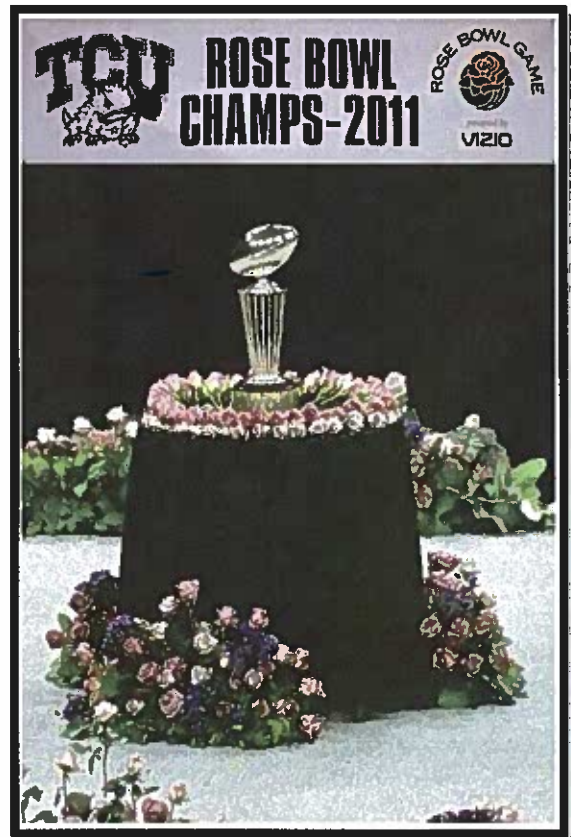
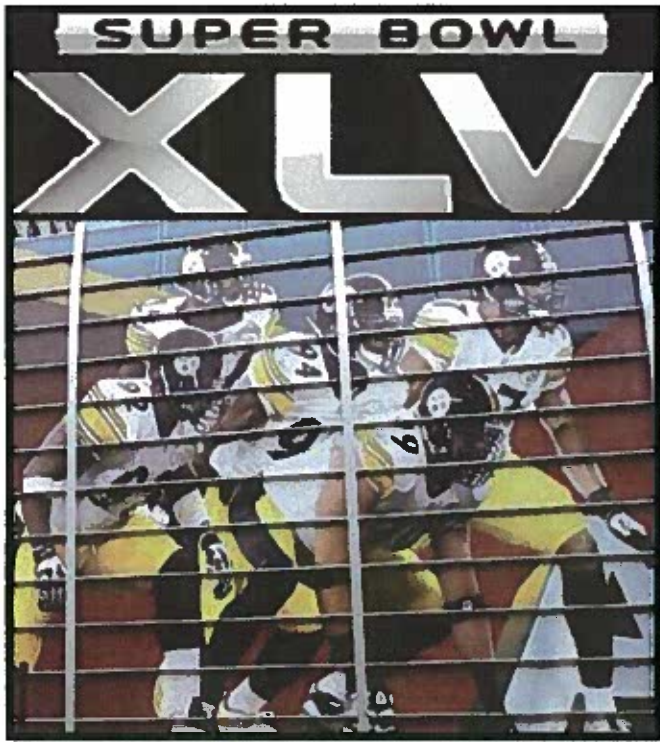
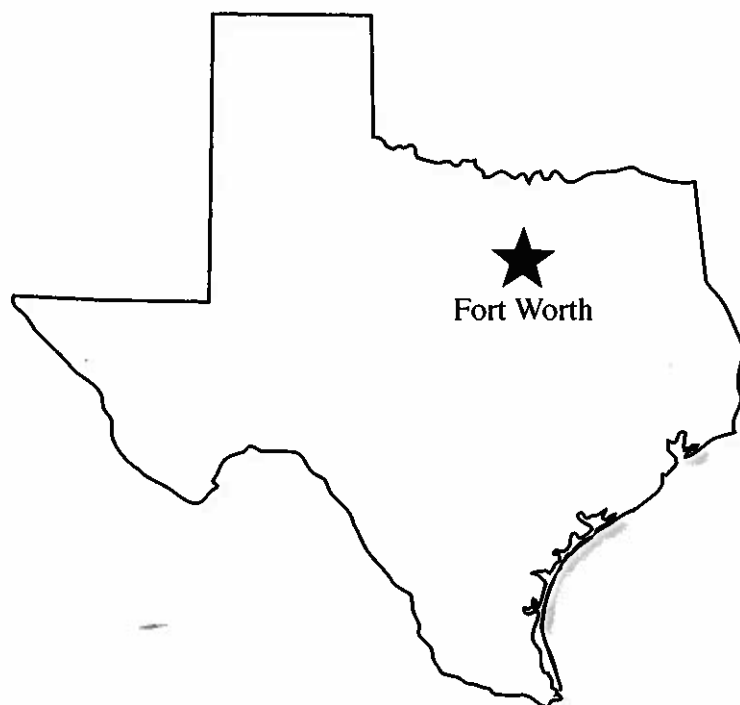




SINGLE AUDIT REPORT

For the Fiscal Year Ended
September 30, 2011
CITY of FORT WORTH, TEXAS





Cover Photographs:

Top left picture: Super Bowl XLV Pittsburg Steelers – Fort Worth Omni Hotel

Top right picture: TCU 2011 Rose Bowl Trophy

Bottom left picture: Texas Motor Speedway

Bottom right picture: Crowne Plaza Invitational at Colonial.

Single Audit Report

For the Fiscal Year Ended
September 30, 2011

CITY OF FORT WORTH, TEXAS

Elected Officials

2011 City Council

Betsy Price, Mayor

Kathleen Hicks
Salvador Espino
Danny Scarth
Joel Burns

Jungus Jordan
Dennis Shingleton
W.B. "Zim" Zimmerman
Frank Moss

City Manager

Thomas Higgins

Chief Financial Officer

Lena H. Ellis

Independent Auditors

Deloitte & Touche LLP

Prepared by the Financial Management Services Department

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Introductory Section



PURPOSE AND CONTENTS OF THIS REPORT

This report was prepared to provide grantor agencies certain financial information which they may require to properly administer funds granted to the City. Financial schedules included herein present the City's grant expenditures in accordance with accounting principles generally accepted in the United States of America for State and Local government units. Individual grants presented in the financial information section of this report are those which were considered by the auditors in performing their tests in conformity with Office of Management and Budget (OMB) Circular A-133 and the State of Texas Uniform Grant Management Standards.

RELATIONSHIP BETWEEN THIS REPORT AND THE CITY'S BASIC FINANCIAL STATEMENTS

All of the City's grant activity subject to the requirements of the Single Audit Act Amendments of 1996, OMB Circular A-133 and the State of Texas Uniform Grant Management Standards are accounted for or reported in the Basic Financial Statements in the Grant Special Revenue Fund, except for certain grants accounted for in the General Fund, Proprietary Funds, or other Funds. However, grants other than federal/state grants are combined with the federal/state grants under this caption and, therefore, this report cannot be related directly to the Basic Financial Statements based upon the information presented herein.

REPORTS

The following reports and schedule prepared by the independent auditors are included in this document:

1. Report on internal control over financial reporting and on compliance and other matters based upon an audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.
2. Report on compliance with requirements that could have a direct and material effect on each major federal and state award program and on internal control over compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and the State of Texas Uniform Grant Management Standards ("UGMS").
3. Schedule of Findings and Questioned Costs.



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March 20, 2012

The Honorable Mayor, City Council and City Manager
City of Fort Worth, Texas

Ladies and Gentlemen:

The Single Audit Report of the City of Fort Worth, Texas for the fiscal year ended September 30, 2011 is submitted herewith.

