



Lamar County Hospital Association Health Trust Fund Vernon, Alabama

October 1, 2022 through September 30, 2024

Filed: October 3, 2025

ALABAMA DEPARTMENT OF
EXAMINERS of Public Accounts

Rachel Laurie Riddle, Chief Examiner | 334-777-0500 | www.alexaminers.gov



State of Alabama
Department of
Examiners of Public Accounts

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Rachel Laurie Riddle
Chief Examiner

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

Dear Madam:

An examination was conducted on the Lamar County Hospital Association Health Trust Fund, Vernon, Alabama, for the period October 1, 2022 through September 30, 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 examination.

Respectfully submitted,

Zachary Pugh
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

EXAMINER'S SUMMARY

Lamar County Hospital Association Health Trust Fund
October 1, 2022 through September 30, 2024

PURPOSE AND SCOPE OF EXAMINATION

This report presents the results of an examination of the Lamar County Hospital Association Health Trust Fund (hereinafter referred to as the “Association”) and a review of the Association’s compliance with applicable laws and regulations of the State of Alabama 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.

The Agency Overview contained in this report provides information on the Association’s operating authority. The Board’s financial information for the examination period is contained in Exhibits 1 through 4.

RESULTS OF THE EXAMINATION

Findings

Instances of noncompliance with state laws and regulations and other matters were found during the examination as shown on the Schedule of State Compliance and Other Findings and they are summarized below.

- ◆ 2024-001: The Association did not post notices of its meetings as required by Alabama Open Meetings Act. This finding was previously reported as Finding 2022-001.
- ◆ 2024-002: The Association’s Board did not provide supporting documentation that it properly set and approved rates of pay for Board members in accordance with Act Number 2007-321, Acts of Alabama. This finding was previously reported as Finding 2022-002.
- ◆ 2024-003: The Association provided unallowable meals to attendees of the Association’s annual board meetings.

- ◆ 2024-004: The Association did not ensure all bank accounts were held in the Association's name in the Security for Alabama Funds Enhancement (SAFE) program.
- ◆ 2024-005: The Association failed to approve all expenditures as required by their established bylaws.

EXIT CONFERENCE

Board members and administrative personnel, as reflected on Exhibit 5, were invited to an exit conference to discuss the results of the report. Individuals in attendance were Chairman Wayne Baines; Board Members James S. Yerby, Larry Lann, Fred R. Savage, Terry Gosa; and Administrator Kathie Rutledge. Representing the Department of Examiners of Public Accounts were Peter Fisher, Audit Manager and Zachary Pugh, Examiner.



Department of
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AGENCY OVERVIEW

Lamar County Hospital Association Health Trust Fund
October 1, 2022 through September 30, 2024

The Lamar County Hospital Association was incorporated June 9, 1947, under the provisions of Act Number 211 of the 1945 Legislative Session now codified at the *Code of Alabama 1975*, Section 22-21-50 through Section 22-21-57. The Lamar County Hospital Association owned, maintained and operated in Vernon, Lamar County, Alabama; a general hospital until February 1, 1984, when it sold all of the facilities of the hospital. The Lamar County Hospital Association Health Trust Fund (the “Association”) was established on February 19, 1985, under the direct supervision of the Executive Committee of the Lamar County Hospital Association. The funds from the sale of the facilities of the hospital were to be used by the trust fund to benefit the citizens of Lamar County, Alabama. The Association’s Executive Committee is authorized to pay operational and administrative expenses of the Association and to approve and allocate funds to those agencies, organizations, and causes having programs and missions beneficial to the general health of the citizens of Lamar County, Alabama.

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*Schedule of State Compliance
and Other Findings*

Schedule of State Compliance and Other Findings

October 1, 2022 through September 30, 2024

Ref. No.	Finding/Noncompliance
2024-001	<p><u>Finding:</u></p> <p>The Lamar County Hospital Association Health Trust Fund (the “Association”) did not comply with the notice requirements in the Alabama Open Meetings Act. The <i>Code of Alabama 1975</i>, Section 36-25A, is commonly known as the Alabama Open Meetings Act. The Lamar County Hospital Association Health Trust Fund is required to follow 3(a)(5) of this Section, which requires posting notice of each meeting in a reasonable location or use a reasonable method of notice that is convenient to the public. The law further requires any change of the location or method for posting notices of meetings will not take effect until the change has been approved at an open meeting by the members of the Association and announced to the public at an open meeting.</p> <p>The Association did not post notices for two annual board meetings held during the examination period. By not posting notices of meetings, the public is not informed of the Board’s decisions concerning the Association.</p> <p><u>Recommendation:</u></p> <p>The Association should post notices of each meeting as required by the <i>Code of Alabama 1975</i>, Section 36-25A-3(a)(5).</p>
2024-002	<p><u>Finding:</u></p> <p>The Association was unable to provide documentation of the board’s approval for the expense allowance amounts paid to board members. Act Number 2007-321, Acts of Alabama, authorizes the Lamar County Hospital Association Health Trust Fund to pay from the trust fund an expense allowance in an amount to be set by the Board to those persons serving as members of the governing board.</p> <p>The Association paid expense allowances of \$50 per occurrence to the regular Board members for attending two annual board meetings. The total amount paid to these Board members during the examination period totaled \$1,400. Documentation of the Board’s approval of the amounts set to be paid to the regular members was requested but was not provided. As a result, we could not determine if the payments to the Board members were proper.</p> <p><u>Recommendation:</u></p> <p>The Association’s Board members should properly set and approve rates at which to pay board members expense allowance in accordance with Act Number 2007-321, Acts of Alabama.</p>

