



February 24, 2012

Mr. Jacob Flournoy
Internal Audit Director
University of Arkansas System
2404 N. University Ave.
Little Rock, AR 72207

Dear Mr. Flournoy:

I am responding today (February 24, 2012) to the Audit Findings relative to the Harrold Complex audits. Although I understand the Findings indicated, I do not agree with the interpretations.

I am available for the exit conference.

Sincerely,

A handwritten signature in black ink, appearing to read "L. Davis, Jr.", with a stylized flourish extending from the end.

Lawrence A. Davis, Jr.
CHANCELLOR

LADjr:s

U N I V E R S I T Y O F
ARKANSAS PINE BLUFF

OFFICE OF THE CHANCELLOR

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An equal opportunity/affirmative action university

University of Arkansas at Pine Bluff

Response

to the

Internal Audit Report

University of Arkansas at Pine Bluff

Harrold Dorm Complex and Living Learning Center

Report on Loss

10-10

Lawrence A. Davis, Jr.

Chancellor

February 24, 2012

Preamble

The funds which have been audited were generated by a project having its genesis over twenty years ago. Over a period of twenty years, university supporters made donations which at the end of the period would be matched by a Title III grant. It was intended that UAPB would have discretionary power to expend the funds. The federal office of Title III more than once indicated that the discretionary power was with UAPB. Initially, the funds were to be deposited in the University of Arkansas Foundation. However, the foundation refused acceptance of the federal match to avoid federal audit. Subsequently, we deposited money in both Simmons and Pine Bluff National Banks.

Consequently, because of the ambivalence of the legal staff and the critical urgency of UAPB student facilities needs, we approached the expenditures as discretionary. No funds were misused and allocations addressed dire university needs.

Please be aware that individuals who donated funds to be matched by Title III never intended them to be administered by the state.

Response to Recommendation

1. Chancellor will ensure compliance.

University of Arkansas at Pine Bluff

Responses

to the

Internal Audit Report

University of Arkansas at Pine Bluff

Harrold Dorm Complex and Living Learning Center

Report on Loss

10-09

Lawrence A. Davis, Jr.

Chancellor

February 24, 2012

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Factual Corrections to the Background

The initial request for audit of the Harrold Complex dormitory was initiated by the Chancellor to verify that inventory purchases were on site. In the spring of 2007, due to lack of security, the fire extinguishers were stolen and not noted by personnel. The next night an arsonist ignited a fire on the same floor. Fortunately, no lives were lost and only minor injuries were incurred. The chancellor, Mrs. Ticey and others were immediately on site and assisted the students in obtaining other arrangements for housing and meals. Also, since students were prohibited from reentering the building to recover cell phones, textbooks, etc. Mrs. Ticey and selected university employees performed the recovery functions. Others who should have been immediately aware arrived hours later.

Ms. Shirley Morris was appointed to direct the program in December 2006 only working two hours per day. Subsequently, she resigned June 4, 2008. Also, it should be noted that the Dean of Student Life and Enrollment Management indicated that he assigned the supervision of tutors to others.

Beginning October 1, 2008 Mr. Michael Washington was transferred from Career Services to Director of the Harrold Complex.

Mr. Washington was unable to discharge the duties and was relieved December 12, 2008.

The idea of the Living and Learning Center was conceived of by the chancellor. However, the Title III director at the time could not fit the program within funding guidelines. Subsequently, the chancellor sent UAPB representatives to gain information regarding the Living and Learning Center. The visit was followed by a presentation on the UAPB campus by faculty/staff of Prairie View A&M University.

The program was initiated during the 2007-2008 school year. Because of a dearth of funds the initial program was restricted to Johnson-Copeland. Later the program was expanded to the entire complex as the chancellor had the Title III component rewritten.

As the chancellor became more involved with the program, he observed the reality of the deplorable, embarrassing and unhygienic conditions of the dormitories. Mr. Uarlee Cogshell had not addressed these conditions and did not inform the chancellor of the dire circumstances. Because of these conditions and the chancellor's displeasure with the program, he assumed responsibility. Had we not addressed these challenges, lawsuits would have resulted. Under the chancellor's management, the program was expanded to include not only Johnson-Copeland but also Fischer-Stevens.

The Harrold Complex is a four building housing unit consisting of Johnson, Copeland, Fischer and Stevens halls. The residents are in the majority freshmen but because some upperclassmen were so satisfied with the environment, they resisted being transferred to other housing units (currently 106 upperclassmen reside in the complex). It is interesting to note that despite protracted discussion with the legal staff of the university system beginning as early as 2006 (see attachment A), clear operational guidelines were not provided. Noted is the attached compilation of communications between UAPB administrators and the system legal staff.

The endowment grant was initiated in 1986 during the time that Ms. Eva McGee was director of the Title III program. After a 20-year investment period the funds were released to the university for discretionary educational purposes. ALL expenditures for the Harrold Complex were used for educational purposes. Also, discretionary spending was allowed (see attachment B).