The report is published to provide the City Council, the various grant agencies, citizens and other interested persons, detailed information concerning financial operations of the City of Fort Worth, including compliance with certain provisions of Federal and State laws and regulations.

The data is presented fairly in all material respects and the City reports expenditures in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDIT

The Single Audit Act Amendments of 1996 and the Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," and the State of Texas Uniform Grant Management Standards (UGMS) require an annual audit of the City's Federal and State financial assistance programs by an independent certified public accountant. This requirement has been complied with by the submission of the following:

1. Report on internal control over financial reporting and on compliance and other matters based upon an audit of financial statements performed in accordance with *Government Auditing Standards*.
2. Report on compliance with requirements applicable to each major Federal and State award program and on internal control over compliance in accordance with OMB Circular A-133 and UGMS.

FINANCIAL MANAGEMENT SERVICES DEPARTMENT

THE CITY OF FORT WORTH * 1000 THROCKMORTON STREET * 3RD FLOOR * FORT WORTH, TEXAS 76102
817-392-8185 * Fax 817-392-8966

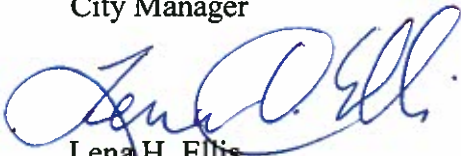
ACKNOWLEDGEMENTS

The preparation of this report could not be accomplished without the dedicated services of the staff of the Financial Management Services department. We express our appreciation to those staff members of both the Finance Department and Deloitte & Touche LLP, who worked many hours to ensure the accuracy of this report. In addition, we express appreciation to the Mayor, City Council and City Manager for their interest and support in planning and conducting the financial activities of the City in a responsible and responsive manner.

Respectfully submitted,



Thomas Higgins
City Manager



Lena H. Ellis
Chief Financial Officer

OVERVIEW OF THE CITY'S FISCAL YEAR 2011 ANNUAL AUDIT

This report has been prepared in connection with the fiscal year 2011 annual audit of the City of Fort Worth, Texas. The primary purpose of the audit was for the auditors to form an opinion on the Basic Financial Statements of the City. The Basic Financial Statements are presented in conformity with accounting principles generally accepted in the United States of America for local government units as prescribed by the Governmental Accounting Standards Board.

OVERVIEW OF AUDIT REQUIREMENTS FOR FEDERAL AND STATE AWARDS

The scope of the City's 2011 annual audit included the requirements of the Single Audit Act Amendments of 1996, the Office of Management and Budget Circular A-133 entitled "Audits of States, Local Governments and Non-Profit Organizations" and the State of Texas Uniform Grant Management Standards. These regulations establish audit requirements for State and local governments, Indian tribal governments and non-profit organizations that receive Federal and State assistance. They provide for independent audits of the entire financial operations for the City, including compliance with certain provisions of Federal and State laws and regulations. These requirements were established to ensure that audits are made on an organization-wide basis, rather than on a grant-by-grant basis. Such audits are to determine whether:

1. The basic financial statements of the government present fairly its financial position and the results of its financial operations in accordance with generally accepted accounting principles;
2. The organization has internal accounting and other control systems to provide reasonable assurance that it is managing Federal and State financial assistance programs in compliance with applicable laws and regulations; and
3. The organization has complied with laws and regulations that may have a material effect on its basic financial statements and on each major Federal and State assistance program.



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Independent Auditor's Opinion



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and City Council Members
City of Fort Worth, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Fort Worth, Texas (the "City") as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 20, 2012. Our report was modified to include an emphasis paragraph related to the implementation of GASB Statement No. 54 and a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Employees' Retirement Fund of the City of Fort Worth for the year ended September 30, 2011 (which comprises 99% of the net assets of the trust funds of the City), as described in our report on the City's financial statements. The financial statements of the Employees Retirement Fund of the City of Fort Worth were not audited in accordance with *Government Auditing Standards*. Other auditors audited the financial statements of the Villas of Eastwood Terrace LLC, a blended component unit of the City, for the year ended December 31, 2010, (which comprise approximately 1% of assets, fund balance and revenues of the non-major governmental funds of the City), as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 11-II.1 to be a material weakness.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 11-II.2 and 11-II.3 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated March 20, 2012.

The City's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, the City management, and federal and state awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

March 20, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL AND STATE AWARD PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS

The Honorable Mayor and City Council Members
City of Fort Worth, Texas

Compliance

We have audited the compliance of the City of Fort Worth, Texas (the "City") with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* and the *State of Texas Uniform Grants Management Standards ("UGMS")* that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2011. The City's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State of Texas UGMS*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and/or state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

As described in item 11-III.1 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with the requirements regarding Equipment and Real Property Management that are applicable to its Homeland Security Cluster. As described in item 11-III.3 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with the requirements regarding Reporting that are applicable to its CSBG Cluster. As described in item 11-III.4 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with the requirements regarding Period of Availability that are applicable to its CSBG Cluster. As described in item 11-III.5 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with the requirements regarding Davis-Bacon Act that are applicable to its Highway Construction Program. As described in item 11-III.7 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with the requirements regarding Reporting that are applicable to its BNSF Relocation Program. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2011. The results of our auditing procedures also disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 11-III.2.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program to determine auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the entity's internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 11-III.1, 11-III.3, 11-III.4, 11-III.5 and 11-III.7 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 11-III.2 and 11-III.6 to be significant deficiencies.

The City's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the City's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal and State Awards

We have audited the basic financial statements of the City as of and for the year ended September 30, 2011 and have issued our report dated March 20, 2012, which included an emphasis paragraph related to the implementation of GASB Statement No. 54, and which included a reference to other auditors. Our audit was

performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State of Texas UGMS and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, the City management, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

