

MINUTES OF THE CROCKETT CITY COUNCIL MEETING HELD ON THE 5th DAY OF DECEMBER 2022 IN THE CITY HALL COUNCIL CHAMBERS, LOCATED AT 200 NORTH FIFTH IN THE CITY OF CROCKETT, HOUSTON COUNTY TEXAS AT 6:00 P.M.

THE COUNCIL MET IN REGULAR SESSION WITH THE FOLLOWING MEMBERS PRESENT: IANTHIA FISHER, GENE CALDWELL, DARRELL JONES, MARQUITA BEASLEY AND MIKE MARSH. CITY OFFICIALS PRESENT: CITY SECRETARY MITZI STEFKA, CITY ADMINISTRATOR JOHN ANGERSTEIN, POLICE CHIEF CLAYTON SMITH AND FIRE CHIEF JASON FRIZZELL. ERNEST JACKSON NOT PRESENT.

OPEN MEETING WITH INVOCATION AND PLEDGE

Mayor Fisher called the formal session open. Mayor Fisher gave the invocation and all joined in the pledge.

RECOGNITION OF VISITORS

Mayor Fisher recognized all visitors present.

COMMENTS FROM AUDIENCE OR COUNCIL *(At this time, anyone will be allowed to speak on City related matters only; no personnel matters or matters under litigation will be allowed. The length of time may not exceed three minutes. NO Council discussion or action may take place on a matter until such matter has been placed on an agenda and posted in accordance with law.)*

- Matt Raines – Grapeland, TX, would like to see funds used to repair parking lot beside Moosehead Café, public wi-fi, increased cell reception
- Joni Clonts would like to see parking lot improvements.

1. APPROVAL OF MINUTES: REGULAR SESSION: NOVEMBER 7, 2022

Council member Beasley made a motion to approve the minutes of the November 7, 2022 Regular Meeting. Council member Caldwell seconded the motion. Motion passes 4-0.

2. POLICE DEPARTMENT MANPOWER & CRIMINAL INCIDENT REPORT FOR OCTOBER 2022

Chief Smith reported for the month of October 2022; 14 total manpower, 2542 total manpower hours, 472 total calls and 17 total accidents. A breakdown of the criminal reports is included in the packets.

3. FIRE DEPARTMENT MONTHLY ACTIVITY & STATUS REPORT FOR OCTOBER 2022

Fire Chief Frizzell reported for the month of October 2022 the following: 53 total calls. A breakdown is included in the packets.

4. **CONSIDER AND APPROVE AN ORDINANCE APPROVING AND AUTHORIZING THE EXECUTION OF A STATE INFRASTRUCTURE BANK LOAN AGREEMENT; APPROVING THE LEVY OF A TAX IN PAYMENT OBLIGATIONS THEREUNDER; AND APPROVING CERTAIN MATTERS RELATED THERETO**

Mr. Angerstein stated this is the closing Ordinance for the State Infrastructure Loan, a six-million-dollar street and water infrastructure upgrade. Council member Caldwell made a motion to approve an Ordinance approving and authorizing the execution of a State Infrastructure Bank Loan Agreement; approving the levy of a tax in payment obligations thereunder; and approving certain matters related thereto. Council member Jones seconded the motion. Motion passes 4-0.

5. **CONSIDER AND APPROVE UPDATES TO POLICIES PD 5.02, PD 6.02, PD 6.03 IN PERSONNEL POLICY AND PROCEDURE MANUAL**

Mr. Angerstein stated these updates to the personnel policy relate to the vacation leave policy and revisions to the holiday leave benefits for Firefighters. Council member Jones made a motion to approve updates to Policies PD 5.02, PD 6.02, PD 6.03 in Personnel Policy and Procedure Manual. Council member Beasley seconded the motion. Motion passes 4-0.

6. **CONSIDER AND APPROVE LIST OF SURPLUS ITEM/S WHICH NO LONGER SERVE ANY USEFUL PURPOSE FOR THE CITY TO BE LISTED ON THE ONLINE AUCTIONEERING SERVICE FROM RENE' BATES AUCTIONEERS, INC OR TO BE SCRAPPED**

Mayor Pro Tem Marsh made a motion to approve list of surplus item/s which no longer serve any useful purpose for the City to be listed on the online auctioneering service from Rene' Bates Auctioneers, Inc or to be scrapped. Council member Caldwell seconded the motion. Motion passes 4-0.

7. **CONSIDER AND APPROVE PRELIMINARY PROJECT PRIORITIES FOR THE CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS PROVIDED BY THE AMERICAN RESCUE PLAN ACT**

Mr. Angerstein explained the City has \$1,585,240.00 in ARPA funds to be expended. There are some items that have been funded to date. Council spent time going over each item in the following list. Mr. Angerstein ask council to prioritize these items. Mayor Pro Tem Marsh stated he would like to make the plant repairs a priority, Council member Caldwell stated he would like to make the Moosehead parking lot a priority and Council member Beasley stated she would like to see the plants repaired. After a lengthy discussion, Council member Beasley made a motion to table the item and submit priorities at the next meeting. Council member Caldwell seconded the motion. Motion passes 4-0.

Ranking	Description	Approved Budget	Approx. Budget
Projects Already Funded			
	Police Ticketwriter Laptops/Printers	\$90,550.00	
	Animal Shelter	\$270,355.41	
	Street Dept Motor Grader - From Houston County	\$60,000.00	
	EDA water line/S 5th St construction MATCH COMMITTED	\$265,000.00	
Projects recommended by City Staff and Council			
0	Wastewater Plant Sludge Removal		\$110,000.00
0	North Wastewater Plant Digester Cleaning and New Mixer		\$130,225.00
0	New Roof and Fascia/Gutter for City Hall		\$65,000.00
0	Double Drum Vibratory Roller 3-5 ton		\$32,137.00
0	Square Parking Lot - by Moosehead		\$300,000.00
0	Parking Lot purchased from Carrabba		\$180,000.00
0	6 New "Welcome to Crockett" signs		\$100,000.00
0	IT Williams Bathroom roof, paint, and lights		\$22,000.00
0	IT Williams Pavilion, slab, tables/bbq pit		\$60,000.00
0	Downtown Strategic Plan and Study		\$25,000.00
0	Farmer's Market pavilion, Food Park hookups		\$35,000.00
0	Downtown Visitor's Center		\$120,000.00
0	4 sets of Bunker gear		\$20,000.00
0	Fire Station Bay Heaters		\$20,000.00
0	New Concrete for Fire Station Bay		\$50,000.00
0	Police Tahoe		\$64,000.00
0	Repairs to Ag Arena Roof		\$185,000.00
0	Sand Blast and Repaint Pavilion / Front of Civic Center		\$30,000.00
Poss. funding by Grants/Loans			
0	Sewer Plant Belt Press (\$250k - \$350k)		\$250,000.00
0	Repairs to North WWTP Clarifier #1		\$510,000.00
0	South Wastewater Trx Plant Bar Screen		\$200,000.00
0	N 4th-Patterson Sewer Main Replacement		\$300,000.00
0	N Durrett 6 inch Water Main Replacement		\$216,505.00
0	N 4th New Waterline (College Hill to Loop 304)		\$500,000.00
	Total Approved	\$685,905.41	
	Total Available ARPA Funds	\$1,585,240.00	

8. CONSIDER AND APPROVE INCREASING BUDGET FOR FORENSIC AUDIT OF CROCKETT ECONOMIC AND INDUSTRIAL DEVELOPMENT CORPORATION

Mr. Angerstein stated the auditors are requesting the budget be increased due to the fact that when their proposal was submitted it was without knowledge of what was involved; the goal is to submit a report before Christmas. The original proposal was \$75,000.00 to \$100,000.00 and they are requesting an increase of \$115,000.00 up to \$125,000.00.

Mayor Pro Tem Marsh made a motion to approve increasing budget for forensic audit of Crockett Economic and Development Corporation. Council member Caldwell seconded the motion. Motion passes 4-0.

