



Alabama Department of Examiners of Public Accounts

Special Report on the **Cottonwood Ambulance and Rescue Squad, Inc. Houston County, Alabama**

January 1, 2021 through January 31, 2024

Filed: June 28, 2024

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ALABAMA STATE HOUSE

Rachel Laurie Riddle, Chief Examiner



Rachel Laurie Riddle
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

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

Dear Madam:

A special examination was conducted of the Cottonwood Ambulance and Rescue Squad, Inc., Houston County, Alabama, for the period January 1, 2021 through January 31, 2024. 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 of the special examination.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Brooke P. Warren'. The signature is fluid and cursive.

Brooke P. Warren
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Cottonwood Ambulance and Rescue Squad, Inc.
January 1, 2021 through January 31, 2024**

The Cottonwood Ambulance and Rescue Squad, Inc. (the “Rescue Squad”) is located in Houston County and provides services to portions of Houston County. The Rescue Squad receipts, disburses, and otherwise accounts for funds received from the Houston County EMS Association collected by the Houston County Judge of Probate for tag fees, appropriations from the Houston County Commission, state grants, fees from citizens of Houston County and other sources. This report presents the results of a special examination of the Rescue Squad performed pursuant to the *Code of Alabama 1975*, Section 41-5A-5(a)(8).

COMMENTS

During our examination of the Rescue Squad, we attempted to evaluate the policies and procedures in place within the Rescue Squad. However, there were no official minutes provided to support the actions and activities of the Rescue Squad. There was a lack of segregation of duties within the Rescue Squad. To accomplish proper segregation of duties, an internal control system, insofar as possible, should provide for different individuals to perform the function of authorizing a transaction and the performing and recording a transaction. Instances of noncompliance with applicable state and local laws and regulations and other matters were found during the examination as shown on the Schedule of Findings and they are summarized below. Additionally, prior to our review, an Independent Accountant’s Report was issued for the Rescue Squad that also noted issues due to a lack of internal controls.

FINDINGS

A brief summary of the findings noted in the examination is shown below. A detailed listing of the findings is included in the Schedule of Findings.

- ◆ 2024-001: The Rescue Squad failed to implement and adhere to procedures to ensure that all disbursements of public funds were made for eligible purposes, adequately documented, and properly approved.
- ◆ 2024-002: The Rescue Squad failed to ensure that documentation was maintained to support all administrative and financial activities.

- ◆ 2024-003: The Rescue Squad failed to establish procedures to ensure that the disbursement of public funds to purchase vehicles were made for eligible purposes, adequately documented, and properly approved.

CHARGES AGAINST OFFICERS

As reflected on Exhibit 2, the charges against the President of the Rescue Squad resulted from disbursements made for ineligible and/or undocumented purchases or cash withdrawals made from restricted funds of the Rescue Squad. Official demand was made on the President requesting payments totaling \$847,539.91. The President appeared at a meeting before the Chief Examiner and submitted further evidence related to the amounts due. As a result, relief in the amount of \$692,531.81 was granted and the remaining amount of \$155,008.10 remains due and unpaid as evidenced by the Order of the Chief Examiner contained in this report. The charges that remain are due and unpaid, as a result, this report will be certified to the Attorney General for collection.

EXIT CONFERENCE

Officers, as reflected on Exhibit 1, were invited to discuss the results of this report at an exit conference held by teleconference. Individuals in attendance were Rickey Stokes, President; Board Members Kristen McClure and Dale Quattlebaum; and the following representatives from the Department of Examiners of Public Accounts: Jason Paulk, Chief Legal Counsel; Dixie B. Thomas, Director of Operational Audits; and Brooke P. Warren, Examiner.