March 20, 2012



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Financial Section



CITY OF FORT WORTH, TEXAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARD
 YEAR ENDED SEPTEMBER 30, 2011

GRANT AGENCY/PROJECT TITLE	FEDERAL CFDA NUMBER	CONTRACT NUMBER	FY 2011 Expenditures	Pass Through Expenditures
U. S. DEPARTMENT OF AGRICULTURE				
Passed through Texas Health and Human Services Commission:				
2011 Child and Adult Care Nutrition Program	10.558	CON 7543008 PGRM TX 202-10	\$ 125,732	
Summer Food FY2010	10.559	CO# TX-220-1003 7543008	19,363	
Summer Food FY2011	10.559	CON 7543008	478,078	
Total U. S. Department of Agriculture			<u>623,173</u>	
U. S. DEPARTMENT OF COMMERCE				
J. Guinn Elementary School Renovation	11.300	08-01-04076	122,575	
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Early Childhood Resource Center(Continuation)				
Early Childhood Resource Center	93.647	90XP0425	302,957	
Sub-total for Program	93.647	90XP0361/01	<u>55,931</u>	
			<u>358,888</u>	
2006 Biochem Grant	93.283	7560005286A2006	1,404	
2009 - 2010 BHEP	93.283	CS39626	318	
Bioterrorism Public Health Emergency Preparedness	93.283	CSC 41494	13,762	
Sub-total for Program			<u>15,484</u>	
Passed Through Texas Department of Housing and Community Affairs:				
2010 Community Services Block Grant	93.569	61100000862	414,689	
2011 Community Services Block Grant	93.569	61110001127	796,608	
Sub-total for Program			<u>1,211,297</u>	
ARRA- Community Services Block Grant-R	93.710	11090000548	278,193	
Weatherization-LIHEAP	93.568	81090000514	(21,131)	
2010 Comprehensive Energy Assistance Program	93.568	58100000831	1,929,573	
TDHCA - Weatherization- LIHEAF	93.568	81100000909	849,863	
2011 Comprehensive Energy Assistance Program	93.568	58110001080	6,379,230	
2011 LIHEAP Weatherization	93.568	81110001166	290,860	
Sub-total for Program			<u>9,428,395</u>	
Total U. S. Department of Health and Human Services			<u>11,292,257</u>	
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs:				
HOME Program (PY 2005-2006)	14.239	M-05-MC-48-0204	135,353	\$ 135,353
HOME Program (PY 94)	14.239	M-94-MC-48-0204	15,266	15,266
HOME Program (PY 95)	14.239	M-95-MC-48-0204	254,708	254,708
HOME Program (PY 97)	14.239	M-97-MC-48-0204	94,634	94,634
HOME Program (PY 98)	14.239	M-98-MC-48-0204	(67,400)	
HOME Program (PY 99)	14.239	M-99-MC-48-0204	350	350
HOME Program (PY 00)	14.239	M-00-MC-48-0204	158,994	158,994
HOME Program (PY 06-07)	14.239	M-06-MC-48-0204	90,128	84,937
HOME Program (PY 07-08)	14.239	M-07-MC-48-0204	677,378	465,931
HOME Program (PY 08-09)	14.239	M-08-MC-48-0204	915,734	75,232
American Dream Down payment	14.239	M-08-MC-48-0204	3,185	
HOME Program (PY 09-10)	14.239	M-09-MC-48-0204	268,358	156,596
HOME Program (PY 10-11)	14.239	M-08-MC-48-0204	1,219,528	
HOME Program (PY 01)	14.239	M-01-MC-48-0024	(18,543)	
HOME Program (PY 02-03)	14.239	M-02-MC-48-0204	157,226	157,226
HOME Program (PY 03-04)	14.239	M-03-MC-48-0204	48,759	48,759
HOME Program (PY 04-05)	14.239	M-04-MC-48-0204	590,840	590,840
Sub-total for Program			<u>4,544,498</u>	<u>2,238,826</u>
CDBG-31st-Year - (PY2005-2006)	14.218	B-05-MC-48-0010	(324,932)	
CDBG Revolving Loan Fund	14.218	Loan Receivable	330,260	
CDBG-23rd-Year- 1997	14.218	B-97-MC-48-0010	1,911	
CDBG-24th-Year - 1998	14.218	B-98-MC-48-0010	47,182	
CDBG-25th-Year - 1999	14.218	B-99-MC-48-0010	244,426	
CDBG-26th-Year - 2000	14.218	B-00-MC-48-0010	(9,510)	
CDBG-32nd-Year - (PY06-07)	14.218	B-06-MC-48-0010	152,400	
CDBG-33rd-Year -(PY07-08)	14.218	B-07-MC-48-0010	58,743	
CDBG-34th-Year - (PY08-09)	14.218	B-08-MC-48-0010	390,690	288,181
Neighborhood Stabilization Program	14.218	B-08-MN-48-0004	1,340,649	571,931
CDBG-35th-Year -(PY09-10)	14.218	B-09-MC-48-0010	404,369	1,322
Hud Restricted Cash Project	14.218	M&C G-16867	11,250	
CDBG-36th-Year - (PY10-11)	14.218	B-10-MC-48-0010	3,172,132	786,486
CDBG-27th-Year - 2001	14.218	B-01-MC-48-0010	21,950	
CDBG-28th-Year - (PY02-03)	14.218	B-02-MC-48-0010	(87,696)	
CDBG-29th-Year - (PY03-04)	14.218	B-03-MC-48-0010	(160,234)	

CITY OF FORT WORTH, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARD
YEAR ENDED SEPTEMBER 30, 2011

GRANT AGENCY/PROJECT TITLE	FEDERAL CFDA NUMBER	CONTRACT NUMBER	FY 2011 Expenditures	Pass Through Expenditures
CDBG-30th-Year - (PY04-05)	14.218	B-04-MC-48-0010	(218,490)	
Sub-total for Program			<u>5,375,100</u>	<u>1,647,920</u>
Section 108 Housing	14.248	Note No. B-99-MC-48-0010	994,463	
Emergency Shelter Grant (PY 2008-2009)	14.231	S-08-MC-48-0006	5,590	5,590
Emergency Shelter Grant (PY 2009-2010)	14.231	S-09-MC-48-0006	2,111	1,681
Emergency Shelter Grant (PY 2010-2011)	14.231	S-10-MC-48-0006	281,712	222,751
Sub-total for Program			<u>289,413</u>	<u>230,022</u>
Fair Housing Assistance Program (PY 2007-2008)	14.401	FF-206-K-07-6002	8,842	
Fair Housing Assistance Program (PY 2008-2009)	14.401	FF-206-K-08-6002	14,830	
Fair Housing Assistance Program (PY 2009-2010)	14.401	FF-206-K-09-6002	206,260	
Fair Housing Assistance Program (PY 2010-2011)	14.401	FF-206-K-10-6002	325,022	
Sub-total for Program			<u>554,954</u>	
Comprehensive Housing Counseling	14.169	HC-0821-043	(2,610)	
HOPWA GRANT (PY2008-2009)	14.241	TX-H-08-F002	3,571	3,571
HOPWA (PY 2009-2010)	14.241	TXH09-F002	5,131	
HOPWA GRANT (PY 2010-2011)	14.241	TXH10-F002	655,949	638,522
Sub-total for Program			<u>664,651</u>	<u>642,093</u>
Lancaster Avenue of Light EDI	14.251	EDI-#B-05-SP-TX-296	887	
Trinity Vision EDI 08	14.251	CSC 38619	539,000	539,000
Evans Rosedale EDI Project	14.251	B-98-ED-48-0017	0	
Sub-total for Program			<u>539,887</u>	<u>539,000</u>
ARRA- Community Development Block Grant-R	14.253	B-09-MY-48-0010	745,685	
ARRA-Homeless Prevention & Rapid Rehousing Program	14.257	S-09-MY-48-0006	1,308,434	1,232,775
Lead-based Paint Hazard Control Program	14.900	TXLHB0305-05	(1,258)	
Total U. S. Department of Housing and Urban Development			<u>15,013,217</u>	<u>6,530,636</u>
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION				
2010 Equal Employment Opportunity Commission	30.002	EECCN100090	1,784	
U. S. DEPARTMENT OF JUSTICE				
2011 Coverdell Forensic Science	16.742	CD-10-A10-24157-01	89,757	
2009 Coverdell Crime Lab	16.742	2009-CD-BX-0080	39,820	
2010 Coverdell Forensic Science	16.742	2010-CD-BX-0087	89,675	
Sub-total for Program			<u>219,252</u>	
Federal Asset Forfeiture Program	16.UNKNOWN	UNKNOWN	1,207,281	
North TX High Intensity Drug Trafficking Area	16.CS39503	CS39503	(1,880)	
United States Marshals Service - MOU	16.CS39745	CS39745	(4,850)	
United States Marshals Service -FY11	16.CS41389	CS41389	95,011	
Sub-total for Program			<u>1,295,562</u>	
2010 Solving Cold Case with DNA	16.741	2010-DN-BX-K012	250,540	
Passed through the North Central Texas Council of Governments:				
DFW Fast	16.609	2009-GP-BX-0008	20,407	
Project Safe Neighborhood	16.609	2009-GP-BX-0008	11,253	
Project Safe Neighborhood	16.609	2010-GP-BX-0017	37,295	
Sub-total for Program			<u>68,955</u>	
Human Trafficking Law Enforcement	16.582	2006-VT-BX-0003	37,115	
2010 Human Trafficking Task Force	16.582	2010-VT-BX-0002	121,302	
Sub-total for Program			<u>158,417</u>	
ARRA - FY2009 Recovery Act JAG	16.804	2009-SB-B9-1479	1,424,038	931,211
Passed through Office of the Governor, Criminal Justice Division:				
ARRA - CJD Edward Byrne JAG	16.803	SU-09-A10-22407-01	14,019	
ARRA - Family Advocacy Center	16.588	EF-09-V30-22957-01	46,245	
Domestic Assault Response Team	16.588	WF-10-V30-13414-13	69,777	
Sub-total for Program			<u>116,022</u>	