9. **CONSIDER AND APPROVE A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CROCKETT, SELECTING AN ENGINEERING FIRM IN CONJUNCTION WITH THE SUBMITTAL OF AN APPLICATION FOR FUNDING THROUGH THE TEXAS DEPARTMENT OF AGRICULTURE (TDA) FOR THE TEXAS COMMUNITY BLOCK GRANT PROGRAM (CDBG-2023) GRANT FOR WASTEWATER IMPROVEMENTS**

Mr. Angerstein stated two bids were received and opened on November 30, 2022. The firms submitting proposals are: KSA Engineers and SPI Engineers. The scoring committee recommends awarding the bid to KSA Engineers. Mayor Pro Tem Marsh made a motion to approve a Resolution of the City Council of the City of Crockett, selecting an engineering firm in conjunction with the submittal of an application for funding through the Texas Department of Agriculture (TDA) for the Texas Community Block Grant Program (CDBG-2023) grant for wastewater improvements be awarded to KSA Engineers. Council member Beasley seconded the motion. Motion passes 4-0.

ADJOURNMENT

Without objection, Mayor Fisher adjourned the meeting at 7:05 P.M.

Dr. Ianthia Fisher, Mayor

ATTEST:

Mitzi Stefka, City Secretary

MINUTES OF THE CROCKETT CITY COUNCIL MEETING HELD ON THE 9th DAY OF JANUARY 2023 IN THE CITY HALL COUNCIL CHAMBERS, LOCATED AT 200 NORTH FIFTH IN THE CITY OF CROCKETT, HOUSTON COUNTY TEXAS AT 6:00 P.M.

THE COUNCIL MET IN SPECIAL SESSION WITH THE FOLLOWING MEMBERS PRESENT: IANTHIA FISHER, GENE CALDWELL, DARRELL JONES, MARQUITA BEASLEY & MIKE MARSH. CITY OFFICIALS PRESENT: CITY SECRETARY MITZI STEFKA, CITY ADMINISTRATOR JOHN ANGERSTEIN AND POLICE CHIEF CLAYTON SMITH. ERNEST JACKSON NOT PRESENT.

OPEN MEETING WITH INVOCATION AND PLEDGE

Mayor Fisher called the formal session open. Mayor Fisher gave the invocation and all joined in the pledge.

RECOGNITION OF VISITORS

Mayor Fisher recognized all visitors present.

COMMENTS FROM AUDIENCE OR COUNCIL *(At this time, anyone will be allowed to speak on City related matters only; no personnel matters or matters under litigation will be allowed. The length of time may not exceed three minutes. NO Council discussion or action may take place on a matter until such matter has been placed on an agenda and posted in accordance with law.)*

- Council member Jones mentioned the audit summary had been posted on social media prior to the meeting. Mayor Fisher responded that posting the audit summary presented no legal issues.
 - Mayor Fisher reminded the audience to remain quiet and orderly during the presentation and that no questions would be taken from the public during this meeting.
1. PRESENTATION: FORENSIC AUDIT REPORT OF CROCKETT ECONOMIC AND INDUSTRIAL DEVELOPMENT CORPORATION BY WEAVER AND TIDWELL, L.L.P.

Travis Casner of Weaver & Tidwell, LLP presented the executive summary of the forensic audit of CEIDC and explained the findings to council. Councilman Jones asked if the audit revealed any missing or stolen funds. Mr. Casner explained that wasn't within his scope of work as an auditor. Councilmember Caldwell asked for clarification on the disbursement of CRF funds and from which budget line item Mr. Gentry's bonus checks in August/October of 2020 were written. Mr. Casner indicated the bonus checks were written from the CEIDC Executive Director's Vehicle Allowance line item. Without further questions from council, Mr. Casner concluded his presentation.

Mayor Fisher thanked the auditors for their work and acknowledged the history of bad practices that led to the audit. She expressed her hope that this process will allow the

City and CEIDC to address the deficiencies found in the audit so that they can be corrected going forward.

NOTE: AUDIT PRESENTATION IS ATTACHED TO THESE MINUTES.

2. EXECUTIVE SESSION: GOV. CODE SECTION 551.071 – CONSULTATION WITH ATTORNEY

Mayor Fisher stated council would convene into Executive Session per: Gov. Code Section 551.071 – Consultation with Attorney. Time was 7:17 P.M.

RECONVENE INTO REGULAR SESSION AND CONSIDER ACTION, IF ANY, ON EXECUTIVE ITEMS

Council was reconvened into open session. Time was 8:08 P.M.

Mayor Pro Tem Marsh made a motion to temporarily suspend all activities of the Crockett EIDC and request Police Chief Smith to open an investigation into each of these audit findings and determine all responsible parties for the financial and operational misconducts of this corporation. He can request outside support as needed. During this investigation, the executive director and office staff will be placed on paid administrative leave and comply with the investigation by providing full access to CEIDC records and office. No CEIDC staff or board members will conduct business or have access to CEIDC office unless the police chief is present. During this investigation, no CEIDC staff or board members will sign checks or use credit cards, and the Mayor and Mayor Pro Tem will be added as signers to CEIDC checking accounts to pay any existing and approved debts or commitments after they are presented to city council for approval. Council member Caldwell seconded the motion. Motion passes 3-1. Council member Jones voted against the motion.

ADJOURNMENT

Without objection, Mayor Fisher adjourned the meeting at 8:10 P.M.

Dr. Ianthia Fisher, Mayor

ATTEST:

Mitzi Stefka, City Secretary



Forensic Audit Report

Crockett Economic and Industrial Development Corporation

Prepared for:

City of Crockett

January 5, 2023

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Executive Summary

I. Introduction

Weaver and Tidwell, L.L.P. (“Weaver”) submits this Forensic Audit Report (“Report”) to the City of Crockett (the “City”). This Report presents the work performed in connection with the forensic audit of Crockett Economic and Industrial Development Corporation (“CEIDC”) conducted by Weaver for the fiscal years ended 2010 through 2022 (“FY2010 – FY2022” or the “review period”), including our observations, findings and recommendations.¹ Our work is governed by the Statement on Standards for Forensic Services No. 1. Weaver has made its best effort, given the available time and resources, to conduct an impartial, independent and extensive forensic audit. We did not conduct an exhaustive investigation into all aspects of the CEIDC’s finances and operations as such an investigation would require time and resources beyond those reasonably required to address the issues identified by the City. Certain limitations on the information available to Weaver resulted in constraints on the forensic audit, including audio recordings of CEIDC Board meetings that were unable to be located by CEIDC. Weaver reserves the right to amend or supplement this Report in the event that additional information is made available for our review.

II. Scope of Work

On July 25, 2022, the City issued a Request for Proposal (“RFP”) for a Forensic Financial Audit of CEIDC. The scope of work outlined in the RFP included “an investigative accounting review of CEIDC on all financial transactions...” On August 31, 2022, Weaver submitted to the City its Proposal for Forensic Financial Audit of CEIDC. During the City Council meeting on September 6, 2022, City Council reviewed proposals from five firms and selected Weaver to perform the forensic audit of CEIDC. On September 15, 2022, the City executed an engagement letter for Weaver to complete the scopes of work included in the RFP, as described below.

- Perform an investigative accounting review of CEIDC on all financial transactions including, but not limited to, deposits, payments, financial statements, balance sheets, income statements and cash flow statements using auditing, quantitative methods and related skills to determine:
 - Whether any payment or payments were improperly made to any officer, director or employee of CEIDC, and an itemization thereof;
 - Whether any payment made by CEIDC was not properly reported on a form 1099, and an itemization thereof;
 - Whether fraud, including theft (cash, inventory and fraudulent payments); corruption (conflict of interest, bribery and extortion); or financial statement fraud (misstatements

¹ CEIDC’s fiscal years begins October 1 and ends September 30.

of the financials of the corporation); and other illegal financial activities occurred, and an itemization thereof;

- Whether any payroll checks were issued without the proper deductions, and an itemization thereof;
 - Whether any checks or other payment records are missing, and an itemization thereof;
 - Whether improper vehicle stipends or travel reimbursements were made, and an itemization thereof;
 - Whether there has been misuse of expenses for travel, training, lodging or meals, and an itemization thereof;
 - Whether expenditures were made that conflicted with the relevant budget of CEIDC, and an itemization thereof.
- Perform an investigative accounting review of the records of CEIDC to determine:
 - Whether contracts were entered into without compliance with legal requirements for bidding and procurement of goods and services, and an itemization thereof;
 - Whether any open meetings, executive sessions, agendas or certified agendas were in violation of Chapter 551 of the Texas Government Code, and an itemization thereof;
 - Whether any issuance of debt of CEIDC was made without required bond counsel or otherwise in violation of Title 9 of the Texas Government Code, and an itemization thereof.
 - Forensic auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware.

