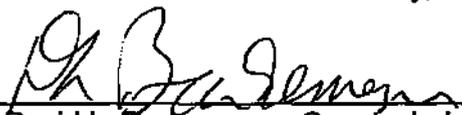


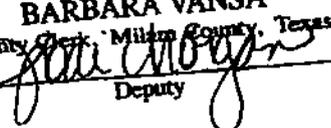
COMMISSIONERS' COURT OF MILAM COUNTY, TEXAS

Notice is hereby given that a meeting of the above named Commissioner's Court will be held on Monday, the 14th of November, 2016, at 10:00 a.m., in the Commissioner's Courtroom, Milam County Courthouse, 102 S. Fannin, Cameron, Texas, at which time the following agenda items will be covered:

- Prayer -
Period of silence followed by presentation of any additional prayers and words of encouragement
(Please complete public participation form prior to meeting)
1. Call Meeting to Order and establish quorum
 2. Pledge of Allegiance - U.S. Flag, Texas Flag. "Honor the Texas Flag, I pledge allegiance to thee, Texas, one State, Under God, one and indivisible"
 3. Approve minutes of previous meetings
 4. Public Participation (Please complete public participation form prior to meeting)
 5. Financial/Auditor's Report
 6. Treasurer's Report
 7. Commissioner's Precinct Updates
 8. Court Cases Update
 9. Approve Utility Installations
 10. Permission for entry and waiver of claims
 11. Approve Milam County Historical Commission Bylaws
 12. Approve Deputations, District Clerk
 13. Adult Probation Quarterly Report - Michelle Poston
 14. Approve appointment of Tom Kelly, Belinda Torrey, Rachel Owens and Danyelle Higginbotham to the CPS Board - Jeannie Weed
 15. Approve installation of yield signs on CR 440 - Pct 4
 16. Approve Memo's of Understanding between Milam County and ISD's - Susan Reinders
 17. Update approval of Milam County Tax Phase In Program
 18. Retire into executive session: Consult with Assistant County Attorney regarding recoupment of losses and expenses incurred at the Milam County Tax Office (Pursuant to Government Code Sec. 551.071).
 19. Reconvene in open session to potentially take action on matters discussed in executive session.
 20. Approve payment of bills
 21. Adjourn

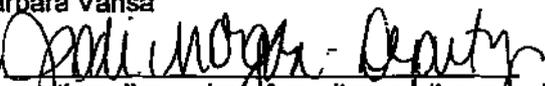
Dated this the 10th day of November, 2016
Commissioners' Court of Milam County, Texas

By 
David L. Barkemeyer, County Judge

Filed 10th day of NOV
in DAVE, At 9:50 A.M.
BARBARA VANSA
County Clerk, Milam County, Texas
By 
Deputy

I, the undersigned, County Clerk, do hereby certify that the above Notice of Meeting of the above named Commissioners' Court, is a true and correct copy of said Notice, and that I posted a true and correct copy of said Notice on the Courthouse door and the County Clerk's Office of Milam County, Texas, at a place readily accessible to the general public at all times on the 10th day of November, 2016, and said Notice remained so posted continuously for at least 72 hours preceding the scheduled time of said Meeting.

Dated this the 10th day of November, 2016
County Clerk of Milam County, Texas
Barbara Vansa

By 
Deputy

VOL. 81 PAGE 108
MINUTES COMMISSIONERS COURT
MILAM COUNTY, TEXAS

If, during the course of the meeting, discussion of any item on the agenda should be held in a closed meeting the Commissioners Court will conduct a closed meeting in accordance with the Texas Open Meetings Act, Government Code, Chapter 551, Subchapters D and E. Before any closed meeting is convened, the presiding officer will publicly identify the section or sections of the Act authorizing the closed meeting. All final votes or decisions will be taken in open meeting.

COMMISSIONERS' COURT OF MILAM COUNTY, TEXAS

Notice is hereby given that a meeting of the above named Commissioner's Court will be held on Monday, the 14th of November, 2016, at 10:00 a.m., in the Commissioner's Courtroom, Milam County Courthouse, 102 S. Fannin, Cameron, Texas, at which time the following agenda items will be covered:

Prayer -

Period of silence followed by presentation of any additional prayers and words of encouragement
(Please complete public participation form prior to meeting)

1. Call Meeting to Order and establish quorum
2. Pledge of Allegiance - U.S. Flag, Texas Flag. "Honor the Texas Flag, I pledge allegiance to thee, Texas, one State, Under God, one and indivisible"
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14. Approve appointment of Tom Kelly, Belinda Torrey, Rachel Owens and Danyelle Higginbotham to the CPS Board - Jeannie Weed
15. Approve installation of yield signs on CR 440 - Pct 4
16. Approve Memo's of Understanding between Milam County and ISD's - Susan Reinders
17. Approve payment of bills
18. Adjourn

Dated this the 9th day of November, 2016

Commissioners' Court of Milam County, Texas

By 

David L. Barkemeyer, County Judge

I, the undersigned, County Clerk, do hereby certify that the above Notice of Meeting of the above named Commissioners' Court, is a true and correct copy of said Notice, and that I posted a true and correct copy of said Notice on the Courthouse door and the County Clerk's Office of Milam County, Texas, at a place readily accessible to the general public at all times on the 9th day of November, 2016, and said Notice remained so posted continuously for at least 72 hours preceding the scheduled time of said Meeting.

Dated this the 9th day of November, 2016

County Clerk of Milam County, Texas
Barbara Vansa

By 

Filed 9 day of NOV
in 2016 At 2P M.
BARBARA VANSA
County Clerk, Milam County, Texas
By 
Deputy

If, during the course of the meeting, discussion of any item on the agenda should be held in a closed meeting the Commissioners Court will conduct a closed meeting in accordance with the Texas Open Meetings Act, Government Code, Chapter 551, Subchapters D and E. Before any closed meeting is convened, the presiding officer will publicly identify the section or sections of the Act authorizing the closed meeting. All final votes or decisions will be taken in open meeting.