CITY OF FORT WORTH, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARD
YEAR ENDED SEPTEMBER 30, 2011

GRANT AGENCY/PROJECT TITLE	FEDERAL CFDA NUMBER	CONTRACT NUMBER	FY 2011 Expenditures	Pass Through Expenditures
Passed through Safe City Commission				
2010 Northside Weed and Seed	16.595	2009-WS-QX-0065	7,765	
2011 Northside Weed and Seed	16.595	2010-WS-QX-0081	31,760	
Sub-total for Program			<u>39,525</u>	
Tarrant County Justice Assistance Grant	16.738	2007-DJ-BX-1199	269,795	186,658
2008 Justice Assistance Grant	16.738	2008-DJ-BX-0637	44,303	(23,038)
2009 Justice Assistance Grant	16.738	2009-DJ-BX-1379	731,323	315,269
2010 Edward Byrne Memorial Justice Assistance Grant	16.738	2010-DJ-BX-0164	533,766	148,218
Sub-total for Program			<u>1,579,187</u>	<u>627,107</u>
Secure Our Schools	16.710	2009-CK-WX-0759	361,677	361,677
Child Sexual Predator Program	16.710	2010-CS-WX-0020	63,604	
Sub-total for Program			<u>425,281</u>	<u>361,677</u>
Total U. S. Department of Justice			<u>5,590,798</u>	<u>1,919,995</u>
U. S. DEPARTMENT OF TRANSPORTATION				
Alliance - Design/Construct Improvements	20.106	3-48-0296-32-2007	621	
Alliance - Runway Ext. - Ph VIII	20.106	3-48-0296-33-2007	(4,369,556)	
Alliance-Runway Extension-Phase IX	20.106	3-48-0296-34-2008	3,141,812	
Alliance Runway Extension X	20.106	3-48-0296-35-2009	136,198	
Alliance Runway Extension XI	20.106	3-48-0296-42-2010	4,985,240	
Alliance Runway Rehab and ARFF	20.106	3-48-0296-41-2010	179,943	
Alliance Runway Extension Phase XII	20.106	3-48-0296-43-2011	104,171	
Sub-total for Program			<u>4,178,429</u>	
Passed through Texas Department of Transportation:				
Spinks- Airfield Upgrades Phase II	20.106	0502SPINK	69,415	
Meacham - Repair Runway 16/34	20.106	7XXAV074 0702MEACH	449,801	
FWS- Airfield Upgrades	20.106	CSJ 0702SPINK	72,380	
FTW Reconstruct Apron A	20.106	CSJ 1002MEACH	223,173	
Meacham 2011 Ramp	20.106	CSJ M102MECHM	50,000	
Alliance 2011 Ramp	20.106	CSJ M102ALNCE	35,498	
Spinks Ramp Setup	20.106	CSJ M102SPMLS	42,248	
Runway 16/34 Repair and Apron Expansion	20.106	CSJ 0502MEACH	417	
Sub-total for Program			<u>942,932</u>	
2010 Motor Carrier Safety Assistance Program	20.218	MH104850000000	170,312	
2011 Motor Carrier Safety Assistance Program	20.218	FM-MHP-0039-11-01-00	6,047	
Sub-total for Program			<u>176,359</u>	
2011 STEP Click It or Ticket	20.602	2011-FORTWORTH-CIOT-00036	13,820	
Magnolia Village I Pedestrian/Street Improvement	20.205	CSJ 0902-48-536	11,028	
Sycamore School Road Quiet Zone Project	20.205	CSJ 0902-48-685	11,154	
Peach St Rr Safety Improvement Project	20.205	02-7XXF6018	4,307	
Hemphill West Quiet Zone Project	20.205	TxDOT 0902-48-686	166,103	
Magnolia Ave Rr Crossing Project	20.205	TxDOT 0902-48-687	938	
South Central High Speed Corridor	20.205	CSJ 0902-48-694	326	
W 7TH ST Bridge Construction	20.205	CSJ 0902-48-505	30,420	
Traffic Signal Light	20.205	95XXF6009	148,623	
TXDOT - Traffic Signal System Expansion CMAQ5	20.205	CSJ 0902-48-587 & 0902-48-588	174,313	
Streetcar Planning and Design	20.205	CSJ 0902-48-7	164,412	
Ridglea/Westridge Village Pedestrian & Streetcar Dev	20.205	CSJ 0902-48-582	287	
Trinity River Trail System	20.205	CSJ 0902-48-557 & 0902-48-581	10,739	
Berry Street Construction	20.205	CSJ 0902-48-558, 48-490 & 48-410	16,207	
Ninth St Pedestrian & Streetcar Development	20.205	CSJ 0902-48-495	494,415	
South of Seventh St Project	20.205	CSJ 0902-48-562, 48-698 & 48-699	384,548	
State Hwy 121 Tollway	20.205	CSJ 0902-48-585	252	
East Rosedale Street Construction	20.205	17201042	1,630,833	
Sub-total for Program			<u>3,248,905</u>	
Hyde Park	20.507	29793-AI	1,147,529	
Total U.S. Department of Transportation			<u>9,707,974</u>	
ENVIRONMENTAL PROTECTION AGENCY				
Passed through Texas Water Development Board:				
Clean Water State Revolving Fund-tier 3	66.458	CWSRTier III 2007	2,768,910	
Drinking Water State Revolving Fund-tier 3	66.468	DWSRF - 2007	21,401,531	
ARRA- 2009 SRF Reclaim Water	66.468		5,345,040	
Drinking Water State Revolving Fund-tier 3	66.468	Project 61152	15,060,282	