III. Work Performed

Weaver performed the following work steps in reaching the observations, findings and recommendations outlined in this Report:

- Conducted interviews with 11 individuals including CEIDC employees, current and former Board members, City employees and representatives from the firm that performs CEIDC's annual financial audit (Axley & Rode, LLP);
- Reviewed and analyzed CEIDC's audited financial statements and annual budgets during the review period;
- Reviewed and analyzed bank statements for CEIDC bank accounts during FY2010 – FY2022, including reconciliation to CEIDC's general ledger and review of check images;
- Performed data analytics using information from CEIDC's check register to identify potentially missing checks and pre-dated or pre-signed checks;
- Reviewed revenues, deposits and transfers received by CEIDC during FY2010 – FY2022, including sales tax revenues, rental income, proceeds from land purchases, insurance

payments, legal settlements, reimbursements from the City, and other miscellaneous deposits;

- Reviewed and analyzed over 3,300 expenditure transactions totaling approximately \$12.2 million during FY2010 – FY2022, including expenditures related to employee compensation, debt repayment, incentives and payments to vendors and contractors, among other items;
- Reviewed employee compensation for CEIDC employees during FY2010 – FY2022, including a reconciliation to compensation amounts reported on W-2s and 1099 tax forms, as well as reviewed employee contracts and Board authorizations;
- Reviewed and evaluated loan documents related to CEIDC's loan agreements with the United States Department of Agriculture ("USDA") and Prosperity Bank, including a review of CEIDC's compliance therewith;
- Reviewed and analyzed performance incentive agreements executed by CEIDC during the FY2010 – FY2022, including a review of incentive payments and CEIDC's monitoring of performance requirements;
- Reviewed and analyzed credit card expenditures during FY2010 – FY2022, including the review of credit card statements and supporting receipts and other documentation;
- Reviewed and analyzed expense reimbursement payments to CEIDC employees and officers during FY2010 – FY2022, including the review of expense reports, supporting receipts and other documentation;
- Reviewed and evaluated CEIDC's purchasing and procurement practices during FY2010 – FY2022 and evaluated compliance with local ordinances and Texas Government Code;
- Reviewed and analyzed records for 158 CEIDC Board meetings held during FY2010 – FY2022 (e.g., agendas, minutes, executive minutes, etc.) and evaluated compliance with Chapter 551 of the Texas Government Code.

IV. Overview of CEIDC

CEIDC was formed in September 1995 as a non-profit corporation created under Section 4A of the Development Corporation Act of 1979 (the "Act") by the City Council of the City of Crockett to act on behalf of the City of Crockett. As defined in CEIDC's Bylaws, the purpose of CEIDC is to *"promote, assist, and enhance economic development activities and quality of life opportunities with the City and its extraterritorial jurisdiction that promote economic development as authorized by the Act."*

a. Board of Directors

CEIDC's Bylaws state that CEIDC shall be managed by a Board of Directors (the "Board") consisting of five (5) individuals appointed by City Council who are residents of the City, with provisions prohibiting the appointment of individuals employed by the City or members of the governing body of the City. Under CEIDC's Bylaws, Directors may be removed by City Council at any time without cause. Once appointed to the Board, Directors serve a term of two (2) years or until a successor is appointed. The Board is required to elect officers on an annual basis, including a President, Vice President and Secretary-Treasurer. The Board

may also appoint ex-officio directors subject to approval of City Council, who serve a term of one (1) year and who are permitted to attend and participate in discussions at Board meetings (including executive sessions) but are not entitled to vote. During the FY2010 – FY2022 time period, 24 individuals were appointed to serve as Directors on CEIDC’s Board and four (4) individuals served as ex-officio members. A summary of CEIDC Directors and ex-officio members during the period of our review is provided below.

Summary of CEIDC Board of Directors: FY2010 - FY2022													
Board Members	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Directors													
Elmer Murray					Secr.	Secr.	Secr.						
James Gentry	VP	VP	VP	VP	VP	VP	VP						
Patsy Barney (Stokes)	Secr.	Secr.	Secr.	Secr.									
Jake Caprielian	Pres.	Pres.	Pres.										
Terry Cutler													
Chuck Cunningham													
Chris Von Doenhoff				Pres.	Pres.	Pres.	Pres.			Pres.	Pres.	Pres.	
Ellen McCreight													
Karen Duncan										Pres.			
Gene Glover								VP					
Ansel Bradshaw								Pres.					
Debbie McCall													
Wade Thomas													VP
Steve Meadows								Secr.	Pres.				
Robert Thompson										Secr.	Secr.	Secr.	Secr.
Mike Brenner													
Dr. Ianthia Fisher										VP			
Gerald Barkley											VP	VP	Pres.
Colin Castleberry													
Cynthia Neel													
Natrenia Hicks													
Janita Noel													
Warren Taylor													VP
Elizabeth Guzman													
Ex-Officio Board Members													
Darrell Jones													
Butch Calvert													
Wade Thomas													
Lawyer Jolley													

b. CEIDC Employees

During the period of our review, CEIDC employed eight (8) individuals including four (4) Executive Directors, one (1) individual with the position of Administrative Assistant, two (2) individuals with the position of Executive Assistant, and one individual with the position of Custodian. Currently, CEIDC has three (3) employees, which include an Executive Director, James Gentry (“Mr. Gentry”), an Executive Assistant, Carolyn McKnight (“Ms. McKnight”) and a Custodian, Darrell Weir (“Mr. Weir”). A summary of CEIDC employees during our review period is provided in the table below.

Summary of CEIDC Employees: FY2010 - FY2022													
Employee	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Executive Director													
Tim Culp													
Thom Lambert													
Flint Brent													
James Gentry													
Administrative Assistant													
Suzanne Steed													
Executive Assistant													
Ponsetter Robbins													
Carolyn McKnight													
Custodian													
Darrell Weir													

c. Changes to Bylaws

We identified five (5) amendments to CEIDC's Bylaws since its formation in 1995, including three (3) amendments during the period of our review.² The Bylaws allow the Board to alter, amend or repeal the Bylaws (or adopt new Bylaws), however, the Bylaws stipulate that any changes shall be effective only upon approval by the City Council. A summary of amendments to CEIDC's Bylaws is provided in the table below.

Date	Approved by City Council	Description of Changes to Bylaws
June 21, 1999	Yes	<ul style="list-style-type: none"> Changed the term of office for each Board member to terminate on September 30. Changed the length of time for CEIDC's budget to be presented from 120 days to 90 days prior to adoption.
July 17, 2000	Yes	<ul style="list-style-type: none"> Changed Article VII Section 7.02 as follows: "[CEIDC]shall may contract with the City for the administration of its accounts, expenditures, deposits, investment of funds and accounts, and other financial services for [CEIDC]."
June 8, 2021	Yes	<ul style="list-style-type: none"> Changed Article VII Section 7.04 to require two (2) signatures for all checks, drafts or orders for the payment of money, notes or other indebtedness issued in the name of CEIDC. Each member of the Board and the Executive Director are authorized to sign documents provided that payments to the Executive Director are not signed by the Executive Director. Prior to the June 2021 amendment, only one (1) signature was required for checks and other payments, with the Board President and Secretary-Treasurer authorized to provide a signature (or another Director designated by the Board).

² See Exhibit 1

Date	Approved by City Council	Description of Changes to Bylaws
August 1, 2022	Yes	<ul style="list-style-type: none"> Changed Article VII Section 7.03 as follows: “The City shall cause [CEIDC’s] books, records, accounts and financial statements, and all other financial activities for the previous fiscal year to be audited at least once each fiscal year by an outside, independent, certified public accounting firm selected by City Council.
August 9, 2022	No	<ul style="list-style-type: none"> Changed Article VI Section 6.03 to allow written or printed notice of each regular or special Board meeting to be issued to Board members by email at least 72 hours before the start of the meeting (prior version only referenced mail, telephone, fax or in person at least 72 hours before the start of the meeting).

