community Colleges</u></b>      |  |                                   |                                      |                               |
| Apprenticeship USA Grants  | 17.285                                     | AP-3302S-19-75-A-11               | -                                    | 51,878                        |
| <b><u>Appalachian Regional Commission</u></b>                                |  |                                   |                                      |                               |
| <b><u>Direct Program</u></b>   |  |                                   |                                      |                               |
| Appalachian Area Development   | 23.002                                     |                                   | -                                    | 23,191                        |
| <b><u>U.S. Department of Health and Human Services</u></b>                   |  |                                   |                                      |                               |
| <b><u>Passed Through Alabama Department of Early Childhood Education</u></b> |  |                                   |                                      |                               |
| Every Student Succeeds Act/Preschool Development Grants                      | 93.434                                     | N.A.                              | -                                    | 222                           |
| Total Expenditures of Federal Awards   |  |                                   | -                                    | 30,644,037                    |

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## Wallace State Community College Notes to Schedule of Expenditures of Federal Awards

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Wallace State Community College (the College), under programs of the federal government for the year ended September 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### **Note 2: INDIRECT COST RATE**

The Uniform Guidance allows an organization to elect a 10% de minimis indirect cost rate. For the year ended September 30, 2022, the College did not elect to use this rate.

### **Note 3: LOAN / LOAN GUARANTEE OUTSTANDING BALANCES**

The College did not have any federal loans or loan guarantees outstanding during the year ended September 30, 2022.

### **Note 4: NONCASH ASSISTANCE AND OTHER**

The College did not receive any noncash assistance or federally funded insurance during the year ended September 30, 2022.

### **Note 5: CONTINGENCIES**

Grant monies received and disbursed by the College are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon experience, the College does not believe that such disallowance, if any, would have a material effect on the financial position of the College.

### **Note 6: FEDERAL PASS-THROUGH FUNDS**

The College is also the sub-recipient of federal funds that have been subjected to testing and are reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as pass-through are considered to be direct.



# WALLACE STATE

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## CORRECTIVE ACTION PLAN

September 30, 2022

Wallace State Community College submits the following corrective action plan for the year ended September 30, 2022.

Name and address of independent public accounting firm:

Carr, Riggs & Ingram, LLC

3700 Colonnade Parkway

Suite 300

Birmingham, AL 35243

Audit period:

Year ended September 30, 2022

The finding from the September 30, 2022 schedule of findings and questioned costs are discussed below. The finding is numbered consistently with the number assigned in the schedule.

## FINDINGS – FINANCIAL STATEMENT AUDIT

**2022-001 Payroll and Related Benefit Accruals**

*Criteria:* All liabilities of the College should be recorded in the financial statements on the full accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP).



# WALLACE STATE

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**Condition:** Accrued liabilities pertaining to payroll and related benefits for instructional personnel were improperly recorded at year-end. Furthermore, estimated payments related to social security taxes were excluded from compensated absences liability at year-end.

**Cause:** Adjustments related to year-end accruals for payroll and related benefits did not include consideration of the total contract days of instructional personnel and the number of days worked by these employees through the end of the fiscal year. The accrual for compensated absences did not include salary related payments for social security taxes.

**Effect:** Accrued liabilities were materially understated, expenses were understated and beginning net position was overstated. As a result of audit procedures performed, management elected to record an adjustment to correct the balances.

**Recommendation:** We recommend that management evaluate the year-end payroll and related liabilities accrual process to ensure that all liabilities and expenses are properly recorded in order to present the financial statements in accordance with GAAP.

**Action Taken:** The College's Chief Financial Officer, Mary Helen Ingram, has implemented procedures to ensure the accruals are properly recorded at year-end.

**Anticipated Completion Date:** Immediately