CITY OF FORT WORTH, TEXAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARD
 YEAR ENDED SEPTEMBER 30, 2011

GRANT AGENCY/PROJECT TITLE	FEDERAL CFDA NUMBER	CONTRACT NUMBER	FY 2011 Expenditures	Pass Through Expenditures
Sub-total for Program			<u>41,806,853</u>	
Passed through Texas Commission for Environmental Quality (TCEQ):				
PM 10 (EPA) Sect 105	66.001	582-11-8642	22,919	
PM 10 (EPA) Sect 105 2009-2011	66.001	582-10-8641	47,941	
PM 10 (EPA) Sect 105 2011-2012	66.001	582-10-86411	4,589	
Sub-total for Program			<u>75,449</u>	
Hazard Substance and Petroleum Assessment Fund	66.818	BF-97676101-0	2,573	
Total Environmental Protection Agency			<u>44,653,785</u>	
INSTITUTE OF MUSEUM SERVICES				
Passed through Texas State Library and Archives Commission:				
2011 Interlibrary Loan	45.310	771-11038	227,320	
2012 Interlibrary Loan	45.310	771-12006	4,713	
Total Institute of Museum Services			<u>232,033</u>	
DEPARTMENT OF HOMELAND SECURITY				
Passed through Texas Engineering Extension Service				
2007 Federal Homeland Security Grant Program - SHSP	97.073	07-GA-27000-03	(3,019)	
2008 Federal Homeland Security Grant Program - SHSP	97.073	08-GA-27000-05	24,777	
Sub-total for Program			<u>21,758</u>	
Passed through Texas Governor's Division of Emergency Management				
2005 HSGP-UASI	97.008	06-SR-27000-01	434	
2007 HSGP-UASI	97.008	07-SR-27000-01	144,417	
HSGP-UASI	97.008	08-SR-27000-01	1,007,942	
2008 HSGP-UASI LEAF	97.008	08-SR-27000-01	167,147	
2009 UASI GENERATOR	97.008	09-SR-27000-03	2,766,192	
2009 HSGP-UASI LEAF	97.008	09-SR-27000-03	325,587	
2010 HSGP-UASI	97.008	10-SR-27000-01	379,328	
2010 HSGP-UASI LEAF	97.008	10-SR-27000-01	38,996	
Sub-total for Program			<u>4,830,043</u>	
2007 HSGP-MMRS	97.071	07 SR 27000-01	(190)	
2008 HSGP-MMRS	97.071	08-SR-27000-01	(12,009)	
2009 HSGP-MMRS	97.071	09-SR-27000-03	249,415	
Sub-total for Program			<u>237,216</u>	
Buffer Zone Protection Program	97.078	2010-BF-T0-0015	34,586	
Hurricane Gustav	97.036	EM-3290-TX	16,969	
Hurricane Ike	97.036	EM-3294-TX	2,981	
Sub-total for Program			<u>19,950</u>	
2010 Emergency Management	97.042	10TX-EMPG-0177	3,227	
2011 Emergency Management	97.042	11TX-EMPG-0177	149,073	
Sub-total for Program			<u>152,300</u>	
2010 Assistance to Firefighters	97.044	EMW-2009-FO-09998	312,800	
Pass through Texas Commission on Environmental Quality				
BioWatch Monitoring Activities	97.091	582-10-8640	358,294	
Total Department of Homeland Security			<u>5,966,947</u>	
U. S. DEPARTMENT OF ENERGY				
ARRA-Energy Efficiency Community Block Grant	81.128	DE-EE00000163	3,357,258	
Passed through North Texas Council of Governments				
ARRA- Converting Ten Vehicles to Propane	81.041	CSC 42050	10,500	
Passed through Texas Department of Housing and Community Affairs:				
Weatherization - Department of Energy (DOE)	81.042	56090000515	(218)	
ARRA DOE Weatherization	81.042	16090000664	5,577,990	
Systems Benefit Fund	81.042	TDHCA 301008	1,561	
ARRA DOE Weatherization	81.042	16090000705	3,197,541	
2011 DOE Weatherization	81.042	56100000953	136,704	
Sub-total for Program			<u>8,913,578</u>	
Total U. S. Department of Energy			<u>12,281,336</u>	
U. S. DEPARTMENT OF EDUCATION				
Passed through Texas Education Agency and Fort Worth ISD				

CITY OF FORT WORTH, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2011

GRANT AGENCY/PROJECT TITLE	FEDERAL CFDA NUMBER	CONTRACT NUMBER	FY 2011 Expenditures	Pass Through Expenditures
Fort Worth ISD 21st Century Learning Program	84.287	CSC 39597- R2	98,690	
EXECUTIVE OFFICE OF THE PRESIDENT				
Passed Through the Office of National Drug Control Policy and Navarro County, Texas North Texas High Intensity Drug Trafficking Area	95.001	CSC 41223	99,179	
INTERNAL REVENUE SERVICE				
Internal Revenue Service - Criminal Investigation	21.39463	CSC 39463	1,659	
2011 Internal Revenue Service- North Tx Asset Forfeiture	21.41505	CSC 41505	34,681	
Total IRS			<u>36,340</u>	
U.S. GENERAL SERVICES ADMINISTRATION				
Donation of Federal Surplus Personal Property	39.003	UNKNOWN	186	
Total Federal direct and pass-through Awards			<u>\$ 105,720,274</u>	<u>\$ 8,450,631</u>
TEXAS STATE ATTORNEY GENERAL'S OFFICE				
Other Victim Assistance Grant		1015783	50,111	
OFFICE OF THE GOVERNOR, CRIMINAL JUSTICE DIVISION				
2011 Gang Initiative		CO-11-A10-24280-01	143,508	
TEXAS DEPARTMENT OF MOTOR VEHICLES				
Passed through Tarrant County				
Tarrant Regional Auto Crimes		CSC 39326	(6,472)	
2011 Tarrant County Auto Crimes Task Force		CSC 40979	195,554	
Total Texas Department of Motor Vehicles			<u>189,082</u>	
TEXAS DEPARTMENT OF TRANSPORTATION				
AFW BNSF Relocation		CSJ 0918-46-250	614,671	
TXDOT - Traffic Signal System Expansion CMAQ5		CSJ 0902-48-587 & 0902-48-588	23,465	
Traffic Signal Controllers Rosedale Ave		CSC 0172-01-042	36,523	
Litsey Rd Widening 2-Lanes to 4-Lanes		CSC 41986	85,638	
Total Texas Department of Transportation			<u>760,297</u>	
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY				
Air Pollution Control Service-06-07		582-8-72691	55,271	
Ozone Monitoring Station		582-121-0034	5,046	
Sub-total for Program			<u>60,317</u>	
Passed through the NORTH CENTRAL TEXAS COUNCIL OF GOVERNMENTS				
Air Pollution Compliance Monitoring		582-10-9025	279,308	
Total Texas Commission on Environmental Quality			<u>339,625</u>	
TEXAS CONTROLLER OF PUBLIC ACCOUNTS				
2011 Tobacco Compliance Grant		40789	31,207	
Passed through the UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER				
Guinn School Renovation		CSC 32474	(38,411)	
Guinn School Renovation		CSC 37010	(104,478)	
Guinn School Renovation		CSC 39724	330,027	
Total Texas Comptroller of Public Accounts			<u>218,345</u>	
TEXAS STATE LIBRARY AND ARCHIVES COMMISSION				
2011 Loan Star Library		TSLAC # 442-11733	142,210	
Total State Awards			<u>\$ 1,843,178</u>	
Total Expenditures of State and Federal Awards			<u>\$ 107,563,452</u>	

See Notes to Schedule of Federal and State Awards



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CITY OF FORT WORTH
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2011

1. GENERAL

The accompanying Schedule of Expenditures of Federal and State Awards (the "Schedule") presents the activity of all applicable federal and state awards of the City of Fort Worth (the "City") for the year ended September 30, 2011.

For the purposes of the Schedule, federal and state awards include all grants, contracts and similar agreements entered into directly between the City and agencies and departments of the federal and State of Texas governments and all sub-awards to the City pursuant to federal and state grants, contracts and similar agreements. Major programs are identified by the independent auditor in accordance with the provisions of OMB Circular A-133 and the State of Texas Uniform Grant Management Standards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR FEDERAL AND STATE AWARDS

Expenditures for direct costs and employee benefits are recognized as incurred using the modified accrual basis of accounting (accrual basis for proprietary funds) to the extent grants are approved and applicable government cost principles specified by each grant, contract, and agreement. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State and Local Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The City does not recover indirect costs unless expressly allowed by each award.

Additionally, amounts reported as expenditures in the Schedule may not agree with the amounts in the related financial reports filed with the grantor agencies because of accruals that would not be included until the next report filed with the agency.

3. COMMITMENTS AND CONTINGENCIES

The City participates in several federal and state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. Therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required, and the collectability of any related receivable at September 30, 2011 may be impaired. Accruals have been recorded in the financial statements for grant contingencies that in the opinion of management are probable and can be reasonably estimated.