V. Summary of Findings

The Summary of Findings provides an overview of Weaver’s observations and findings for the forensic audit, based on the scopes of work outlined previously in this Report. The Summary of Findings is based on the set of facts and findings described in the Report, and should be read with the Report itself including the associated exhibits and appendices. Standing alone, it does not, and cannot, provide a full understanding of the facts and analysis underlying our observations and findings.

a. CEIDC Failed to Prepare Budget Amendments for Approval by the City

For all years within the review period, we identified expenditure categories where CEIDC’s actual expenditures exceeded amounts in the annual budget.³ However, we did not identify budget amendments prepared by CEIDC for approval by the City, with the exception of the budget amendment for FY2010 approved in June 2010. We noted that the Board reviewed CEIDC’s revenues and expenditures each month relative to the budget and took action to approve the financial information as presented, however, formal budget amendments were not prepared or presented to the City for approval.

b. Missing or Incomplete Bank Statements for Six (6) Months During Review Period

In our reconciliation of CEIDC’s general ledger to the bank statements during FY2010 – FY2022, we identified six (6) monthly bank statements for CEIDC’s Operating Account with Prosperity Bank that were either missing or incomplete. As a result, we **were unable to review check images included in the bank statements for 99 check payments identified in the general ledger, which totaled \$451,329.** A summary of monthly bank statements for CEIDC’s Operating Account that we determined to be missing or incomplete is

³ Detail of our analysis of CEIDC’s budgeted and actual expenditures is provided in Section I of this Report, with additional detail provided in **Appendices A, B and C.**

provided in the table below, with detail from the general ledger for the 99 check payments attached to this Report as **Appendix D**.

Summary of Missing Bank Statements and Check Images for CEIDC's Operating Account		
Statement Period	Weaver Observations	# of Check Images Not Available
January 2014	Page 2 Not Provided	11
April 2014	Entire Statement Not Provided	34
June 2015	Entire Statement Not Provided	18
November 2016	Entire Statement Not Provided	10
May 2017	Pages 3-6 Not Provided	19
September 2017	Pages 3-5 Not Provided	7
Total # of Checks Without Images		99

c. Review and Analysis of Missing Checks

Weaver conducted an analysis of check numbers to identify any gaps in check number sequence potentially indicative of missing checks.⁴ Based on our review, **we identified 24 checks not accounted for in the general ledger or bank statements.**⁵ For 17 checks identified, Weaver was provided a letter dated September 16, 2021 (signed by Mr. Gentry and Ms. McKnight), which stated that 17 checks (checks 7045 – 7061) were “given back to Mr. Gentry” on that date, and also noted that the checks had been signed by the Board’s Secretary/Treasurer, Trustee Thompson.^{6,7} For six (6) checks identified, Weaver was provided a letter dated March 22, 2022 (signed by Mr. Gentry and Ms. McKnight), which stated that checks 7205 - 7210 “had been taken by Mr. Gentry for holding purposes.”^{8,9} Based upon the letters provided by CEIDC, we determined that only check #4567 from FY2012 was unaccounted for, as summarized in the table below.

Summary of Missing Checks for CEIDC's Operating Account: FY2010 – FY2022			
Fiscal Year	Detail of Missing Check Numbers	Supporting Documentation	# of Checks
2012	4567	N/A	1
2021	7045, 7046, 7047, 7048, 7049, 7050, 7051, 7052, 7053, 7054, 7055, 7056, 7057, 7058, 7059, 7060, 7061	Letter dated 9/16/2021 signed by Mr. Gentry and Ms. McKnight confirming the return of checks 7045 - 7061 to Mr. Gentry.	17
2022	7205, 7206, 7207, 7208, 7209, 7210	Letter dated 3/22/2022 signed by Mr. Gentry and Ms. McKnight stating that checks 7205 – 7210 had been taken by Mr. Gentry for holding purposes.	6
Total			24

⁴ Our analysis to identify missing checks included a review of CEIDC’s check register, general ledger, bank statements, check images, and documentation provided by CEIDC related to voided checks.

⁵ The 24 checks do not include checks that were determined to have been voided or canceled.

⁶ See Exhibit 2

⁷ Weaver was informed that checks 7045 – 7061 are now voided and being held in a locked drawer in Mr. Gentry’s office.

⁸ See Exhibit 3

⁹ Weaver was informed that checks 7205 - 7210 are now voided and being held in a locked drawer in Mr. Gentry’s office.

d. Compensation Paid Directly by CEIDC (Not Paid Through the City)

Compensation for CEIDC employees was generally paid through the City's payroll system, which allowed CEIDC employees to receive insurance and retirement benefits, as well as the deduction of payroll taxes and reporting of wages through W-2 statements.¹⁰ However, during the review period we identified a pattern of employee compensation not being paid through the City's payroll system, which was instead paid directly by CEIDC, in many cases without deductions for taxes and without being reported on the employee's W-2 statement. Specifically, we identified compensation paid directly by CEIDC totaling \$144,255 to six (6) CEIDC employees during the review period related monthly auto allowances, temporary living allowances, bonuses, severance pay, and certain salary payments. We determined that **\$118,622 in compensation paid directly by CEIDC was not reported on a W-2 statement or 1099 tax form**, as summarized in the table below and detailed in Section 3.2 of this Report.

Summary of Compensation Paid Directly by CEIDC: FY2010 - FY2022			
	Time Period	Amount Paid Directly by CEIDC	Amount Not Reported on W-2 or 1099
<u>Tim Culp</u>			
Auto Allowance	FY2010	\$ 2,025.00	\$ 2,025.00
Christmas Bonus	FY2010	1,500.00	1,500.00
Total - Tim Culp		\$ 3,525.00	\$ 3,525.00
<u>Thom Lambert</u>			
Auto Allowance	FY2010 - FY2016	\$ 38,400.00	\$ 27,950.00
Temporary Living Allowance	FY2010 - FY2016	26,049.10	26,049.10
Christmas Bonus	FY2011 - FY2016	20,000.00	15,000.00
Total - Thom Lambert		\$ 84,449.10	\$ 68,999.10
<u>Flint Brent</u>			
Auto Allowance	FY2016	\$ 3,150.00	\$ 3,150.00
Total - Flint Brent		\$ 3,150.00	\$ 3,150.00
<u>Suzanne Steed</u>			
Christmas Bonus	FY2010 - FY2016	\$ 21,500.00	\$ 20,034.40
Severance Pay	FY2017	17,678.92	17,678.92
Total - Suzanne Steed		\$ 39,178.92	\$ 37,713.32
<u>James Gentry</u>			
Performance Incentive*	FY2020 - FY2021	\$ 8,400.00	\$ -
Total - James Gentry		\$ 8,400.00	\$ -
<u>Ponsetter Robbins</u>			
Base Salary	FY2017	\$ 5,552.30	\$ 5,235.00
Total - Ponsetter Robbins		\$ 5,552.30	\$ 5,235.00
Grand Total		\$ 144,255.32	\$ 118,622.42
*The performance incentive payments to Mr. Gentry of \$8,400 were not reported on Mr. Gentry's W-2 statement through the City but were reported on a 1099 statement prepared by CEIDC.			

¹⁰ CEIDC reimbursed the City each pay period for the cost of employee salaries and benefits.

e. Compensation Not Supported by a Board Resolution

Christmas Bonus Payments

CEIDC paid bonuses to the Executive Director and Administrative Assistant in December each year during FY2010 – FY2016, which were described as “Christmas Bonuses” in the Board minutes.¹¹ While we identified Board resolutions authorizing Christmas Bonuses to the Executive Director and Administrative Assistant during the FY2010 – FY2012 time period, we did not identify Board resolutions authorizing Christmas Bonuses paid during the FY2013 – FY2016 time period.¹² In total, ***we identified Christmas Bonus payments to Mr. Lambert and Ms. Steed totaling \$32,000 during FY2013 – FY2016 that were not supported by a Board resolution.***

Temporary Living Allowance for Mr. Lambert

As part of Mr. Lambert being hired to fill the Executive Director position in April 2010, the Board authorized the reimbursement of moving expenses and a temporary living allowance for Mr. Lambert not-to-exceed \$6,500.¹³ On July 18, 2011, the Board authorized an extension of Mr. Lambert’s temporary living allowance for one year, during which time Mr. Lambert would receive \$375 per month (\$4,500 for the year).^{14,15} However, Mr. Lambert continued to receive a temporary living allowance after the one-year extension authorized by the Board expired in July 2012, with payments continuing until his resignation in December 2015. In total, ***we identified payments after July 2012 related to Mr. Lambert’s temporary living allowance of \$15,568.***¹⁶

Performance Incentive Bonus for Mr. Gentry

Mr. Gentry received \$8,400 as a performance incentive bonus in 2020 paid directly by CEIDC, which included a payment of \$4,200 in August 2020 (in FY2020) and a subsequent payment of \$4,200 in October 2020 (in FY2021).^{17,18} Mr. Gentry input both payments into CEIDC’s QuickBooks outside of normal business hours and prepared / printed the checks.¹⁹ Based on our review of the check images from the bank

¹¹ Christmas Bonus payments were allocated to the budget code 607 (Awards).