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MINUTES COMMISSIONERS COURT
MILAM COUNTY, TEXAS

	PRINTED NAME	PHONE NUMBER	ORGANIZATION OR PRECINCT
1	Gerri Burnett	512 446-5087	3 - MCHC
2	LYNN Young	713 817-5628	4 - MCHC
3	Robert Schlemmer		
4	Frank Stewart	254-605-0678	2
5	Colby		3
6	JOE & KAREN BARK		#2
7	WAYNE HORKHEIMER		#2
8	FRANK J HAUDEK JR		
9	Michelle Poston	697-7022 Ab.	Adult Probation
10	Debbie Olbrich	697-4913	WIC
11	Rachel Owens	662-753-9419	CPS Board
12	Jeanie Weed	512-446-2776	CPS Board
13	Tommy STANDARD	482 254 1795	?
14	JAMES EDGE		CONC. FLORES
15	Robert Jekel		Rural Water Systems
16			
17		VOL. 81 PAGE 110	
18		MINUTES COMMISSIONERS COURT MILAM COUNTY, TEXAS	

STATE OF TEXAS:

COUNTY OF MILAM:

BE IT REMEMBERED, that on Monday, the 14th day of November A. D. 2016, the Commissioners' Court of Milam County, Texas, convened in Regular Session in the Commissioners' Courtroom, Milam County Courthouse, 102 S. Fannin, Cameron Texas, with the following members of the Court present, to-wit:

DAVID BARKEMEYER, COUNTY JUDGE

RICHARD "OPEY" WATKINS, COMMISSIONER PRECINCT NO.1

DONALD SHUFFIELD, COMMISSIONER PRECINCT NO. 2

JOHN FISHER, COMMISSIONER PRECINCT NO. 3

BARBARA VANSA, COUNTY CLERK

Others present, to-wit:

John Redington, Legal Counsel

Kyle Nuttall, Legal Counsel

Others absent, to-wit:

JEFF MUEGGE, COMMISSIONER PRECINCT NO. 4

And the proclamation having been made the Court was in session, the following business came on to be considered:

#1 - CALL MEETING TO ORDER & ESTABLISH QUORUM - 10:00 a.m. - All present

#2 - PLEDGE OF ALLEGIANCE - U. S. Flag. "Honor the Texas Flag", I pledge allegiance to thee, Texas, one State, Under God, one and indivisible

#3 - MINUTES - *Motion by Commissioner Shuffield, seconded by Commissioner Fisher to approve the minutes as presented to the court. This motion having been put to vote prevailed, the vote being unanimous.*

- **October 24 2016 - Regular meeting**
- **October 25 2016 - Workshop - Finances**

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MINUTES COMMISSIONERS COURT
MILAM COUNTY, TEXAS**

#4 - PUBLIC PARTICIPATION -

- **Danica Lara, County Auditor gave copies of her letter dated December 11 2015 addressed to the Honorable District Judge Youngblood, Honorable County Judge Barkemeyer & Honorable Commissioners Court along with a copy of Local Government Code 113.022, Time For Making Deposits.**
- **Wayne Horkheimer - When meeting in Executive Session about the Audit report I want you to consider the 9 points in my handout.**

**VOL. 81 PAGE 112
MINUTES COMMISSIONERS COURT
MILAM COUNTY, TEXAS**

**Danica Lara
Milam County Auditor
103 W. Main Suite A
Cameron, TX 76520
(254) 697-7026
Fax: (254) 697-7028**

December 11, 2015

Honorable John Youngblood, District Judge
Honorable Dave Barkemeyer, County Judge
Honorable Commissioners Court of Milam County

Gentlemen:

A preliminary audit was performed at the Milam Co Tax – Assessor’s Office to ensure the employees were able to conduct the daily business operations without interruption due to the recent resignation of the current tax collector-assessor. An in-depth external audit will be performed in the very near future.

All receipts, refunds due, and daily balance reports were examined for the Ad Valorem Tax dept. and the Vehicle Title & Registration dept. All funds were inspected and accurately accounted in the proper manner by the employees.

During the audit of the Ad Valorem Tax dept, I found a few processes that should be handled more efficiently, in my opinion. I have discussed these issues with the employees, and I will discuss them, in depth, with the new tax collector upon appointment. However, the main item of concern is at the Rockdale office. I recommend a fire proof safe should be purchased for the daily of storage of records and fund drawers.

Respectfully submitted,

Danica Lara
Milam County Auditor

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MILAM COUNTY, TEXAS



with notice of an audit under this subsection not later than the first anniversary of the date the term of office that is the subject of the audit ends. An audit must be completed not later than the second anniversary of the date the term of office that is the subject of the audit ends.

(c) If an audit is conducted under Subsection (b), a civil action described by Subsection (a) may not be commenced later than four (4) years after the date the audit conducted under Subsection (b) is completed.

(d) For purposes of this section, a term of office of an assessor-collector ends on:

(1) the date the term expires under law, whether or not the assessor-collector serves during the succeeding term, for an assessor-collector who is serving at the time the term expires; or

(2) the date a successor takes office for an assessor-collector who does not continue serving until the time the term expires under law.

Added by Acts 1999, 76th Leg., ch. 661, § 1, eff. Sept. 1, 1999.

SUBCHAPTER B. DEPOSIT OF MONEY

§ 113.021. Requirement That Money be Deposited With County Treasurer; Interest

(a) The fees, commissions, funds, and other money belonging to a county shall be deposited with the county treasurer by the person who collects the money. The person must deposit the money in accordance with any applicable procedures prescribed by or under Section 112.001 or 112.002. However, the county tax assessor-collector must deposit the money in accordance with the procedures prescribed by or under the Tax Code and other laws.

(b) The county treasurer shall deposit the money in the county depository in the proper fund to the credit of the person or department collecting the money.

(c) The interest accruing on the money in the fund is for the benefit of the county in accordance with other law.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987. Amended by Acts 2011, 82nd Leg., ch. 606 (S.B. 373), § 8, eff. Sept. 1, 2011.

§ 113.022. Time for Making Deposits

(a) A county officer or other person who receives money shall deposit the money with the county treasurer on or before the next regular business day after the date on which the money is received. If this

deadline cannot be met, the officer or person must deposit the money, without exception, on or before the fifth business day after the day on which the money is received. However, in a county with fewer than 50,000 inhabitants, the commissioners court may extend the period during which funds must be deposited with the county treasurer, but the period may not exceed 15 days after the date the funds are received.