From November 5, 1991 through 2007, because of concern for adherence to policy, the Chancellor utilized the services of individuals who were or had been employed by University of Arkansas System office. These individuals were Tom Chapman, Hugh Blaney, Jose Arjona and Barbara Goswick. It was assumed that our Human Resources staff was ensuring the appropriate guidelines for hiring and termination

were being fulfilled. The signing for others as noted in the audit report (page 5) is not a peculiarity of the Harrold Complex (see attachment C). It is not unusual for others to sign for supervisors (the Dean of Student Life and Enrollment Management indicated that he relied on others to verify hours worked). It's incredulous that the audit does not address the failure of the Human Resources staff to properly monitor the hiring and payment transactions. Also, failure to properly train time keepers created some of the issues.

Mr. Rickey Ticey, Cicily Ticey and Mrs. Lucille Hayes all worked over and above requirements to assist in achieving the ideal the chancellor prescribed. Each relative indicated on the application the family relationship (see attachment D). All time sheets were submitted through appropriate channels. At no time were we informed of any improprieties. Because of Mr. Ticey's broad-based skills, he worked over and above requirements (see attachment E). If physical plant staff had been able to perform the duties, he would not have been employed. Mrs. Hayes came on weekends and other times to assist Mrs. Ticey in stripping floors which held several layers of wax. The Physical Plant indicated they could not assist with the effort. Mr. Ticey and Ms. Ticey were among the few willing to work at unpopular times. For example, almost weekly the Harrold Complex experienced power outages. It was Mr. Ticey who came at wee hours of the morning to

reset circuit breakers. It should be noted that each power failure led to malfunction of the time clock.

Major Eugene Butler informed the Chancellor that he did give Mrs. Ticey permission to sign his signature when he was not available and payroll dates were imminent. The employees receiving the highest compensations did the work. It should be noted that many UAPB students work full-time off campus. Lack of knowledge is responsible for improper pay scales and failure to use a separate earnings code for overtime (see attachment F).

Duplicate payments should have not occurred. Also, inaccuracy of time sheets is not acceptable. Over the audit period four different timekeepers were employed who were ostensibly trained by UAPB's Human Resources Department (time keepers were Acquanetta Burns, Sharon Gilmore, Brandiace Harrison and Carolyn Mills). Each time keeper received training from the Human Resources Department. Also, the earlier attempt to use a time clock was a failure. The holiday periods for the Harrold Complex required more personnel because not all students left for the holidays and because belongings were left in individual rooms along with a high quality inventory. Also, the investment in the Harrold Complex required 24 hour surveillance. Other dorms do not have the amenities of the Harrold Complex and during holidays students of other dorms were concentrated in fewer units (i.e.

some housing units had no student occupants). To properly compare expenditures, the total for the Harrold Complex should be divided by four as it is four dormitories.

Purchasing and Accounts Payable

As the chancellor considered the money expended to be discretionary as indicated in the attached documents and verified several times by the director of Title III and federal representatives, and because of the urgency of the program usual procedures were bypassed. We were not informed that deposit of the funds in the Simmons Bank account would require adherence to state guidelines. We utilized UAPB's physical plant personnel (see attachment G) as often as possible. However, in most cases they were unable to assist with the many challenges which we faced. Consider the attached items.

In the case of expenditures above \$25,000.00, the chancellor in adherence to purchasing policies (see attachment H) deemed the projects dire emergencies. Health and safety issues were involved in the decisions. The same response (dire emergency) relates to job order contracts.

Response to Recommendations

1. Management will comply and appropriate procedures are being implemented.
2. Chancellor will comply.
3. Nepotism was not intended. However, individuals apparently did not follow organizational lines. This error will not be repeated.
4. Chancellor will comply.
5. Chancellor and management will pursue recovery of duplicate payments.
6. Management will comply through action.
7. Management will comply.
8. Chancellor will comply.

Purchase of Golf Carts

Management reported to the university's legal staff (along with police report) that vendor did not verify return of the carts. No action was taken.

Purchase of Electronics

The vendor had already serviced the university and was recommended by the Physical Plant et.al for the expenditure.

Painting and Repair Work

Painting and repair was related to mildew and termite problems.

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This was an oversight which management will attempt to correct if individuals can be identified and located.

Overpayments

Any overpayments of reimbursements to individuals without adequate receipt will be recovered.

9. Chancellor will ensure compliance.
10. Management will pursue recovery of duplicate payments.
11. Management will comply.
12. Reimbursement from Mrs. Ticey of \$150.29 will be attained.
13. Chancellor will comply.

Equipment Transfer

14. Mrs. Ticey was not involved in the transfer of the media cabinet. Physical Plant informed management that the cabinet (used by Mr. Michael Washington) was demolished in transit. The process for transfer of material goods from one location to another is already in place. No explanation for failure to follow procedure in this case.

Financial Aid

15. The \$2,860.00 loss will be recovered. The \$1800.00 was recovered. The \$900.00 expenditure will be properly reported.

16. Chancellor will comply.

17. Chancellor will comply.

18. Management will comply.

19. Chancellor will comply.