¹² **See Exhibit 4**

¹³ **See Exhibit 5**

¹⁴ **See Exhibit 6**

¹⁵ During the July 18, 2011 Board meeting, Mr. Lambert requested an extension of his temporary living allowance because he was unable to purchase a home in Crockett due to his residence in Decatur, Texas not being sold.

¹⁶ Payments related to Mr. Lambert’s temporary living allowance included monthly payments to Crockett Family Resort, which were paid through Mr. Lambert’s CEIDC credit card for a trailer lease for Mr. Lambert’s personal residence.

¹⁷ **See Exhibit 7**

¹⁸ The performance incentive bonus payments to Mr. Gentry were allocated in the general ledger to budget code 612 (Auto), which had a budgeted amount of \$8,400 in the FY2020 budget. In prior years, monthly auto allowances paid to previous Executive Directors were allocated to budget code 612.

¹⁹ Check payments were typically prepared and input into QuickBooks by CEIDC’s Executive Assistant, Carolyn McKnight. Ms. McKnight informed Weaver that the two (2) payments drafted and input into QuickBooks by Mr. Gentry for his performance incentive bonus were the only payments that she did not input into QuickBooks since the start of her tenure in 2018, based on her recollection.

statements, we determined that the October 2020 check was signed by both Mr. Gentry and the Board's Secretary/Treasurer, Trustee Thompson, while the first check payment in August 2020 was only signed by Trustee Thompson. We were informed by Mr. Gentry that the performance incentive bonus was authorized by the Board during the Board meeting on July 15, 2020 following the Board's approval of his annual evaluation. However, the signed meeting minutes for the Board meeting on July 15, 2020 reflected that the Board authorized a salary increase for Mr. Gentry and his employees, but did not reflect authorization for a performance incentive bonus payment, as shown below.^{20,21}



During our interview of Mr. Gentry, we were informed that the meeting minutes for the Board meeting on July 15, 2020 were not properly recorded, which he attributed to his Executive Assistant, Ms. McKnight, being unable to attend the meeting due to a health-related matter.²² CEIDC provided Weaver an audio recording of the Board meeting held on July 15, 2020, however, the recording ended when the Board entered into Executive Session and did not include audio of the proceedings after the Board returned to open session. Mr. Gentry indicated that CEIDC should have resumed the recording for actions taken by the Board in open session following deliberations in Executive Session, but acknowledged that he was unable to locate an audio

²⁰ See Exhibit 8

²¹ On September 29, 2020, the Board President, Mr. Von Doenhoff, drafted a letter to the City Administrator to inform the City of the pay increases for CEIDC employees as authorized on July 15, 2020, which included a \$5,000 increase in Mr. Gentry's salary from \$82,000 to \$87,000. The letter did not discuss a bonus payment. See Exhibit 9

²² Ms. McKnight typically recorded the Board meeting minutes and audio recordings of Board meetings. The Board does not record proceedings in Executive Session through an audio recording. However, any action taken by the Board, such as the approval of a bonus payment, would have occurred in open session following the Board's deliberation in Executive Session.

recording for the portion of the meeting after Executive Session.²³ Weaver was able to interview four (4) of the five (5) Board members who attended the Board meeting on July 15, 2020.²⁴ Trustees Barkley and Thompson recalled that the Board approved an increase in Mr. Gentry's compensation in the form of a salary increase and bonus payment, and acknowledged that the Board's action was not properly recorded in the meeting minutes. Trustee Castleberry did not recall a Board action to pay a bonus to Mr. Gentry during any of the Board meetings he attended in 2020. Trustee Neel recalled discussion by the Board about a bonus payment but does not recall a formal vote or action being taken by the Board. We also interviewed Darrell Jones, an ex-officio Board member who attended the July 15, 2020 Board meeting (including Executive Session), who informed Weaver that the Board voted and unanimously approved a bonus for Mr. Gentry during the meeting. The City Administrator, John Angerstein, who also attended the July 15, 2020 Board meeting, recalled that the Board approved a salary increase for Mr. Gentry but not a bonus payment.

During a subsequent Board meeting on May 13, 2021, the Board approved a ratification of previous minutes stating "*that it was the intent of the Board to grant a bonus incentive to the [Executive] Director.*"²⁵ It was notable that the ratification of the minutes did not state that the Board authorized a bonus payment for Mr. Gentry, and instead stated there was an intent by the Board to grant a bonus incentive. Without written authorization of a bonus payment in the meeting minutes and without an audio recording of Board action for the proceedings following Executive Session, ***Weaver is unable to conclusively determine whether the Board authorized a bonus payment for Mr. Gentry during the Board meeting on July 15, 2020.***

f. Severance Payments to Mr. Brent and Ms. Steed in 2016 Without City Approval

In August 2016, the Board approved employment contracts for the Executive Director, Mr. Brent, and Administrative Assistant, Ms. Steed, which were the first employment contracts for CEIDC employees identified by Weaver during the period of our review.^{26,27} The following month, Mr. Brent and Ms. Steed submitted their resignations to the Board "*due to current stressful working conditions and health.*"²⁸ During

²³ It is our understanding that all of the audio recordings of Board meetings during Ms. McKnight's tenure were contained on two (2) handheld recording devices, including one device with audio recordings for more recent Board meetings and one containing recordings for meetings from prior periods. It is also our understanding that the audio recorders were maintained by Ms. McKnight either in or on her desk. Weaver was informed that the audio recorder containing the more recent Board meetings was unable to be located in or around November or December 2022. Weaver was also informed that Mr. Gentry has possession of the audio recorder containing recordings of Board meetings for prior periods, which included the Board meeting on July 15, 2020.

²⁴ Weaver made efforts to interview Chris Von Doenhoff, who served as Board President during the July 15, 2020 Board meeting. After speaking with Mr. Von Doenhoff and members of his family, we determined that it was not feasible to conduct an interview with Mr. Von Doenhoff due to his on-going health-related issues.

²⁵ See Exhibit 10

²⁶ See Exhibit 11

²⁷ See Exhibit 12

²⁸ See Exhibit 13

the Board meeting on September 26, 2016, the Board accepted their resignations and agreed to honor the severance package outlined in their employment contracts.²⁹ However, the resignations of Mr. Brent and Ms. Steed did not appear to qualify for severance pay under the provisions for Unilateral Severance included in their contracts. It is our understanding based on our interview of the City Administrator, Mr. Angerstein, that the City refused to issue the severance payments to Mr. Brent and Ms. Steed based on guidance from the City's attorney that the CEIDC employees did not qualify for severance pay. Ultimately, ***CEIDC issued the severance payments directly to the employees without approval from the City, including \$21,485 to Mr. Brent and \$17,679 to Ms. Steed.*** In December 2016, Mr. Brent returned the severance pay received from CEIDC. In January 2017, the City Council voted to remove all CEIDC Board members as a result of the severance payments issued by CEIDC without approval from the City.

g. Hiring of Ponsetter Robbins as Executive Assistant in 2017

Several months into his tenure as Executive Director, Mr. Gentry hired Ponsetter Robbins ("Ms. Robbins") as his Executive Assistant due to the vacancy following the resignation of Ms. Steed as CEIDC's Administrative Assistant. We determined that Ms. Robbins is a first cousin to Mr. Gentry's spouse, and Mr. Gentry informed Weaver that he had disclosed this information to the Board. Mr. Gentry also informed the Board during the February 20, 2017 Board meeting that the position had been posted, although in our interview of Mr. Gentry he informed Weaver that he was unable to recall whether other applications were received or other candidates were interviewed.³⁰ ***For the first two (2) months of Ms. Robbins' tenure, her salary was paid directly by CEIDC rather than through the City's payroll process, which resulted in \$5,235 in salary payments that were not included on Ms. Robbins' W-2 for 2017 and deductions for payroll taxes and retirement benefits were not applied.***³¹