(b) A county treasurer shall deposit the money received under Subsection (a) in the county depository in accordance with Section 116.113(a). In all cases, the treasurer shall deposit the money on or before the seventh business day after the date the treasurer receives the money.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987. Amended by Acts 2007, 80th Leg., ch. 836, § 1, eff. Sept. 1, 2007; Acts 2011, 82nd Leg., ch. 606 (S.B. 373), § 8, eff. Sept. 1, 2011.

§ 113.023. Deposit Warrants

(a) Except as provided by Subsection (c), each deposit made in the county treasury must be made on a deposit warrant. The deposit warrant authorizes the county treasurer to receive the amount stated in the warrant. The warrant must state the purpose for which the amount is received and the fund to which it is to be applied.

(b) The county treasurer shall keep the original deposit warrant. The county treasurer shall provide the county clerk or the county auditor with duplicate deposit warrants or a written report of all deposit warrants received that contains detailed information about each warrant. On the request of a person making a deposit, the county treasurer may provide a duplicate deposit warrant to the person. If the county has a county auditor, the auditor shall enter the amount in the auditor's books, charging the amount to the county treasurer and crediting the person who deposited the amount. The treasurer may receive money only through this procedure except as provided by Subsection (c).

(c) In a county with more than 2.2 million inhabitants, the county clerk is relieved of all duties under Subsections (a) and (b). In any other county that has the office of county auditor, the commissioners court by order may relieve the county clerk of all duties under Subsections (a) and (b). If the county clerk is relieved of duties, the county treasurer shall receive all deposits that are made in the county treasury. The county treasurer shall provide the county auditor with duplicate warrants or a written report of all warrants that contains detailed information about each

MILAM COUNTY COMMISSIONERS' COURT

Public Participation Form

Instructions: Fill out all appropriate blanks. Please print or write legibly.

NAME: WAYNE HORKHEIMER

HOME ADDRESS: 1215 CR 258

CAMERON, TEXAS 76520

HOME TELEPHONE: 254-697-8202

PLACE OF EMPLOYMENT: SELF

EMPLOYMENT TELEPHONE: 254-697-8202

Do you represent any particular group or organization? NO

If you do represent a group or organization, please state the name, address and telephone number of such group or organization.

Which agenda item or items do you wish to address? AUDITS and MILAM COUNTY GOVERNMENT COVER-UP OF FRAUD, WASTE and ABUSE

In general, are you for or against such agenda item or items? BOTH

Signature: Wayne Horkheimer Today's Date: 14 NOVEMBER 2016

Date you wish to appear before the court 14 NOVEMBER 2016

NOTE: This Public Participation Form must be presented to the County Judge's Secretary or County Clerk prior to the court session call to order.

November 14, 2016

For All Milam County Residents

Subject: Audits and Milam County Government Cover-up of Fraud, Waste and Abuse

1. On 1 March 2010, the prior District Judge appointed the Milam County Treasurer as Milam County Auditor. This created a conflict of interest because the Auditor was unable to independently review her own Milam County Treasurer records.
2. Patillo, Brown and Hill performed the annual financial statement external audits and never reported internal control weaknesses.
3. On 11 December 2015, the Milam County internal auditor performed an audit of the Milam County Tax Office. She prepared a one page audit report stating that "All funds were inspected and accurately accounted in the proper manner by the employees."
4. On 11 January 2016, I presented my one page audit report for the untimely deposits. My report stated that Milam County Officials are not complying with Local Government Code 113.022 Time for Making Deposits. Paragraph (a) of the Code states that "A county officer or other person who receives money shall deposit the money with the county treasurer on or before the next regular business day after the date on which the money is received."
5. During February 2016, a special requested audit was performed by Atchley and Associates. They issued a report on or about 2 March 2016 but the report was withheld from the public allegedly because the report included names of taxpayers that paid property and vehicle taxes with returned insufficient checks. Were all of these insufficient checks redeemed?
6. On 8 August 2016, an extract of the Atchley and Associates external audit report (dated August 3, 2016) was finally released to the public. The report included 21 findings and 21 recommendations for key internal control weaknesses. Finding and recommendation C-3 addressed the required annual internal audit of the Vehicle Inventory Tax Interest Account which was not performed by the internal auditor. Finding and recommendation D-3 reported that deposits are not done on a daily basis and recommended that payments received at all branches should be deposited on a daily basis.
7. I requested the District Judge to advertise the internal auditor position for candidates for the term of office starting 1 January 2017. His letter (dated 14 September 2016) stated that he intended to reappoint the current auditor without advertising the position.
8. The annual financial statement external audit report is usually received in October. Where is the annual financial statement audit for Calendar year 2015? Will this annual report finally address the key internal control weaknesses?
9. Conclusion: Thefts of funds were identified and reported in two Milam County offices in the past year. The Internal Auditor did not check or report internal control weaknesses. Milam County needs an internal auditor with credentials, independence and ability to perform audits and review the budget. What fraud, waste and abuse are in all other Milam County offices?

Wayne Horkheimer
Submitted by Wayne Horkheimer
Taxpayer/Rancher/Retired Federal Auditor
Cameron, Texas 76520

VOL. 81 PAGE 116
MINUTES COMMISSIONERS COURT
MILAM COUNTY, TEXAS

Danica Lara
Milam County Auditor
103 W. Main Suite A
Cameron, TX 76520
(254) 697-7026
Fax: (254) 697-7028

Pattillo, Braun
Hill

December 11, 2015

Honorable John Youngblood, District Judge
Honorable Dave Barkemeyer, County Judge
Honorable Commissioners Court of Milam County

Gentlemen:

A preliminary audit was performed at the Milam Co Tax – Assessor’s Office to ensure the employees were able to conduct the daily business operations without interruption due to the recent resignation of the current tax collector-assessor. An in-depth external audit will be performed in the very near future.

All receipts, refunds due, and daily balance reports were examined for the Ad Valorem Tax dept. and the Vehicle Title & Registration dept. All funds were inspected and accurately accounted in the proper manner by the employees.

During the audit of the Ad Valorem Tax dept, I found a few processes that should be handled more efficiently, in my opinion. I have discussed these issues with the employees, and I will discuss them, in depth, with the new tax collector upon appointment. However, the main item of concern is at the Rockdale office. I recommend a fire proof safe should be purchased for the daily of storage of records and fund drawers.