Schedule of Findings

Schedule of Findings

January 1, 2021 through January 31, 2024

| Ref. No. | Finding/Noncompliance |
|-------------|---|
| 2024-001 | <p><u>Finding:</u></p> <p>Public money held by the Cottonwood Ambulance and Rescue Squad, Inc. (the “Rescue Squad”) is required to be spent for public purposes benefiting the Rescue Squad and in compliance with state and local laws and regulations. To document the public purpose, adequate supporting documentation of disbursements is required to be retained. Public funds include state grants, county appropriations and a tag transaction fee.</p> <p>The Rescue Squad received American Rescue Plan Act funds that are classified as public funds from state grants, appropriations from the Houston County Commission, and distributions from Houston County EMS Association collected by the Houston County Judge of Probate for tag fees. An examination of the Rescue Squad’s bank accounts where these funds were deposited or transferred was conducted and documentation for disbursements made from these accounts was requested.</p> <p>Proper documentation, including an original invoice and authorization by the Rescue Squad’s Board Members to support the allowable use of payments made was requested from the Rescue Squad’s President; however, after multiple attempts were made to obtain documentation from the Rescue Squad’s President, proper documentation was not provided for questioned payments totaling \$847,539.91.</p> <p>The following disbursements were not properly documented and the eligibility and purpose of the payments were questioned; however, documentation was not provided to demonstrate that the disbursements were made to benefit the Rescue Squad:</p> <ul style="list-style-type: none">✓ Amounts were paid to individuals by checks made using the Rescue Squad’s bank accounts, totaling \$415,963.45. Proper documentation was not provided to support the purpose of these disbursements.✓ Payments totaling \$234,601.53 were made to various vendors for which proper documentation to support the allowability and purpose of the disbursements was not provided. These vendors included general retail stores such as Wal-Mart, Dollar General, Lowes and Family Dollar; an online casino, Luckyland; a financial institution and personal loan company, Wells Fargo and First Franklin Financial; and other vendors including Adore Me, Inc. and Alacourt.✓ Cash withdrawals totaling \$139,523.64 were made at local banks from the Rescue Squad's checking accounts. Proper documentation was not provided to support the allowability and purpose of the withdrawals. |

Schedule of Findings
January 1, 2021 through January 31, 2024

| Ref. No. | Finding/Noncompliance |
|-------------|---|
| | <p><u>Finding Continued:</u></p> <ul style="list-style-type: none"> ✓ A cashier's check totaling \$25,005.00 made to Gilland Ford was obtained and negotiated. Proper documentation was not provided to support the allowability and purpose of this payment. ✓ Payments totaling \$17,727.00 were made to Mallory-Tate Insurance and Wiregrass Insurance. Proper documentation was not provided to support the allowability of the payments. ✓ Payments totaling \$11,991.84 were made to utility companies including Alabama Power, WOW!, Dothan Utilities, Century Link, Dothan Pest Control, and Bright Speed for which proper documentation was not provided to support the eligibility and purpose of the payments. ✓ Payments totaling \$2,535.45 were made to Chipola College for which proper documentation was not provided to support the eligibility and purpose of the payments. ✓ Fees totaling \$192.00 were charged from local banks for non-sufficient funds, stop payment items and returned items. <p>The Rescue Squad failed to establish procedures to ensure that funds were spent for eligible purposes and that proper documentation, including original invoices and authorization by the Rescue Squad's Board Members, was maintained. As a result, \$847,539.91 is reflected as amounts due from the Rescue Squad's President on Exhibit 2.</p> <p><u>Recommendation:</u> The Rescue Squad should implement procedures to ensure that all disbursements of public funds are for eligible purposes, adequately documented, and properly approved.</p> |
| 2024-002 | <p><u>Finding:</u></p> <p>Certain money held by the Rescue Squad is considered to be public funds and is required to be spent for public purposes benefiting the Rescue Squad. To document the public purposes, adequate supporting documentation of disbursements is required to be retained by the Rescue Squad. Items to further this include but are not limited to the following:</p> <ul style="list-style-type: none"> ✓ Public funds should not be commingled (mixed) with funds from private sources; ✓ The Rescue Squad's Board Members should keep minutes of all meetings; ✓ A cashbook reflecting the receipts, disbursements, and balances on hand should be maintained monthly; and ✓ The Rescue Squad's Board Members should retain adequate documentation to support wages paid to all individuals. |