4. OUTSTANDING LOAN BALANCES

In 1980, the City of Fort Worth received a grant in the original amount of \$1,000,000 from the Federal Economic Development Administration for a Revolving Loan Fund under grant number 08-39-02250 (CFDA 11.307). These funds were combined with \$500,000 in Community Development Block Grant (CDBG) funds to initially capitalize the program. The City of Fort Worth contracted with the Fort Worth Economic Development Corporation (FWEDC), a nonprofit organization, to administer the program. The

CITY OF FORT WORTH
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2011

FWEDC is not a component unit of the City. Until fiscal year 2005, the principal and interest payments received from loans have been recycled back into the program by the FWEDC to produce additional loans. In fiscal year 2011 the City of Fort Worth received \$32,043 in program income related to this program.

The City of Fort Worth has an outstanding HUD Section 108 loan payable granted under the Housing and Community Development Act of 1974 for Loan Guarantee Assistance (CFDA 14.248) for the following projects and with the following outstanding loan balances as of September 30, 2011:

• Mercado Project, Commitment No. B-97-MC-48-0010	\$ 1,325,000
• Mercado Project-due within one year	<u>265,000</u>
• Mercado Project-Total	<u>\$ 1,590,000</u>
• Evans Avenue and Rosedale Street Business and Cultural District Project, Commitment No. B-99-MC-48-0010	\$ 4,709,000
• Evans Avenue and Rosedale Street –due within one year	<u>462,000</u>
• Evans Avenue and Rosedale Street-Total	<u>\$ 5,171,000</u>

The City of Fort Worth has an outstanding loan payable under the Clean Water State Revolving Fund from the Texas Water Development Board, as a pass through agency for the Environmental Protection Agency (CFDA 66.458). As of September 30, 2011 the outstanding loan balances were:

• TWDB Series 2005	\$ 5,405,000
• TWDB Series 2005-due within one year	<u>365,000</u>
• Series 2005-Total	<u>\$ 5,770,000</u>
• TWDB Series 2005A	\$ 8,530,000
• TWDB Series 2005-due within one year	<u>525,000</u>
• Series 2005A-Total	<u>\$ 9,055,000</u>
• TWDB Series 2007A	\$ 27,550,000
• TWDB Series 2007A-due within one year	<u>1,545,000</u>
• Series 2007A-Total	<u>\$ 29,095,000</u>

The City of Fort Worth has an outstanding loan payable under the Drinking Water State Revolving Loan Fund from the Texas Water Development Board, as a pass through agency for the Environmental Protection Agency (CFDA 66.468). As of September 30, 2011 the outstanding loan balance was:

• TWDB Series 2005B	\$ 47,185,000
• TWDB Series 2005 B-due within one year	<u>3,035,000</u>
• Series 2005 B-total	<u>\$ 50,220,000</u>
• TWDB Series 2009 ARRA	\$ 11,170,000
• TWDB Series 2009 ARRA-due within one year	<u>810,000</u>
• Series 2009 ARRA- total	<u>\$ 11,980,000</u>

CITY OF FORT WORTH
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2011

5. HURRICANE DISASTER RELIEF

The Hurricane Disaster Relief grants from the Department of Homeland Security do not have a signed grant agreement due to the emergency nature of the grant. Revenue will not be received or recognized until the grantor has received and approved the cost reimbursement requests.



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Independent Auditor's Findings



CITY OF FORT WORTH, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2011

Part I—Summary of Auditors’ Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified
not considered to be material weaknesses? Yes

Noncompliance material to financial
statements noted? No

Federal and State Awards

Internal control over major programs:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified
not considered to be material
weakness(es)? Yes

Type of auditors' report issued on
compliance for major programs: Unqualified except for:

- 97.008/97.071/97.073, Homeland Security Cluster, which is qualified for Equipment and Real Property Management
- 93.569/ 93.710 Community Services Block Grant, which is qualified for Reporting and Period of Availability
- 20.205 Highway Planning Construction Cluster, which is qualified for Davis-Bacon
- State Program BNSF Relocation, which is qualified for Reporting

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133 (section .510(a))? Yes

**CITY OF FORT WORTH, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 SEPTEMBER 30, 2011**

Identification of major programs:

Federal:

14.239	Home Investment Partnership Program
16.738/16.803/16.804	Justice Assistance Grant (JAG) (including ARRA)
20.205	Highway Construction Program
66.468	Drinking Water State Revolving Loan Funds (including ARRA)
81.042	DOE Weatherization (including ARRA)
81.128	ARRA Energy Efficiency Community Block Grant
93.569 / 93.710	Community Services Block Grant Cluster (including ARRA)
97.008/97.071/97.073	Homeland Security Cluster

State:

Guinn School Renovation
TXDOT – Traffic Signal System Expansion
Traffic Signal Controllers - Rosedale Ave. from IH-35W to US287
Air Pollution Compliance Monitoring
AFW BNSF Relocation

Dollar threshold used to distinguish between Type A and Type B programs:

Federal:	\$1,917,403
State:	\$300,000

Auditee qualified as low-risk auditee? No

CITY OF FORT WORTH, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2011

Part II—Findings Related to the Financial Statements

11-II.1 Material Weakness: Accounting for Capital Assets (updated from fiscal years 2004-2010)

Criteria – Proper accounting for capital assets requires the maintenance of an accurate, detailed listing of all expenditures that meet the City’s criteria for capitalization – those that are long-lived and meet the City’s capitalization threshold.

Condition – A significant amount of effort has been made by the City over the past several years to improve the practices used to account for and report the City’s investment in capital assets. For fiscal years 2008 through 2011, we did not note the level of errors that were noted in previous years related to capital assets. Audit adjustments for fiscal years 2008 through 2011 related to capital assets were generally isolated to specific areas of the accounting process. However, there are certain matters that remain unresolved; and when considered cumulatively, we believe these matters represent a potential risk of material error and therefore warrant continued attention by City management. These matters include:

- The need for the City to upgrade its current Excel-based approach to accounting for capital assets to a more controlled database environment, such as a module to the planned ERP system
- A lack of consistent application of the City’s formalized written policies for capital assets by all departments of the City
- A lack of proper communication between the Financial Management Services Department and other City departments regarding Construction-in-Progress (“CIP”), resulting in improper classification of certain completed projects within CIP and improper timing of reclassification of CIP to capital assets in use
- A lack of timely reporting of disposals of capital assets by City departments to the Financial Management Services Department
- An inadequate assessment for the existence of capital leases

Context – Capital assets represent the City’s single largest asset. As of September 30, 2011, the City has over \$4 billion in net book value of capital assets and has over 2,000 projects set up to track and manage CIP costs.

Cause – The City has multiple departments and contractors managing construction projects and capital assets without consistent, complete application of the proper procedures to account for transactions or purchases. Formal procedures are not in place to establish timely communication regarding capital asset transactions between the various departments and the Financial Management Services Department.