Respectfully submitted,

Danica Lara
Danica Lara
Milam County Auditor

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MINUTES COMMISSIONERS COURT
MILAM COUNTY, TEXAS



VOL. 76 PAGE 657
MINUTES COMMISSIONERS COURT
MILAM COUNTY, TEXAS

January 11, 2016

Milam County Judge David L. Barkemeyer
Milam County Commissioners Richard Watkins, Donald Shuffield, John Fisher, and Jeff Muegge
Milam County Treasurer Donna Orsag
Milam County Auditor Danica Lara
Milam County Clerk Barbara Vansa
Milam County Legal Counsel John Reddington
All Milam County Residents

Subject: Local Government Code Time for Making Deposits for Milam County Officials

1. **Condition.** Controls over money received by Milam County Officials are not adequate to prevent undetected diversion.
2. **Cause.** Milam County Officials are not complying with Local Government Code 113.022 Time for Making Deposits. Paragraph (a) states that "A county officer or other person who receives money shall deposit the money with the county treasurer on or before the next regular business day after the date on which the money is received." The Milam County Auditor and Treasurer refused to report this internal control weakness to the Commissioners Court for corrective action.
3. **Effect.** The Rockdale Reporter (December 17, 2015) stated "Milam County Tax Assessor-Collector accepted a plea bargain on theft allegations last Wednesday, one day before a grand jury was to hear evidence she had taken about \$7,500 in small increments from the tax office over a period of several years."
4. **Tax Office Receipts and Deposits.** The Tax Office receives over \$33 million annually for property taxes and vehicle registration. My review of Tax Office deposit spreadsheets for calendar year 2015 showed that Tax Office deposits were not made timely. Some funds received were held from 5 to 16 days before making a deposit.
5. **Receipt and Deposit of Money.** Delays in making timely deposits allow for manipulation of receipt documents and undetected diversion of money.
 - a. Which Milam County activities receive money?
 - b. How much money does each activity receive?
 - c. How often does each activity deposit money received?
 - d. Why can't each activity deposit the money on or before the next regular business day after the date on which the money is received?
6. **Recommendation:** I request that the Milam County Commissioners Court take action to enforce the Local Government Code requirement for all Milam County elected officials to make timely deposits and comply with Local Government Code paragraph 113.022 to deposit the money on or before the next regular business day after the date on which the money is received.

Wayne Horkheimer
Submitted by Wayne Horkheimer
1215 County Road 258
Cameron, Texas 76520
Milam County Taxpayer and Retired Federal Auditor

VOL. 81 PAGE 118
MINUTES COMMISSIONERS COURT
MILAM COUNTY, TEXAS



VOL. 81 PAGE 119
MINUTES COMMISSIONERS COURT
MILAM COUNTY, TEXAS

Mr. William W. Torrey, Milam County District Attorney,
The Honorable Dave Barkemeyer, Milam County Judge, and
Milam County Commissioners
102 S. Fannin Ave., First Floor
Cameron, Texas 76250

VOL. 80 PAGE 85
MINUTES COMMISSIONERS COURT
MILAM COUNTY, TEXAS

Dear Sirs;

We were engaged to perform certain procedures to support findings by the Milam County/District Attorney's Office with respect to the Milam County Tax Assessor-Collector's Office and actions of Ms. Kolette Barnett Morgan. We were to review and document the system of internal controls existing in the Milam County Tax Assessor-Collector's Office and provide recommendations.

We performed our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of Milam County.

We performed the following procedures:

Review the work done to determine the estimated \$7,500 misappropriated funds by the prior Tax Assessor-Collector. If we believe any significant areas were not considered in their investigation, we would provide recommendations for further work.

We determined that there were unaccounted for fees in the amount of \$3,027 for insufficient funds (NSF) checks which could have been collected but no records existed that they were collected.

On a sample basis, we were to re-perform the work done by the Milam County/District Attorney's Office to arrive at the estimated \$7,500 defalcation.

We re-performed certain procedures performed by Milam County District Attorney's Office. We had no corrections to make to their work.

Review internal controls for the handling of (i) return check fees, (ii) Vehicle Inventory Tax interest and penalty funds, and (iii) cash handling/deposits by the Tax Assessor-Collector's Office.

General Environment

This "General Controls" section relates to controls across all three areas which Atchley & Associates, LLP was engaged to review.

Atchley & Associates LLP, through inquiry of staff and observation of the Cameron, Rockdale and Thorndale branches, documented the procedures regarding the general internal control environment of the Milam County Tax Assessor-Collector's Office.

The results of these procedures are as follows:

A. General Controls

Finding A-1

Finding: The tax office written policies and procedures lack specific internal control procedures documentation and detailed job descriptions within the internal control environment.

Recommendation: The Tax Assessor-Collector's office policies should include internal control processes, detailed job descriptions including internal control roles and minimum qualifications, and technology policies to ensure all office employees are aware of duties and responsibilities.

Finding A-2

Finding: Software user guide manuals for the Tax Assessor-Collector's office were not available in hard copy format but are available online from the vendor. The staff is unaware of the ability to access these manuals for use in daily operations.

Recommendation: Access to manuals should be communicated and explained to all Tax Assessor-Collector office staff to ensure proper utilization of the software platforms.

Finding A-3

Finding: QuickBooks is used as the internal accounting software for the tax office. The software's general ledger is not being utilized in an appropriate accounting manner. There is not a defined chart of accounts using a numbered order of accounts that separates assets, liabilities, net position, revenues and expenditures. At the time of our observations, the QuickBooks general ledger for 2015 and 2016 was not up to date with accurate posting of transactions. The QuickBooks file is set up for a fiscal year end date of December 31 rather than September 30, which is the fiscal year end of Milam County.

Recommendation: To ensure accurate and complete accounting information, entries into QuickBooks should be made timely and accurately. Reconciliations between QuickBooks and the bank statements, as well as the property and vehicle software, should occur on a regular basis to ensure accuracy and completeness of the accounting information. QuickBooks should be backed up on a regular basis and have access controls in place including individual user names and passwords and defined roles. The QuickBooks fiscal year parameters should be changed so that the tax office accounting year end is the same as that of Milam County.

Finding A-4

Finding: Bank reconciliations are performed, but not on a timely basis, and they are not reviewed by someone other than the preparer. We did not see evidence that the reconciliations when made were agreed to the general ledger referred to in Finding A-3.