It is also our understanding that the City did not receive standard documentation for new employees when Ms. Robbins was hired, including an application or a Form I-9, among other documents. The hiring of Ms. Robbins occurred several months after City Council removed all of CEIDC's Board members and appointed a new Board. During the May 15, 2017 Board meeting, the Board acknowledged that CEIDC's hiring of Ms. Robbins was not in compliance with the hiring process outlined in the City's Employee Handbook

²⁹ See Exhibit 13

³⁰ See Exhibit 14

³¹ Mr. Gentry informed Weaver that Ms. Robbins was in the process of setting up her personal bank account after being hired, which was necessary for her to be set up in the City's payroll system.

and took action to formally adopt the personnel policy under the City's Employee Handbook.^{32,33} Ultimately, Ms. Robbins was terminated in September 2017 after being employed by CEIDC for seven (7) months.

h. Review of Credit Card Expenditures by Mr. Lambert

In November 2010, CEIDC established a Visa credit card account with Card Service Center with Mr. Lambert as the cardholder and a credit limit of \$5,000. We identified and reviewed approximately 700 credit card transactions totaling approximately \$92,000 during the November 2010 – December 2015 time period, which primarily related to travel expenditures for Mr. Lambert and monthly payments for a trailer lease in relation to Mr. Lambert's temporary living allowance.³⁴ In our review of supporting documentation for credit card expenditures, ***we were unable to identify supporting receipts or invoices for 161 credit card transactions totaling \$17,817, equal to 19% of Mr. Lambert's total transactions.*** We identified over \$600 in airfare expenditures for Mr. Lambert's spouse to accompany him on trips to Chicago in 2013 and 2015 to attend the FabTech Expo, of which Mr. Lambert repaid \$222 to CEIDC. We also identified approximately \$375 in purchases at liquor stores in December 2013 and January 2014 that appeared to be related to an open house function for the Davy Crockett Regional Juvenile Facility.

i. Review of Credit Card Expenditures by Mr. Gentry

In February 2018, CEIDC established a business credit card account with Prosperity Bank with Mr. Gentry as the cardholder and a credit limit of \$5,000. We identified and reviewed approximately 600 credit card transactions totaling approximately \$53,000 during the February 2018 – September 2022 time period, which primarily related to office equipment and supplies, travel expenditures and membership fees for professional organizations and conference registration fees.³⁵ In our review of supporting documentation for credit card expenditures, ***we were unable to identify supporting receipts or invoices for 92 credit card transactions totaling \$5,896, equal to 11% of Mr. Gentry's total transactions.***

j. Review of Expense Reimbursements to CEIDC Employees and Officers

We identified expense reimbursements to CEIDC employees and officers totaling \$24,504 during FY2010 – FY2022, including \$21,251 in reimbursements for seven (7) CEIDC employees and \$3,251 for six (6) CEIDC

³² See Exhibit 15

³³ During the May 15, 2017 Board meeting, the Board also agreed to submit all required personnel paperwork required by the City no later than May 17, 2017.

³⁴ Additional detail of Mr. Lambert's credit card expenditures is provided in Section 3.6 of this Report, with transaction-level detail included in **Appendix J**.

³⁵ Additional detail of Mr. Gentry's credit card expenditures is provided in Section 3.6 of this Report, with transaction-level detail included in **Appendix K**.

Board members.³⁶ Based upon our review, we determined that expense reimbursements primarily related to travel expenses and purchases of office supplies by CEIDC employees on behalf of CEIDC. Expense reimbursements reviewed included 175 check payments associated with 305 itemized expense transactions. Weaver obtained and reviewed supporting documentation (e.g., receipts, invoices, expense reports) for 264 of 305 expense reimbursements totaling \$21,702 and did not identify any improper payments based on our review of supporting documentation. ***We were unable to identify supporting receipts for 41 of 305 expense reimbursements totaling \$2,802.***

k. Review of Lawn Maintenance Expenditures

During the period of our review, CEIDC incurred expenditures for lawn and grounds maintenance of properties owned by CEIDC, including the Industrial Park and Westbrook House.³⁷ During FY2010 – FY2016, CEIDC contracted with multiple companies to mow and maintain the properties (e.g., Lomeli Lawn Care Service, Rodney and Linda Bullock, Wert’s Lawn Care), with average annual expenditures of approximately \$3,800 during that period. Beginning in April 2016, CEIDC procured lawn maintenance services exclusively through Larry Robbins (“Mr. Robbins”), and paid Mr. Robbins approximately \$4,600 per year during FY2017 – FY2019. ***CEIDC’s payments to Mr. Robbins doubled starting in FY2020, and Mr. Robbins received approximately \$9,500 per year during FY2020 – FY2022.***³⁸

We determined that Mr. Robbins is a first cousin to Mr. Gentry’s spouse, as well as the brother of Mr. Gentry’s Executive Assistant during FY2017, Ponsetter Robbins.³⁹ Based on our review of supporting receipts provided to CEIDC and discussions with Mr. Gentry, the increased payments to Mr. Robbins beginning in FY2020 related to maintenance of the Rail Spur property (in addition to the Industrial Park and Westbrook House), as well as the clearing of trees and debris in the aftermath of the winter storm in February 2021.⁴⁰ ***We did not identify a formal contract agreement between CEIDC and Mr. Robbins and it is unclear whether CEIDC has obtained bids or quotes from other companies since 2016.***⁴¹

³⁶ Additional detail of expense reimbursements is provided in Section 3.7 of this Report, with transaction-level detail included in **Appendix L**.

³⁷ Additional detail of grounds maintenance expenditures is provided in Section 3.8 of this Report, with transaction-level detail included in **Appendix M**.

³⁸ The annual budget for FY2020 included an increase for maintenance of the Industrial Park, Westbrook House and Rail Spur properties from \$16,000 in FY2019 to \$29,000 in FY2020, which increased to \$35,000 in FY2021 and FY2022.

³⁹ Mr. Gentry informed Weaver that he had discussions with the Board about his wife’s relation to Mr. Robbins and Board members did not view it as an issue due to the fact that Mr. Robbins had provided services since April 2016, which was prior to Mr. Gentry’s tenure as Executive Director (although Mr. Gentry was on the Board at that time).

⁴⁰ **See Exhibit 16**

⁴¹ Weaver received a handwritten document dated June 1, 2017 (to present) signed by Mr. Robbins with pricing information, which did not appear to have been signed by CEIDC. **See Exhibit 17**

I. Review of Legal Expenditures

We identified CEIDC expenditures for legal services totaling \$54,396 during FY2010 – FY2022, of which \$54,146 was paid to William Pemberton PC (“Mr. Pemberton”).⁴² We determined that Mr. Pemberton served as the City attorney during the period of our review, which authorized him to serve as attorney and counsel for CEIDC under its Bylaws. CEIDC did not incur legal expenditures during FY2014 – FY2016, during which period they obtained pro bono legal services through their Board President, Mr. Von Doenhoff, who was a licensed attorney during that time. In the aftermath of the City’s removal and appointment of a new Board in January 2017, CEIDC reverted to obtaining legal services through Mr. Pemberton for the FY2017 – FY2022 time period.⁴³

m. Preparation of Form 1099s for Vendors and Contractors

Entities are required to report any compensation given to non-employees in excess of \$600 during a calendar year on a Form 1099-NEC. During the Board meeting on May 13, 2021, the Board indicated that Form 1099s had not been prepared by CEIDC in prior years.⁴⁴ CEIDC subsequently engaged Axley & Rode to assist CEIDC to prepare Form 1099s for the 2020 tax year. During the 2020 tax year, CEIDC issued nine (9) 1099 forms, including eight (8) 1099 forms for vendors or contractors, in addition to a 1099 form for the bonus payment to Mr. Gentry. ***Based on our discussions with CEIDC personnel and information reviewed, we determined that CEIDC did not prepare 1099 forms prior to 2020 as required by the IRS.***

n. Lease of Westbrook House

In 1999, CEIDC purchased the property referred to as the Westbrook House (subsequently referred to as Heritage House), which was leased to Mr. Culp to use as his personal residence in FY2010.⁴⁵ After Mr. Culp’s resignation, the Westbrook House was unoccupied until August 2016 when the Board approved a lease agreement with Mary Allen Museum of African American Art and History, Inc. (“Mary Allen Museum”) to utilize the property as a museum and office space.⁴⁶ The term of the lease was for 15 years with rent of \$1 per year. We noted that CEIDC entered into the lease agreement around the same time that CEIDC began procuring lawn maintenance services through Mr. Robbins, who was on the Board of the Mary Allen Museum at the

⁴² Additional detail of legal expenditures is provided in Section 3.9 of this Report, with transaction-level detail included in **Appendix N**.