Effect – Inconsistent practices have developed throughout the City for accounting for CIP. Errors in accounting for capital assets could have a material effect on the City’s financial statements. We believe that the City’s current system of accounting for capital assets (both electronic and manual) is not sufficiently designed or implemented to prevent or detect potential material errors in capital assets without a significant effort made at year-end to review transactions for the existence of such errors. In the current year testing we noted the following errors that required adjustment:

- CIP projects were not transferred out to depreciable capital assets when the project was complete
- CIP projects were transferred out to depreciable capital assets before the project was complete
- Costs related to all phases of CIP projects with multiple phases were transferred out to depreciable capital assets as a whole when only the first phase was completed
- Prepaid amounts were incorrectly capitalized as CIP
- Repairs and maintenance costs were incorrectly capitalized as CIP
- Design costs were capitalized as CIP for projects that were never started
- Land was incorrectly recorded in CIP
- Capital assets related to projects managed by a state agency were not recorded

CITY OF FORT WORTH, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2011

- Donations of land were not recorded
- Capital leases were not properly recorded
- Capital assets were removed from the database for correction of description columns but were never added back
- Capital assets were transferred between funds but the transfer was not recorded properly in both funds
- Retainage payable was not recorded or was recorded for incorrect amounts
- Assets were purchased to replace old capital assets, but the remaining net book value of the old assets were not removed from the records

Recommendation – The following recommendations should be considered by City management.

- Implement a more sophisticated system of accounting for capital assets. Such a system should contain automated controls to ensure proper accounting and reconciliation of capital assets. However, consider the importance of fully integrating an electronic capital asset system with the City’s general ledger system and plan appropriate timing for the implementation of any new capital asset system relative to the City’s overall ERP implementation time-table.
- Implement and provide training on the City’s policy that defines when CIP projects are considered complete and should be transferred to completed assets. Communicate and implement the City policy that defines the date on which developer contributions should be added to capital assets. In addition, develop consistent application of City policies on accounting for capital assets in general and the related reconciliation processes. Ensure that such policies are implemented and enforced.
- On an overall basis, improve communication between the operating departments and the Financial Management Services Department related to capital assets.
- Implement a policy that requires the physical count of the fixed assets of each department on a rotation basis. Ensure that each asset is physically inspected at least biennially, in order to comply with the requirements established for Federally-funded assets. Require timely communication of all disposals or impairments of capital assets from the City departments to the Financial Management Services Department.
- Review the City’s policies and procedures related to capitalization of intangible assets, particularly those related to the capitalization of ERP system implementation costs.

Views of Responsible Officials – See Corrective Action Plan

11-II.2 Significant Deficiency: Grant Management (updated from fiscal year 2010)

Criteria – Each grant program should be reconciled at least annually to ensure that the activity is accurately recorded and that the ending payable to or receivable from the granting agency accurately reflects that City’s position. Grant agreements should be reviewed to ensure proper accounting treatment for specific items such as investment income earned on advances, receipts of program income, and expenditures from the City’s matching funds. In addition, there are a number of revenue recognition matters that must be considered in preparation of the annual financial statements.

Condition – Numerous errors were noted in the City’s accrual and deferral of grant revenues and the related receivables, which required adjustments in the accounting records and in the Schedule of Expenditures of Federal and State Awards (“SEFA”). Although not material to the City financial statements as a whole or to the SEFA, these errors required substantial effort to research and correct.

CITY OF FORT WORTH, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2011

Context – For the year ended September 30, 2011, the City managed more than 300 different Federal, State and local grant projects. The funding methods and provisions for these grant awards vary, requiring the Financial Management Services Department to evaluate proper accounting and reporting for each grant award.

Cause – Large numbers of grants accounted for in multiple funds complicates the year-end closing process and the accumulation of the data for the SEFA. Grant accounting personnel did not properly research the requirements and accounting considerations surrounding non-standard grants .

Effect – Inaccurate accounting for both the receipts and expenditures of grant-related transactions can lead to errors in the SEFA and errors in the related grant revenue recognition.

Recommendation – Develop standard policies and procedures for identifying and reporting grants in the general ledger. Continue to educate personnel in all departments on the requirements related to proper accounting and reporting for grants. This information should also include guidance on the nature of grants, both monetary and non-monetary. Use standard funds for accounting for such grants and perform periodic reviews of all departments to ensure that grant accounting standards and compliance requirements are met.

Views of Responsible Officials – See Corrective Action Plan

11-II.3 Significant Deficiency: Computer System Access Controls (updated from fiscal years 2006-2010)

Criteria – Access controls are key controls to the City’s financial systems to protect financial data from improper accounting and reporting. The City is currently reestablishing and documenting policies and procedures related to controls.

Condition and Cause – Although improvements continue to be made in this area during fiscal year 2011, the following deficiencies were still noted during the performance of our procedures over general computer controls related to the City’s financial system and the water billing system:

- On the Mainframe: 6 users (4 Police Department personnel, 1 former Help Desk person, and 1 Finance IT person) have inappropriate access to the Mainframe RACF toolkit, which allows these users access to create shell Mainframe accounts and perform password resets.
- On the Mainframe: 1 Help Desk Supervisor has access to migrate changes to production for the Mainframe environment.
- On the SQL database supporting CourtView: the Builtin Administrator group is assigned SYSADMIN access, which inappropriately grants privileged database access to members of the Platform Technology group.

Context - Management is ultimately responsible for ensuring that all systems are secure and that unauthorized users do not have access to sensitive data. As such, access should be reviewed periodically and security strengthened to minimize such risks.

Effect- Unauthorized access to an entity’s information systems can potentially compromise the integrity of the system or information maintained in the system.

Recommendation - Privileged access should be restricted to authorized administrators. Inappropriate user’s access including programmers should be removed.

Views of Responsible Officials – See Corrective Action Plan

**CITY OF FORT WORTH, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Part III – Findings and Questioned Costs Related to Federal and State Awards

11-III.1 Material Weakness in Internal Controls and Material Non-Compliance Finding: Homeland Security Cluster – Equipment and Real Property Management

Program – CFDA 97.008/97.071/97.073, Homeland Security Cluster, from the Department of Homeland Security, 2011- passed through Texas Governor’s Division of Emergency Management

Criteria – According to 2 CFR section 215.34, “equipment records shall be maintained accurately and shall include the following information: (i) a description of the equipment, (ii) manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number, (iii) source of the equipment, including the award number, (iv) whether title vests in the recipient or the Federal Government, (v) acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost, (vi) location and condition of the equipment and the date the information was reported,(vii) Unit acquisition cost, (viii) ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the Federal awarding agency for its share.”

Condition and Context – \$1.1 million of assets purchased by the City with Homeland Security funds were not properly identified and tracked as equipment in the City’s Fixed Asset listing

Questioned Costs – None

Cause – The City did not correctly classify multiple capital expenditures. As such, they were never identified as equipment and were not tracked within the City’s Fixed Asset listing.

Effect – Inadequate record keeping for grant-funded capital assets may result in improper handling of funds if such assets are disposed.

Recommendation – Strengthen controls and communication around the recording of all grant-funded capital assets. Appropriately maintain a listing of such assets with identifiers that they are grant funded throughout their fiscal lives.

Views of Responsible Officials – See Corrective Action Plan

11-III.2 Significant Deficiency in Internal Controls and Non-Compliance Finding: Weatherization – Reporting

Program – CFDA 81.042, Weatherization Program, from the Department of Energy, 2011 – passed through Texas Department of Housing and Community Affairs (“TDHCA”)

Criteria – A Performance Report, listing demographic information on all projects completed in the previous month, and an Expenditure Report, listing all expenditures of funds during the previous month, are required by the TDHCA contracts. Both reports must be submitted electronically to TDHCA no later than 5 days for ARRA projects and 15 days for non-ARRA projects after the end of each month.

Condition and Context – 4 ARRA reports (out of 54 ARRA and non-ARRA reports tested during the audit) were not submitted timely to TDHCA. This finding is repeated from the previous year.

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Questioned Costs – None

Cause – City staff cited system issues for the late filing of the August 2011 reports.

Effect – Untimely report filing prevents monitoring by the grantor of project status.

Recommendation – Implement new or renew emphasis of controls over submission of reports. File reports with TDHCA on a timely basis and in compliance with the contracts.