Recommendation: Bank reconciliations should be performed timely after month end, and should be reviewed by someone other than preparer and with suitable knowledge of the process, in order to safeguard county assets.

Finding A-5

Finding: Online bank access is currently only accessible to one clerk, with no review of bank statements occurring since the former Tax Assessor-Collector resigned.

Recommendation: Bank account signers should be restricted to those whose position requires signing authority; online access should be available to approved signers and in-line with documented internal control processes in order to safeguard county assets.

Finding A-6

Finding: Users of the property tax collections software have individual user logins, but user roles are not consistently defined based on employee position.

Recommendation: In order to safeguard county assets and preserve segregation of duties among tax office staff, roles should be defined and reviewed on a regular basis to ensure access to and within the property tax collections software is assigned based on position and in-line with internal control processes.

Finding A-7

Finding: All clerks currently have the ability within the property tax collections software to make adjustments to an individual account, including waiving penalties and interest, marking a paid balance as unpaid, etc.

Recommendation: In order to safeguard county assets and preserve segregation of duties among tax office staff, adjustments should only be accessible by a designated employee, or if all clerks remain capable of making adjustments, the adjustments should be reviewed on a regular basis by the Tax Assessor-Collector to ensure that all adjustments are valid and approved. Any adjustments to the original assessment should be paired with scanned documentation or a file notation in the property tax collections software describing the reason for the adjustment and any follow-up steps to be taken.

Finding A-8

Finding: The Cameron office counter clerks each have a locked cash drawer with a key specific to the drawer held by the individual clerk. Rockdale and Thorndale office counter clerks have locked

vehicle payment drawers but unlocked property tax drawers. The Tax Assessor-Collector's Cameron office has an administrative ring of keys with a key for each drawer. The administrative ring of keys is used by clerks when necessary if a key has been misplaced or forgotten, which gives them access to every locked clerk drawer in the office. Access to and control of the administrative key ring is not restricted.

Recommendation: In order to safeguard county assets, each drawer should be locked with keyed access by the clerk responsible for the drawer. The administrative keys should be locked in the Tax Assessor-Collector's office with access only to the Tax Assessor-Collector.

Finding A-9

Finding: Physical security controls in place at all Tax Assessor-Collector's locations do not appear to be adequate.

Recommendation: In order to safeguard county assets, the Tax Assessor-Collector and the Milam County Commissioners Court should consider requesting a review by a licensed professional security systems firm for the purpose of determining the appropriateness of existing physical controls at all Tax Assessor-Collector Office locations.

B. Insufficient Checks

Finding B-1

Finding: The bank remits a notice to the tax office with an image of the returned check, for a check returned by the tax office's bank as insufficient funds (NSF). When the mail is sorted, the bank notice is further sorted to vehicle or property based on the original transaction. It is not logged and tracked other than placement in a folder for follow-up. Several instances of NSF checks still not redeemed were noted where the property tax collections software had not been updated to reflect the insufficient check, resulting in penalties and interest not being properly applied.

Recommendation: To ensure property taxes or vehicle fees, penalties and interest are properly applied and to safeguard county assets, returned checks should be logged on a detailed schedule (possibly in property tax collections software if this capability exists, or at least a schedule in Excel format) for tracking that includes amount, customer, and information on status, deadline date for redemption without penalties and interest, and follow-up to be performed by tax office personnel. This process should then be reviewed and managed by the Tax Assessor-Collector.

Finding B-2

Finding: When a customer comes into the office to redeem an NSF check, only cash or money order/cashier's check is accepted. If payment is tendered in the form of a money order or cashier's check, the prior Tax Assessor-Collector ordered that it be cashed out using cash from one of the clerk's drawers. The Tax Assessor-Collector then placed the \$20 NSF check fee charged by the tax office in an envelope in the back office vault and prepared a separate bank account deposit slip for the amount of the original check. This process created a "slush fund of cash money" which was

unaccounted for in the County's financial records and deprived the County of General Fund monies.

Recommendation: To safeguard county assets, all NSF check payments should be made by money order or bank cashier's check and be processed through the clerk's drawer in the same manner, regardless of the transaction. The \$20 fee should not be segregated and stored indefinitely in the back office vault, but processed with the entire payment through the clerk's daily balance out and deposit procedures. The fees should be timely remitted to the County Treasurer for deposit into the General Fund, as is done with tax certificate preparation fees and other statutorily allowable fees charged by the tax office.

C. Vehicle Inventory Tax Interest Account

Finding C-1

Finding: Interest on the Vehicle Inventory Tax Escrow Account is accumulated and transferred to the Vehicle Inventory Tax Interest Account. The interest, if transferred to and maintained in an account separate from the Vehicle Inventory Tax Escrow Account, is the sole property of the Tax Assessor-Collector. The transfers that did occur in 2015 agree to the interest earned on the Vehicle Inventory Tax Escrow Account, but not all interest for 2015 was transferred to the separate Vehicle Inventory Tax Interest Account.

Recommendation: Transfers of interest should occur on a regular basis, so that reconciliation to the interest earned on the Vehicle Inventory Tax Escrow Account can be easily matched to the transfers to the Vehicle Inventory Tax Interest Account.

Finding C-2

Finding: While interest earned on the Vehicle Inventory Tax Escrow Account and transferred to the Vehicle Inventory Tax Interest Account is the sole property of the Tax Assessor-Collector, the use of the interest is statutorily limited to defraying the costs of administering the vehicle inventory tax prepayment program. Distributions from the Vehicle Inventory Tax Interest Account were not supported by documentation (except for several isolated instances). Disbursements appear to be statutorily disallowed uses. Documentation to support disbursements from this account could not be located in 65 out of a total 73 disbursements for the period we were requested to examine. None of the disbursements, or the documentation in support of 8 of the 73 disbursements which were available, met the statutory requirements.

Recommendation: A formal policy communicated to tax office employees, including statute language for allowable uses of funds, should be included in the tax office's policies and procedures. All disbursements should include documentation which substantiates that it supports the "defraying of costs of administering the tax prepayment program". Appropriate accounting records (bank statements, bank statement enclosures, third party invoice, etc.) should be maintained and filed in the Tax Assessor/Collector's Office.