⁴³ Legal expenditures incurred during the FY2017 – FY2022 time period averaged approximately \$8,500 annually. In FY2018, CEIDC’s annual budget included an increase of legal expenditures from \$1,000 to \$10,000.

⁴⁴ **See Exhibit 10**

⁴⁵ While we have not obtained the lease agreement between CEIDC and Mr. Culp, it is our understanding that the monthly rent paid by Mr. Culp to CEIDC for lease of the Westbrook House was \$300. It is also our understanding that Mr. Culp was responsible for maintaining the property during the lease period.

⁴⁶ **See Exhibit 18**

time. We also noted that CEIDC paid Mr. Robbins to mow and maintain the grounds at the Westbrook House during the term of the lease, even though CEIDC was only responsible for the structural integrity of the property under the lease agreement.

o. Small Business Relief Fund

During FY2020 – FY2021, CEIDC made payments totaling \$40,500 to local small businesses as part of the Small Business Relief Fund intended to offset losses incurred due to the COVID-19 pandemic. A Crockett Economic Recovery Task Force (“Task Force”) was formed to administer the funding to businesses, which was comprised of CEIDC’s Executive Director, Mr. Gentry, the City Administrator, Mr. Angerstein, and the Executive Director for the Crockett Chamber of Commerce, Liza Clark (Drake).⁴⁷ The Task Force planned for CEIDC to issue payments to local small businesses with CEIDC funds, with CEIDC to be reimbursed by the City upon receipt of grant monies under the Coronavirus Relief Fund grant program (“CRF Grant”).⁴⁸ However, after the first phase of payments in August 2020 to 40 businesses totaling \$20,000 (“Phase 1”), the City received information from the grant administrator (TDEM) that the payments were not eligible for reimbursement under the CRF Grant.⁴⁹ While the City reimbursed CEIDC for the \$20,000 in payments under Phase 1 of the Small Business Relief Fund, CEIDC subsequently used funds from their budget to disburse an additional \$20,500 to 40 businesses during the March 2021 – August 2021 time period (“Phase 2”). We identified several concerns with CEIDC’s payments under the Small Business Relief Fund as outlined below:

- ***It did not appear that the Small Business Relief Fund payments by CEIDC during Phase 2 were allowable under the provisions governing development corporations under Chapter 501 of the Texas Government Code and the requirements for authorized projects.*** CEIDC did not have performance agreements in place with the local businesses, including requirements for additional jobs to be created or retained, and lacked capital investment requirements.
- ***The Small Business Relief Fund lacked a formal structure with respect to scoring and evaluation of applications, requirements for documentation and proof of eligibility, and advertising and public awareness (particularly during Phase 2).*** As a result, there was an element of subjectivity in the selection of businesses that received funding through the Small Business Relief Fund.

p. CEIDC Does Not Have a Formal Procurement Process

As outlined in CEIDC’s Bylaws, CEIDC shall follow and be bound by the same purchasing and contracting provisions of State Law, including the provisions of competitive bidding, that are applicable to the City. Chapter 252 of Local Government Code outlines applicable purchasing requirements for municipalities

⁴⁷ Responsibilities of the Task Force included the review of applications received from local businesses and selection of businesses to receive funding.

⁴⁸ The CRF Grant was administered by the Texas Department of Emergency Management (“TDEM”).

⁴⁹ It is our understanding that TDEM informed the City that payments through the Small Business Relief Fund were not eligible for reimbursement as there was not a contract in place between the direct recipient of the grant (the City) and CEIDC, and because there were not contracts in place with the small businesses who received payments from CEIDC.

related to competitive bidding for purchases over \$50,000, which may include a formal solicitation process through a Request for Proposals (“RFP”) or Request for Qualifications (“RFQ”), among other procurement methods. Based upon our review and discussions with CEIDC personnel, CEIDC did not solicit bids or proposals through a RFP or RFQ during the period of our review, including for purchases over \$50,000.⁵⁰ Instead of utilizing a formal solicitation process, ***we determined that CEIDC followed an informal procurement process whereby the Executive Director presented multiple bids or quotes to the Board for consideration, including many instances where less than three (3) bids or quotes were obtained.***⁵¹

q. Changes to CEIDC Bylaws Without Approval from the City or USDA

CEIDC’s Bylaws stipulate that any modifications of their Bylaws must be approved by City Council in order to be effective. However, it did not appear that City Council approved changes made to CEIDC’s Bylaws adopted by the Board on August 9, 2022. In addition, Section 5(j) of CEIDC’s Loan Resolution Security Agreement with the United States Department of Agriculture (“USDA”) dated November 30, 2009 prohibits CEIDC from modifying or amending its Bylaws without written consent of the USDA. ***It is our understanding that CEIDC did not obtain written consent from the USDA when they modified their Bylaws in 2021 and 2022, which appears to be in violation of the Loan Resolution Security Agreement.***

r. CEIDC Loan with Prosperity Bank in 2014 Not Guaranteed by the City

In January 2014, CEIDC executed a Promissory Note with Prosperity Bank for \$1.5 million to incentivize Cornerstone Programs to utilize the former Crockett State School facility as a juvenile treatment and detention facility. While the loan was secured by the collateral assignment of sales tax revenues received by the City, ***it did not appear that the City authorized a guaranty to assign sales tax revenues as collateral, which were previously assigned as collateral pursuant to CEIDC’s Loan Resolution Security Agreement with the USDA in 2009.*** Based on our interview of Mr. Gentry, it is our understanding that the Board may have incorrectly assumed that the City’s previous guaranty of a \$1.5 million line of credit with Citizens National Bank from 2004 was applicable to CEIDC’s 2014 loan with Prosperity Bank.⁵²

⁵⁰ It is our understanding that CEIDC solicited bids through either a RFP or CSP process for the hiring of Sherrill Construction as general contractor for the construction of the Vocational Technical School, however, this occurred in 2008 prior to our review period.

⁵¹ Our review and analysis of CEIDC’s competitive bidding practices, including bids and quotes presented to the Board is discussed in more detail in Section IV of this Report.

⁵² On June 7, 2004, the City passed a resolution to guarantee certain promissory notes for CEIDC’s negotiated line of credit in the amount of \$1.5 million with multiple financial institutions, including Crockett Bank (a division of First National Bank Huntsville), Citizens National Bank of Crockett, First National Bank of Crockett, and First State Bank Crockett (a division of Grapeland State Bank Grapeland). The City’s resolution stated that a guaranty from the City was required for CEIDC to fulfill negotiations with the financial institutions to obligate the necessary sales tax funds for repayment of the promissory notes. On October 15, 2004, CEIDC executed a Promissory Note with Citizens National Bank for \$1.5 million. On November 1, 2005, the City amended the June 7, 2004 resolution to remove any reference to all other banking institutions with the exception of Citizen’s National Bank of Crockett.

s. Compliance with Open Meetings Act – Notice of Public Meetings and Agendas

During the period of our review, CEIDC prepared a Notice of Public Meeting in advance of Board meetings, which outlined the location of the meeting (i.e., Crockett Civic Center), the date and time of the meeting and the agenda items for the meeting. The Notice of Public Meeting was to be posted for public viewing at City Hall and the Crockett Civic Center, with signed certification by the Executive Director and an attesting witness of the date and time the Notice of Public Meeting was posted. A summary of findings of our review and analysis of CEIDC meeting agendas during the review period is provided below, with additional detail provided in **Appendix O**.