Schedule of Findings

January 1, 2021 through January 31, 2024

| Ref. No. | Finding/Noncompliance |
|-------------|---|
| | <p><u>Finding Continued:</u></p> <p>Our examination of the Rescue Squad revealed the following issues:</p> <ul style="list-style-type: none">✓ Reports documenting funds sent to the Rescue Squad from the State of Alabama, Houston County Commission, and Houston County EMS Association were reviewed. We traced the amounts from the reports to deposits into the bank accounts of the Rescue Squad. We were able to identify that restricted public funds had been deposited into accounts that contained funds received from private sources; additionally, transfers were made between the Rescue Squad's bank accounts that contained restricted public funds into accounts that contained private sources.✓ The Rescue Squad's President identified some disbursements that were made for his personal benefit in a response to our department but did not provide any invoices, receipts, or proof of authorization. Disbursements were made to internet service providers, electric service providers, cable service providers, his bail bonding company, and cash withdrawals were made.✓ Minutes could not be provided to document the actions of the Cottonwood Ambulance and Rescue Squad's Board Members; therefore, no documentation was available to indicate that disbursements were properly authorized.✓ Based on the records obtained for examination, the Rescue Squad failed to provide all cashbooks reflecting receipts, disbursements, and balances on hand. No reports were provided for the months of September 2023 through January 2024.✓ Records, including supporting documentations for receipts and disbursements, minutes, cashbooks, etc., as noted above could not be provided for much of the examination period.✓ Based on the records obtained for examination, there was no evidence that a Form 1099 or contract was maintained to support wages paid to all individuals. <p>The Rescue Squad failed to establish procedures to ensure that documentation was maintained to support the financial activities and administrative actions of the Rescue Squad. The lack of documentation exposed the Rescue Squad to the risk of loss, theft, and mismanagement.</p> <p><u>Recommendation:</u></p> <p>The Rescue Squad should ensure procedures are in place to ensure that documentation is maintained to support all administrative and financial activities.</p> |

Schedule of Findings

January 1, 2021 through January 31, 2024

| Ref. No. | Finding/Noncompliance |
|-------------|---|
| 2024-003 | <p><u>Finding:</u></p> <p>Certain money held by the Rescue Squad from public entities is considered to be public funds and is required to be spent for public purposes benefiting the Rescue Squad. To document the public purposes, adequate supporting documentation of disbursements is required to be retained by the Rescue Squad.</p> <p>On or around November 29, 2021, the Rescue Squad issued a cashier's check totaling \$25,005.00 to Gilland Ford.</p> <p>Our examination revealed the following issues:</p> <ul style="list-style-type: none">✓ On November 27, 2021, a 2019 Ford F150 was purchased for \$40,947.68 by 38 Leasing, LLC from Gilland Ford. The address reflected on the document was registered to a local bail bonding company affiliated with the President of the Rescue Squad. A cashier's check totaling \$25,005.00 was made to Gilland Ford by the Rescue Squad to supposedly pay for a portion of the vehicle not sold to the Rescue Squad but to 38 Leasing, LLC. We were unable to determine who the vehicle was purchased for or if the vehicle was used for the daily operations of the Rescue Squad.✓ Minutes could not be provided to document the approval of actions of the Rescue Squad's Board Members for the purchase of any such vehicle or the \$25,005.00 payment; therefore, we were unable to determine whether the payment made was authorized. <p>The Rescue Squad failed to establish procedures to ensure that proper documentation was maintained to support vehicle purchases, including the original receipt and authorization by the Rescue Squad's Board Members was maintained.</p> <p><u>Recommendation:</u></p> <p>The members of the Rescue Squad should implement procedures to ensure that all purchases made with public money are for public purposes, adequately documented, and properly approved. The Rescue Squad should maintain all official documentation to support vehicle purchases utilized by the Rescue Squad.</p> |