Finding C-3

Finding: The Texas Property Tax Code, Section 23.122 provides that this account be audited by the County Auditor. The Texas Local Government Code, Section 115.0035 requires a county auditor to examine, at least annually, public funds subject to the control of a county official. Further, Texas Attorney General's Office Opinion No. JC-0135 (1999) states "a county auditor must audit the Motor Vehicle Inventory Tax Fund". We saw no evidence of such audit, when we inquired of the County Auditor if such examination had taken place she could only refer to work performed by the County's external auditing firm and stated that she assumed they were looking at the Tax Assessor-Collector's records, she could not say that the Vehicle Inventory Tax Interest Account had been examined by the external auditors and she did not give them specific instruction to do so.

Recommendation: The County Auditor and the Tax Assessor-Collector should be familiar with the requirements of the Texas Property Tax Code, Section 23.122 and the opinions issued by the Texas Attorney General's Office on the operation and record keeping requirements for this account. Evidence of the audit of this account should be maintained by the County Auditor.

D. Cash Handling and Deposits

Finding D-1

Finding: There are no indications that the final assessment information from the appraisal district is reconciled to the information imported by the Tax Assessor-Collector into the property tax collections software. There is also no indication that tax rates input by the Tax Assessor-Collector are reviewed for accuracy.

Recommendation: In order to ensure accuracy of billing and to safeguard county assets, a review of both the appraisal district information and tax rates should be performed after the import by someone outside of the import process.

Finding D-2

Finding: At the close of business, the front counter drawers are totaled out by the clerk responsible for the drawer using a report generated by the property tax collections software. To begin the following day's business, \$50 is left in the drawer for the purpose of making change for taxpayers.

Recommendation: In order to safeguard county assets, daily drawer balances should be done by either someone not on the drawer, or if done by the drawer user, verified by a second party. The daily drawer reconciliation should include online payments processed through the drawer of the clerk designated for such payments that day.

Finding D-3

Finding: Deposits are not done on a daily basis. The first day of our assignment, we observed that the batches from the prior week were still not closed and deposits had not been made in at least 4 business days. Vehicle registration payments received at the Thorndale office (the Thorndale

office does not accept property tax payments) are brought to the Rockdale office weekly to await transportation to the Cameron office for deposit. However, vehicle payments received in Rockdale are brought to the Cameron office daily. Property tax payments received at the Rockdale office are brought to the Cameron office weekly to await deposit. Cash is usually deposited at the bank by the same clerk who prepares the deposit slip. Checks received are transmitted for deposit to the bank, using remote capture hardware and software, by the clerk preparing the deposit.

Recommendation: In order to safeguard county assets, payments received at all branches should be deposited to the bank on a daily basis. Should same day depositing of funds not be possible, each location should have a safe with access limited to authorized personnel in which the deposit may be stored during the day and overnight until it can be taken to the bank the next day. Cash and check amounts deposited to the bank, per the bank statement, should be agreed to the deposit slip by someone who does not make the deposits. Credit card payments should be reconciled to the bank statement using settlement reports from the credit card processor, Certified Payments, on at least a monthly basis as a part of the bank reconciliation process.

Finding D-4

Finding: For online payments made through the website, a clerk processes them into the property tax collections software, but not on a daily basis. A detailed report from the credit card processor is used, and credit card payments which are still processing through the credit card processor are not entered until they are completed.

Recommendation: In order to safeguard county assets and assist with reconciling credit card payments to deposits on the bank statement from the credit card processor, online transactions should be processed daily by a property counter clerk. They should be entered into the property tax collections software with the date that the payment is settled, to preserve consistency with the credit card processor report.

Finding D-5

Finding: Payments may be made in person, through the mail, and through an afterhours slot at the Cameron branch. The front door slot simply drops the payment onto the floor inside the office. The collection and opening of mail and items from the afterhours slot are not performed by a designated person, but by any of the Cameron branch staff.

Recommendation: In order to safeguard county assets, mail should be opened by a designated individual, with a second person verifying payment totals. The afterhours drop slot should be protected and empty into a locked container affixed to the interior side of the tax office's front door, with access only by the authorized personnel checking the mail.

Finding D-6

Finding: Payment amounts are entered into property tax collections software as the balance due, not the actual amount paid, meaning that refunds or change due to the customer are never recognized by the property tax collections software.

Recommendation: In order to safeguard county assets and retain full documentation of property tax payments, the property tax collections software functionality should be researched for the effects of entering actual amounts paid into the system for the customer account, so that overpayments and refunds are tracked and documented within the property tax collections software.

Finding D-7

Finding: No formal process exists for processing overpayment refunds on property and vehicle payments.

Recommendation: In order to safeguard county assets, a formal policy should be created to address how overpayment refunds are to be processed, including timely processing and process when a refund check is returned as undeliverable.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on Milam County, Texas' financial statements as a whole. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Milam County District Attorney's Office and the Milam County Commissioners' Court and is not intended to be and should not be used by anyone other than these specified parties.



Austin, Texas
August 3, 2016

20TH JUDICIAL DISTRICT



ANGELA RALSTON, CSR
Official Court Reporter

JUDY KOPRIVA
Court Coordinator

JOHN W. YOUNGBLOOD
District Judge

PH: 254-697-7010
FAX: 254-697-7012
102 S. FANNIN - SUITE 4
MILAM COUNTY COURTHOUSE
CAMERON, TEXAS 76520

14 September, 2016

Mr. Wayne Horkheimer
1215 CR 258
Cameron, TX 76520

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MINUTES COMMISSIONERS COURT
MILAM COUNTY, TEXAS

Dear Mr. Horkheimer:

Your recently approached me with the assertion that the position of County Auditor should be "posted" and opened up to anyone wishing to apply for the position with each new two year term of office. I told you I would look into the matter.

Having reviewed Chapter 84 of the Texas Local Government Code, I find no requirement that the position of County Auditor be "posted" or advertised prior to reappointment. So long as I find that the position is currently filled by a person still qualified for the position as the law provides, i.e. (1) a competent accountant with at least two years experience in auditing and accounting; (2) thoroughly competent in public business details; and (3) a person of good moral character and intelligence, I do not see the utility of considering a change in the position. I understand you probably disagree with this position, and certainly it is one upon which reasonable minds could differ. Nevertheless, I am satisfied that Ms. Lara meets these qualifications and is a hard working and dedicated county employee. As such I intend to reappoint her at the start of the next term of office, January 1, 2017.