- Based on our review of documents provided by CEIDC, we were **unable to identify meeting agendas for 18 of 158 Board meetings** held by CEIDC during the review period. All of the Board meetings where we were unable to identify a meeting agenda were held during the 2010 – 2017 time period, and generally during months in which CEIDC was undergoing a transition in Executive Director.
- Based on our review of the 140 meetings agendas that were identified during the review period, we determined that **40 of 140 meeting agendas did not include signed certification** by the Executive Director and an attesting witness of the Notice of Public Meeting being posted for public viewing, including certification of the date and time the notice was posted. The 40 meeting agendas without signed certification pertained to Board meetings held during the October 2012 – March 2017 time period.
- Section 551.043 of the Texas Government Code requires that notice of a meeting of a governmental body be posted in a place readily accessible to the general public at all times for at least 72 hours before the scheduled time of the meeting. **We determined that the Notice of Public Meeting for the Board meeting on July 29, 2020 at 5:00 PM was posted on July 27, 2020 at 12:00 PM, which was 53 hours before the scheduled time of the meeting.**⁵³
- Section 551.056 of Texas Government Code requires certain governmental bodies and economic development corporations to post notice of a meeting on their internet websites, in addition to posting the physical Notice of Public Meeting at City Hall and the Crockett Civic Center. Based on our review of CEIDC's website, we identified 20 meeting agendas posted online by CEIDC for meetings in 2020 and 2021, however, it appeared the agendas were not uploaded until January 2022.^{54,55} **CEIDC does not appear to be in compliance with Section 551.056 of the Texas Government Code due to their failure to upload the Notice of Public Meeting to their website on a consistent and timely basis.**

t. Compliance with Open Meetings Act – Recording of Meeting Minutes

Section 551.021 of the Texas Government Code requires a governmental body to prepare and keep minutes or make a recording of each open meeting, with minutes to include the subject of each deliberation

⁵³ See Exhibit 19

⁵⁴ Board meeting agendas uploaded on CEIDC's website are located through the following URL:
<https://crockettedc.org/agendas>

⁵⁵ In our interview of Mr. Gentry, Weaver was informed that it was Mr. Gentry's understanding that CEIDC previously posted meeting agendas to its website during Ms. Steed's tenure as Administrative Assistant, however, CEIDC has had technical difficulties in recent years in consistently uploading meeting agendas. Mr. Gentry also indicated that CEIDC is working on a solution to improve their technical capabilities and to be able to upload meeting notices to their website in the future.

and indicate each vote, order, decision or other action taken.⁵⁶ During the period of our review, CEIDC prepared meeting minutes for Board meetings summarizing the individuals in attendance and actions taken by the Board, which was to be signed by the Board President and Board Secretary/Treasurer. It is also our understanding that CEIDC utilized a portable audio recorder to record proceedings conducted in open session. A summary of findings of our review and analysis of CEIDC meeting minutes and audio recordings during the review period is provided below, with additional detail provided in **Appendix O**.

- Based on our review of documents provided by CEIDC, ***we identified meeting minutes for all 158 Board meetings*** held by CEIDC during the review period. ***We identified 38 meeting minutes that did not included signatures for the Board President and Board Secretary***, which pertained to meetings held during the May 2013 – September 2017 time period.
- We determined that ***20 of 158 Board meeting minutes did not indicate the time the meeting was called to order***. We also determined that ***29 of 158 Board meeting minutes did not indicate the time the meeting was adjourned***.
- Weaver was informed by CEIDC's current Executive Assistant, Ms. McKnight, that she maintained audio recordings for all Board meetings since the start of her tenure in 2018, which were maintained on two (2) portable audio recording devices that she kept at her desk.⁵⁷ ***In or around November or December 2022, Weaver was informed by Ms. McKnight that at least one of the audio recording devices were unable to be located.***⁵⁸ As a result, certain audio recordings of Board meetings during FY2010 – FY2022 were not available for Weaver's review.

u. Compliance with Open Meetings Act – Executive Session

Based on our review of meeting minutes for 158 Board meetings during the review period, we identified 66 Board meetings where a portion of the proceedings were conducted in Executive Session. We reviewed available documentation provided by CEIDC to evaluate CEIDC's compliance with the Open Meetings Act and Texas Government Code.⁵⁹ A summary of findings of our review and analysis of Board proceedings in Executive Session during the review period is provided below, with additional detail provided in **Appendix O**.

⁵⁶ Section 551.022 of the Texas Government Code requires the minutes and recordings of an open meeting to be available for public inspection and copying on request to the governmental body's chief administrative officer or the officer's designee.

⁵⁷ It is our understanding that one of the audio recorders contains recordings for recent Board meetings and the other recorder contains recordings for Board meetings during prior years.

⁵⁸ It is our understanding that Mr. Gentry has possession of the audio recorder containing recordings for Board meetings from prior periods, while the audio recorder containing recordings for more recent Board meetings is unable to be located as of this Report.

⁵⁹ Sections 551.071-091 of the Texas Government Code provides certain exceptions where Board proceedings are not required to be conducted in open session (i.e., closed meeting or Executive Session), which include consultation with attorney, deliberation regarding real property, personnel matters, and deliberation regarding economic development negotiations, among other exceptions. If a closed meeting is allowed, Section 551.101 requires an announcement in open session by the presiding officer that a closed meeting will be held and the applicable section(s) of Texas Government Code under which the closed meeting is being held. Section 551.102 requires any final action, decision or vote on a matter deliberated in a closed meeting to be made in open session. Section 551.103 requires a certified agenda or recording of the proceedings of each closed meeting to be maintained, with the certified agenda to include a statement of the subject matter of each deliberation, a record of any further action taken and an announcement of the beginning and ending time of the closed session, which is to be signed by the presiding officer.

- It is our understanding that CEIDC does not keep an audio record of proceedings in Executive Session, and instead maintains separate meeting minutes. During FY2010 – FY2016, we identified separate typed meeting minutes for proceedings in Executive Session (referred to as Executive Minutes).⁶⁰ However, ***we have not identified Executive Minutes for proceedings in Executive Session during FY2017 – FY2022***, although it is our understanding that handwritten notes were maintained on a standardized form beginning in FY2022.
- In relation to Section 551.101 of Texas Government Code, ***we identified 12 of 66 Board meetings where the minutes did not include the time the Board entered into and adjourned from Executive Session***, all of which pertained to meetings held during the May 2017 – January 2022 time period. We were unable to review the audio recordings of the meetings to determine if the times the Board entered and adjourned Executive Session were announced during open session.
- For the 66 Board meetings with proceedings held in Executive Session, we determined that the corresponding Notice of Public Meeting included certain agenda items to be deliberated in Executive Session, with the exception of eight (8) Board meetings in which we were unable to locate the Notice of Public Meeting and agenda.
- We identified 38 instances where the meeting agenda included items to be deliberated in Executive Session, however, the Board did not ultimately enter into Executive Session according to the meeting minutes.⁶¹
- ***We identified certain actions that appeared to have been approved by the Board during Executive Session based on our review of CEIDC's meeting minutes***, possibly in violation of Section 551.102 of Texas Government Code. As an example, the meeting minutes for the Board meeting held on July 15, 2020 reflected that the Board deliberated and approved several actions while in Executive Session, including the approval of the FY2020 annual budget, as well as the approval of Mr. Gentry's evaluation and salary increases for CEIDC personnel.⁶²

VI. Recommendations

Based on our observations and findings formed during the forensic audit as summarized in this Report, we have provided the following recommendations for consideration by CEIDC and the City:

a. Implement Formal Training and Education Requirements for CEIDC Employees and Officers

We recommend requirements for CEIDC employees and officers to attend mandatory training and continuing education focused on regulatory requirements for economic development corporations under Texas Government Code. Training and education should include the Open Meetings Act and associated requirements related to posting of meetings, recording of meetings for both open session and Executive Session, as well as requirements for maintenance of records and providing access to the public. Training and

⁶⁰ We identified Executive Minutes for 29 of 30 Board meetings in which proceedings were conducted in Executive Session during the October 2009 – September 2016 time period.

⁶¹ Beginning in 2018, all Board meeting agendas included an agenda item stating that "the Board may enter into closed or Executive Session to discuss the following: (1) Texas Govt. Code Sec. 551.072 Deliberation regarding Real Property; (2) Texas Govt. Code Sec. 551.074 Personnel; and (3) Texas Govt. Code Sec. 551.087 Economic Development Negotiations."

⁶² It is our understanding that Ms. McKnight, who typically recorded the meeting minutes, was unable to attend the Board meeting on July 15, 2020 and prepared the minutes based on information provided by Mr. Gentry. Action taken by the Board following the Executive Session proceedings on July 15, 2020 is discussed in more detail in Section III of this Report (subsection 2.F – Employee Compensation; James Gentry).