Schedule of State Compliance and Other Findings

October 1, 2022 through September 30, 2024

Ref. No.	Finding/Noncompliance
2024-003	<p><u>Finding:</u></p> <p>The Association paid for unallowable meals prior to the Association's annual board meetings. Numerous Attorney General Opinions have opined that public funds may be used to pay for meals and/or refreshments served at business meetings when the meals are directly related to the business of the entity, and the meals and refreshments are incidental to the meeting. In order for meals to be an incidental part of the meeting, the primary purpose of the gathering must be to have an official meeting at which business is conducted, not a social gathering at which food is provided.</p> <p>The Association purchased meals for individuals who were attending the Association's annual board meetings. Documentation supporting that the meals were directly related to the business of the Association and were incidental to the meeting was requested but was not provided. Further, the Association's board meeting minutes indicated the meals occurred prior to the meeting. As a result, the Association paid for unallowable meals in the amount of \$3,119.50. This amount was repaid to the Association prior to the completion of the examination.</p> <p><u>Recommendation:</u></p> <p>The Association should not provide meals when the meal is provided as part of a social gathering.</p>
2024-004	<p><u>Finding:</u></p> <p>The Association did not ensure bank accounts were held in the Association's name in the Security for Alabama Funds Enhancement (SAFE) program. The <i>Code of Alabama 1975</i>, Section 41-14A-3, requires all public deposits be placed with a qualified public depository in accordance with the SAFE program and to be held in the name of the public depositor to reflect the ownership of the deposits. The financial institutions are required to provide annual statements to public depositors summarizing their deposit account relationship.</p> <p>The Association was unable to provide documentation to support that all accounts were covered under the SAFE program. As a result, these accounts could be subject to financial loss in the event of a bank failure.</p> <p><u>Recommendation:</u></p> <p>The Association should ensure all public funds are covered by the SAFE Program.</p>

Schedule of State Compliance and Other Findings
October 1, 2022 through September 30, 2024

Ref. No.	Finding/Noncompliance
2024-005	<p><u>Finding:</u></p> <p>The Association's Executive Committee did not approve all expenditures as required by the Association's bylaws. Approval of expenditures is necessary to ensure spending is consistent with the Association's purpose and also helps prevent unauthorized or unnecessary costs.</p> <p>During testing, we identified several expenditures that had not been approved by the Executive Committee. These included payments to a volunteer fire department and various pharmacies as well as payments for nursing program supplies, meals and Administrator's fees. As a result, the Association was exposed to an increased risk of errors or irregularities including misappropriations and fraud.</p> <p><u>Recommendation:</u></p> <p>The Association should follow the provisions of the established bylaws and approve all expenditures.</p>

Financial Information

Schedule of Balances
September 30, 2024

ASSETS

Cash	\$ 29,180.04
Investments	<u>1,188,201.30</u>
Balance	<u>\$ 1,217,381.34</u>

Schedule of Activity
October 1, 2023 through September 30, 2024

Investment Activity

Revenue	\$ 47,258.95
Total	<u>47,258.95</u>

Disbursements

Grants	3,735.90
Board Member Expenses	5,650.00
Administrative Payments	2,400.00
Annual Meeting Expenses	<u>1,369.50</u>
Total Disbursements	<u>13,155.40</u>
Net Incoming (Outgoing) Resources for the Year	34,103.55
Balance - October 1, 2023	<u>1,183,277.79</u>
Balance - September 30, 2024	<u>\$ 1,217,381.34</u>

Schedule of Balances
September 30, 2023

ASSETS

Cash	\$ 20,841.61
Investments	<u>1,162,436.18</u>
Balance	<u>\$ 1,183,277.79</u>

Schedule of Activity
October 1, 2022 through September 30, 2023

Investment Activity

Revenue	\$ 22,936.42
Total	<u>22,936.42</u>

Disbursements

Grants	3,261.76
Board Member Expenses	5,350.00
Administrative Payments	2,800.00
Annual Meeting Expenses	1,750.00
Miscellaneous Expenses	85.95
Total Disbursements	<u>13,247.71</u>

Net Incoming (Outgoing) Resources for the Year	9,688.71
Balance - October 1, 2022	<u>1,173,589.08</u>
Balance - September 30, 2023	<u>\$ 1,183,277.79</u>

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Additional Information

Board Members and Administrative Personnel
October 1, 2022 through September 30, 2024

<u>Board Members</u>		<u>Term Expires</u>
Hon. Wayne Baines	Chairman	2029
Hon. Anthony Burnett	Member	2029
Hon. James Yerby	Member	2029
Hon. Terry Gosa	Member	2029
Hon. Scott Carrouth	Member	2029
Hon. Ray Thompson	Member	2029
Hon. Don Spruiell	Member	2029
Hon. Larry Lann	Member	2029
Hon. Richard Jaggers	Member	2029
Hon. Truman Reeves	Member	2029
Hon. Ross Hudson	Member	2029
Hon. Thurman Stephens	Member	2029
Hon. Tony Brock	Member	2029
Hon. Larry Robertson	Member	2029
Hon. Larry Leonard	Member	2029

Board Members and Administrative Personnel
October 1, 2022 through September 30, 2024

<u>Board Members</u>		<u>Term Expires</u>
Hon. John McDaniel	Member	2029
Hon. Fred R. Savage	Member	2029
Hon. William Callahan	Member	2029
Hon. Tom Hankins	Member	2029
Hon. Avon Rushing	Member	2029
Hon. Joseph Callahan	Member	2029
Hon. Scott Humbers (Effective August 2024)	Member	2029
Hon. Michael Baughn (Until August 2024)	Member	2024
Hon. Curt Morris	Member	2029

Administrative Personnel

Kathie H. Rutledge	Administrator
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