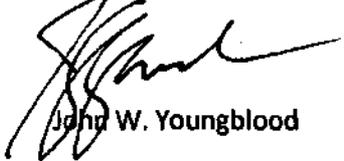
What I am not satisfied with are the conditions under which Ms. Lara is asked to perform her job. Frankly I join you and others in questioning how recent incidents of impropriety escaped notice for as long as they did. In a perfect world Ms. Lara would have a staff consisting of multiple assistants that could engage in internal auditing, both financial and operational. This would appear to be the case in other counties our size. Unfortunately, given our current budget constraints, not only is Ms. Lara

without such assistance, but she's asked to perform in other capacities beyond the scope of County Auditor.

That said, while it is not my role to supervise the County Auditor, given recent events, I do intend to ask that internal monitoring policies and procedures be reviewed and developed as warranted.

Thank you again for your inquiry and interest.

Sincerely,



John W. Youngblood

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MINUTES COMMISSIONERS COURT
MILAM COUNTY, TEXAS

Cc: Milam County Commissioners Court

MILAM COUNTY COMMISSIONERS' COURT

Public Participation Form

Instructions: Fill out all appropriate blanks. Please print or write legibly.

NAME: Frank Stewart

HOME ADDRESS: 900 S. Bowie Ave

HOME TELEPHONE: 254 605 0678

PLACE OF EMPLOYMENT: —

EMPLOYMENT TELEPHONE: —

Do you represent any particular group or organization? No

If you do represent a group or organization, please state the name, address and telephone number of such group or organization.

Which agenda item or items do you wish to address? None
General comments

In general, are you for or against such agenda item or items? —

Signature: Frank Stewart Today's Date: 11-14-16

Date you wish to appear before the court 11-14-16

NOTE: This Public Participation Form must be presented to the County Judge's Secretary or County Clerk prior to the court session call to order.

It is a great day. It is a great day in America. Voters went to the polls this month in America and totally changed the direction of our government. Over 50 million of us hope and pray that it is actually possible to change our government policies before it is too late.

We also need to change our county policies here in Milam County.

We need a transparent county government who will openly investigate fraud and waste, take action and then go on with business.

We also need to address our budget problems head on and not wait until we face bankruptcy and have to hurt more employees and taxpayers than absolutely necessary.

By waiting the problem only gets worse. By that I mean we have been kicking the can down the road as some newspaper editorials have pointed out. We need a true financial audit of all county offices. You hired a audit firm to do this but the DA instructed them not to make a financial audit. The financial figures in this report were then made secret and never released. What are we hiding.

In this new day in America I feel we should recognize those who do positive action in our government.

The first is Porter Young who passed away this month. Porter was county Tax Assessor for 15 years and was respected by all who knew him. I believe if you asked a

thousand taxpayers during that time if they felt he was stealing all 1000 would say Porter never took a dime of taxpayer money. He was a solid public servant.

Another I want to recognize is Opey Watkins. Opey paid off a *motor grader* *173,077.15*
The loan is now zero balance. No more interest is being paid and if the worse happens the county will not have the

motor grader repossessed. Thank you

Frank Stewart

#5 - AUDITORS REPORT - See power point @ www.milamcounty.net

We are about \$200,000 below budget at this time. It costs about \$200,000 a month and we have 2 more months to go.

Donna told me sales tax just came in at \$82,000

Expenses: October \$753,000 / November & December = longevity & over time pay

Currently have \$64,000 left in the bank

Currently have \$826,500 in reserves

About \$450,000 coming in - we will have December to pay for and will need \$300,000 to \$400,000 to make the budget. We will not borrow money this year & pay out of the taxes collected for a shortfall we may have. Possibly need \$300,000 to \$350,000 tax money to use.

Donna told me we have collected almost \$700,000 for next year's taxes.

We are ok thru end of the year so we don't have to borrow.

Approximately \$100,000 was received in October for the TIF Grant

#6 - TREASURERS REPORT - See power point @ www.milamcounty.net

- **\$6,041,965.13 - balance as of October 31, 2016**

#7 - COMMISSIONER'S PRECINCT UPDATES -

Precinct 1 - CR 146 cleaned ditches; CR112; grade few roads & shredding

Precinct 2 - chip seal partial CR229; planning to start TIF project on Los Ranchitos Tuesday

Precinct 3 - brush; TIF project on CR 353; blading & brush; CR352 hope to start before the first of the year

Judge - Opey & Jeff are done with TIF.

Shuffield - I was done but picked up a project on road at the bottom of the list. If we have money left we can transfer it to other commissioners.

Watkins - I have about \$33,000 left but need to turn manpower time in

Shuffield - Thank you to the other commissioners for the help.

Judge - The commissioners can also help each other when equipment is needed. Precinct 3 had the biggest amount of truck traffic to start with.

Precinct 4 - Per Cindy Galbreath, Pct 4 Secretary - CR446 finished; FEMA CR464 Brushy Creek

Shuffield - CR464 not only the washout of road but the length also

#8 - COURT CASES UPDATE - See power point @ www.milamcounty.net - TABLED

#9 - APPROVE UTILITY INSTALLATIONS -

Motion by Commissioner Fisher, seconded by Commissioner Watkins to approve the Notice of Proposed Installation Utility Line on Milam County Right-of-Way - Southwest Milam Water Supply Corporation proposes to place a Water Line within the right-of-way on CR234, Precinct 3 at 5876 CR 234. This motion having been put to vote prevailed, the vote being unanimous.

Motion by Commissioner Watkins, seconded by Commissioner Shuffield to approve the Notice of Proposed Installation Utility Line on Milam County Right-of-Way - North Milam WSC proposes to place a Water Line within the right-of-way on CR145, Precinct 1 on CR 144. This motion having been put to vote prevailed, the vote being unanimous.

#10 - PERMISSION FOR ENTRY AND WAIVER OF CLAIMS -

Motion by Commissioner Watkins, seconded by Commissioner Fisher to approve the Permission for Entry and Waiver of Claims by JOHN T. STOKES property located on County Road 437 for the purpose of maintaining County Road 437 in Precinct 4. This motion having been put to vote prevailed, the vote being unanimous.