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Board Members of the Ambulance and Rescue Squad
January 1, 2021 through January 31, 2024

Officers

| | |
|-------------------|--------------------|
| Rickey Stokes | President/Chairman |
| Kristen McClure | Board Member |
| Dale Quattlebaum | Board Member |
| Dylon Quattlebaum | Board Member |

Schedule of Charges
January 1, 2021 through January 31, 2024

| Person/Official Charged | Date | Amount Charged | Amount Paid | Amount Relieved By Chief Examiner | Amount Unpaid | Description of Charge |
|---|----------------------|-----------------------|--------------------|--|----------------------|--|
| Charged To: | | | | | | |
| Rickey Stokes, President, Cottonwood Ambulance and Rescue Squad, Inc. | 1/1/2021 - 1/31/2024 | \$ 415,963.45 | \$ | \$ (398,301.62) | \$ 17,661.83 | Amounts paid to individuals for which proper documentation was not provided to support the purpose of the disbursements. |
| | 1/1/2021 - 1/31/2024 | 234,601.53 | | (208,385.92) | 26,215.61 | Payments were made to various vendors for which proper documentation to support the allowability and purpose of the disbursements was not provided. These vendors included general retail stores such as Wal-Mart, Dollar General, Lowes and Family Dollar; an online casino, Luckyland; a financial institution and personal loan company, Wells Fargo and First Franklin Financial; and other vendors including Adore Me, Inc. and Alacourt. |
| | 1/1/2021 - 1/31/2024 | 139,523.64 | | (37,154.37) | 102,369.27 | Cash withdrawals were made at local banks from the Cottonwood Ambulance and Rescue Squad's checking accounts. Proper documentation was not provided to support the allowability purpose of the withdrawals. |
| | 1/1/2021 - 1/31/2024 | 25,005.00 | | (25,005.00) | | A cashier's check made to Gilland Ford was obtained and negotiated. Proper documentation was not provided to support the allowability and purpose of this expenditure. |
| | 1/1/2021 - 1/31/2024 | 17,727.00 | | (17,727.00) | | Payments were made to Mallory-Tate Insurance and Wiregrass Insurance for which proper documentation was not provided to support the allowability of the expenditures. |
| | 1/1/2021 - 1/31/2024 | 11,991.84 | | (3,422.45) | 8,569.39 | Payments were made to utility companies including Alabama Power, WOW!, Dothan Utilities, Century Link, Dothan Pest Control, and Bright Speed for which proper documentation was not provided to support the eligibility and purpose of the payments. |
| | 1/1/2021 - 1/31/2024 | 2,535.45 | | (2,535.45) | | Payments were made to Chipola College for which proper documentation was not provided to support the eligibility and purpose of the expenditures. |
| | 1/1/2021 - 1/31/2024 | 192.00 | | | 192.00 | Fees were charged from local banks for non-sufficient funds, stop payment items, and returned items. |
| Total Charged to Rickey Stokes | | \$ 847,539.91 | \$ | \$ (692,531.81) | \$ 155,008.10 | |

Order of the Chief Examiner

ORDER OF THE CHIEF EXAMINER

RE: COTTONWOOD AMBULANCE AND RESCUE SQUAD, INC. JANUARY 1, 2021 THROUGH JANUARY 31, 2024

This matter of amounts due from the President of the Cottonwood Ambulance and Rescue Squad, Inc., was brought before me on the 6th day of May 2024, pursuant to the provisions of the *Code of Alabama 1975*, Section 41-5A-20. I am of the opinion that evidence has been provided to constitute just cause for relieving charges in the amount of \$692,531.81, therefore relief from these charges is granted. Further, I am of the opinion that the President of the Cottonwood Ambulance and Rescue Squad Inc, Houston County has failed to show just cause why the remaining charges in the amount of \$155,008.10 should not be paid, therefore relief from these charges is denied.

Entered this the 7th day of June, 2024.



Rachel Laurie Riddle
Chief Examiner