Motion by Commissioner Fisher, seconded by Commissioner Watkins to approve the Permission for Entry and Waiver of Claims by FREDDIE POUNDERS property located on County Road 306 for the purpose of maintaining County Road 306 in Precinct 4. This motion having been put to vote prevailed, the vote being unanimous.

#11 - MILAM COUNTY HISTORICAL COMMISSION - Motion by Commissioner Shuffield, seconded by Commissioner Fisher to approve the Milam County Historical Commission By-Laws with Article 4 Section 4 being changed from the Secretary & Treasurer being one office to two separate offices now as Section 4, Secretary and Section 5, Treasurer and making punctuation corrections. This motion having been put to vote prevailed, the vote being unanimous.

#12 - DEPUTATION / DISTRICT CLERK - Motion by Commissioner Shuffield, seconded by Commissioner Fisher to approve the Deputation of Renee Young in the District Clerk's Office. This motion having been put to vote prevailed, the vote being unanimous.

- Renee Young is replacing part time personnel Donna Kimbrel.

#13 – ADULT PROBATION QUARTERLY REPORT – Motion by Judge Barkemeyer, seconded by Commissioner Shuffield to approve the Adult Probation Quarterly Report presented by Michelle Poston, CSCD Director. This motion having been put to vote prevailed, the vote being unanimous.

- **Required by the State to present the 4th Quarterly Report and Statement of Financial Position to be approved by the Commissioners Court and filed with the County Clerk.**
- **We are not a county agency, we are funded by the State with grant monies received based on caseload numbers and supervisory fees paid by offenders placed on probation.**
- **We receive \$17,500 from the County for repairs to the building, utilities, and office equipment.**

#14 – CPS BOARD APPOINTMENTS – Motion by Commissioner Fisher, seconded by Commissioner Watkins to approve the appointment of Tom Kelly, Belinda Torrey, Rachel Owens and Danyelle Higginbotham to the CPS Board. This motion having been put to vote prevailed, the vote being unanimous.

- **We have 14 members and 117 kids**

#15 – YIELD SIGNS / PRECINCT 4 – Motion by Commissioner Fisher, seconded by Commissioner Watkins to approve the installation of yield signs on CR 440. This motion having been put to vote prevailed, the vote being unanimous.

- **Per Cindy Galbreath – we will place yield signs @ CR440 & 446; CR440 & 441; CR440 & 442**
- **Per Cindy – Stop sign placed at CR 442**
- **Jeff talked to law enforcement & they said yield signs would work**

#16 – MEMO'S OF UNDERSTANDING BETWEEN MILAM COUNTY AND ISD'S – Motion by Judge Barkemeyer, seconded by Commissioner Fisher to approve the Memo's of Understanding between Milam County & Buckholts ISD, Cameron ISD, Gause ISD, Milano ISD, Rockdale ISD, and Thorndale ISD.

#17 – MILAM COUNTY TAX PHASE IN PROGRAM – Motion by Watkins, seconded by Commissioner Shuffield Adopting the Guidelines for Commissioners Court to Consider in Awarding Community Impact Points, Milam County Tax Phase in Program. This motion having been put to vote prevailed, the vote being unanimous.

- **Update every two years; Opey represents the County and one representative for the other towns. This program is if someone applies for a Tax Abatement**

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**MINUTES COMMISSIONERS COURT
MILAM COUNTY, TEXAS**

#18 – RETIRE INTO EXECUTIVE SESSION: CONSULT WITH ASSISTANT COUNTY ATTORNEY REGARDING RECOUPMENT OF LOSSES AND EXPENSES INCURRED AT THE MILAM COUNTY TAX OFFICE (PURSUANT TO GOVERNMENT CODE SEC. 551.070) – Motion by Commissioner Watkins, seconded by Commissioner Shuffield to retire into Executive Session at 10:48 A.M.

- **John Redington before going to discuss this item.**

#18 – RETIRE INTO EXECUTIVE SESSION: CONSULT WITH ASSISTANT COUNTY ATTORNEY REGARDING RECOUPMENT OF LOSSES AND EXPENSES INCURRED AT THE MILAM COUNTY TAX OFFICE (PURSUANT TO GOVERNMENT CODE SEC. 551.070) – Motion by Commissioner Watkins, seconded by Commissioner Shuffield to retire into Executive Session at 10:48 A.M.

- **John Redington - I'd like to make a comment before going into executive to discuss this item:**
 - **There have been comments made today regarding fraud & cover up. I appreciate the taxpayers concerns; however, there has simply been no cover up.**
 - **Even though the Commissioner's Court wanted to release the full report, the Court ultimately heeded the advice of both the County Attorney, and outside counsel from Allison Bass and sought a ruling from the Attorney General, who said it was privileged.**
 - **In the spirit of transparency, the Court released a summary of the report that was quite detailed.**
 - **No cover up then or today.**
 - **Today we are here to discuss litigation strategy in an effort to make the County whole. It would be foolish to discuss matters like this in open session.**

#19 – RECONVENE IN OPEN SESSION TO POTENTIALLY TAKE ACTION ON MATTERS DISCUSSED IN EXECUTIVE SESSION AT 11:06 A.M. – Per Judge Barkemeyer, no action is necessary on Executive Session that we just had.

#20 - BILLS – Motion by Commissioner Shuffield, seconded by Commissioner Fisher to approve the payment of bills in the amount of \$404,561.38 as presented to the court. This motion having been put to vote prevailed, the vote being unanimous.

#21- ADJOURN – Motion by Commissioner Fisher, seconded by Commissioner Shuffield to adjourn @ 11:12 A.M. This motion having been put to vote prevailed, the vote being unanimous.

The above and foregoing Minutes examined and approved in Open Court this 28th day of November 2016.

County Judge, David Barkemeyer

County of Milam:

State of Texas:

I, Barbara Vansa, County Clerk, Milam County, Texas, attest that the foregoing is a true and correct accounting of the Commissioners' Court authorized proceedings for November 14 2016.

County Clerk and Ex-Officio Member of
Commissioners' Court, Milam County, Texas

STATEMENT OF APPROVAL

November 14 2016

Commissioner of Precinct No. 1

Commissioner of Precinct No. 3

Commissioner of Precinct No. 2

Commissioner of Precinct No. 4

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MILAM COUNTY, TEXAS**