Views of Responsible Officials – See Corrective Action Plan

11-III.3 Material Weakness in Internal Controls and Material Non-Compliance Finding: CSBG Cluster – Reporting

Program – CFDA 93.569/93.710, Community Services Block Grant/ ARRA Cluster, from the Department of Health and Human Services, 2011 - passed through Texas Department of Housing and Community Affairs

Criteria – The Texas Department of Housing and Community Affairs (“TDHCA”) and U.S. Department of Health and Human Services contract requires monthly expenditure and performance reports to be submitted by the 15th day of the following month. These reports serve as reimbursement requests as well as program progress.

Condition – The grant manager has not filed reports to TDHCA on a timely basis. The reports must be filed in order to request reimbursement.

Questioned Costs – None

Context – 26 of the 26 non-ARRA expenditures and performance reports that were tested were submitted within a range of 1 and 6 months following the reporting period. This finding is repeated from the previous year.

Cause – Changes in personnel responsibilities and restructuring of the department caused delays in submitting the monthly reports. These issues appear to have occurred due to the additional requirements placed on the City’s control system. The existing control system in place did not have the necessary capacity to handle the new and increase activities of ARRA funding.

Effect – Without adequate reporting controls, the City is at risk of being unable to fulfill the reporting requirements of the CSBG grant. This also delays receipt of expenditure reimbursements. Failure to reconcile the reports to the City’s financial accounts could result in errors in amounts reported to the granting agency.

Recommendation – The City should provide the appropriate level of supervisory review of reporting activities to ensure that performance and expenditure reports are submitted in a timely manner and in accordance with contract terms in order to receive timely reimbursement for expenditures. Ensure that reports submitted to the grantor are supported by the expenditure reports as prepared by the grant accountant and the City’s financial accounting system.

Views of Responsible Officials – See Corrective Action Plan

CITY OF FORT WORTH, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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11-III.4 Material Weakness in Internal Controls and Material Non-Compliance Finding: CSBG Cluster – Period of Availability

Program – CFDA 93.569/93.710, Community Services Block Grant/ ARRA Cluster, from the Department of Health and Human Services, 2011 - passed through Texas Department of Housing and Community Affairs

Criteria – The TDHCA grant agreement states the period of availability to end on September 30, 2010 for CSBG ARRA funding, with no option of rollover to the following year. TDHCA extended the CSBG non-ARRA funding period to April 30, 2011, with no option of rollover to the following year.

Condition – During fiscal 2011, Tarrant County College (TCC) overbilled the City for courses offered to students which were charged to CSBG ARRA grant award expiring on September 30, 2010. The City received \$346,500 in reimbursement for the overbilled courses in October 2010 which then caused the funds to be unspent as of September 30, 2010. Throughout fiscal 2011 the matter remained unreported to the granting agency and the \$278,193 of the funds were spent in fiscal 2011. This spending of fiscal 2010 funds beyond April 2011 results in the funds being spent outside of the period of availability.

Context – 4 of the 25 current year expenditures tested for Allowable Costs were expended subsequent to the period of availability of the grant.

Questioned Costs – \$278,193

Cause – The City did not perform adequate review and reconciliation of the originating charges applied to the grant during the period of availability. Further, upon reimbursement, no action was taken to report the matter the granting agency regarding permission to re-spend the funds outside the original period of availability.

These issues appear to have occurred due to the additional requirements placed on the City's control system. The existing control system in place did not have the necessary capacity to handle the new and increase activities of ARRA funding.

Effect – Costs that were incurred outside of the period of availability were inappropriately charged to the grant.

Recommendation – Obtain proper support for all invoices before submitting payment and perform proper review and reconciliations of all grant expenditures. Discrepancies should be identified and reported to management and resolved before requests for reimbursement are submitted. Communicate directly with the granting agency to determine the appropriate treatment of the refunded amount from TCC.

Views of Responsible Officials – See Corrective Action Plan

11-III.5 Material Weakness in Internal Controls and Material Non-Compliance Finding: Highway Planning and Construction Cluster – Davis-Bacon

Program – CFDA 20.205, Highway Planning and Construction Cluster, from the Department of Transportation, 2011 - passed through Texas Department of Transportation

Criteria – The requirements of the Davis-Bacon Act are applicable to construction work on highway projects on Federal-aid highways (23 USC 113 and 40 USC 14701).

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Condition and Context – Compliance with Davis-Bacon requirements was not monitored for certain construction projects funded with federal grants through the Texas Department of Transportation (“TXDOT”). 3 out of 3 contracts tested were not properly monitored. This finding is repeated from the previous year.

Questioned Costs – None.

Cause – In prior years, program management staff members in the Planning Department were not aware that the Davis-Bacon compliance requirement applies to flow through grants from the Texas Department of Transportation. The City has endeavored to correct this but they have not yet implemented compliance on the 3 projects selected for testing. Certified payrolls were obtained, but did not indicate evidence that the wages were checked for compliance with the Davis-Bacon Act. For example, there were no dates or initials by the inspectors who receive the certified payrolls. As a result, it is not possible to determine whether the contractor and/or subcontractors paid their employees at minimum levels set by the Davis-Bacon Act.

Effect – Lack of proper monitoring could prevent the City from insuring that appropriate wages were paid on applicable construction contracts.

Recommendation – All program managers who oversee or coordinate construction projects for TXDOT pass-through grants should be trained on the Davis-Bacon compliance requirement, including how it is monitored and documented.

Views of Responsible Officials – See Corrective Action Plan

11-III.6 Significant Deficiency in Internal Controls: ARRA EECBG and Highway Planning and Construction Cluster – Procurement and Suspension and Debarment

Program:

- CFDA 81.128, ARRA Energy Efficiency Community Block Grant program, from the Department of Energy, 2011
- CFDA 20.205, Highway Planning and Construction Cluster, from the Department of Transportation, 2011 - passed through Texas Department of Transportation

Criteria – States, and governmental subrecipients of States, shall use the same State policies and procedures used for procurements from non-Federal funds. They shall also ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations. Local governments and Indian tribal governments which are not subrecipients of States will use their own procurement policies provided that they conform to applicable Federal law and regulations and standards identified in the A-102 Common Rule.

Condition and Context – 1 of the 2 EECBG grant procurement documents and 1 of the 3 Highway grant procurement documents selected for testing lacked the required evidence that the awarded vendor was not on the Federal Excluded Party List System (EPLS).

Questioned Costs – None

Cause – Requirements related to procurement and suspension and debarment are difficult to monitor across all departments. Due to the large volume and complex nature of contract awards within the Transportation and Public

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Works (TPW) departments, the Purchasing department is not involved in the contract documentation. As a result, the departmental personnel may not be aware of the EPLS requirement common to government procurement.

Effect – Control weaknesses around the procurement process increase the likelihood of noncompliance. Failure to comply with procurement requirements relating to suspension and debarment when using grant funds may result in disallowance of costs submitted for reimbursement.

Recommendation – Review the regulations to ensure that procurement practices are in compliance with the applicable regulations. Increase training on procurement regulations and procedures for all individuals involved in the procurement process. Particular focus should be on training departmental personnel involved with contract documentation in the departments which award many contracts in the course of the year.

Views of Responsible Officials – See Corrective Action Plan

11-III.7 Material Weakness in Internal Controls and Material Non-Compliance Finding: BNSF Relocation – Reporting

Program: State grant, BNSF Relocation grant, 2009

Criteria – Article 22 of the Advance Funding Agreement with the Texas Department of Transportation for the BNSF Railway Track project, signed in August 2009, provided for a monthly reporting requirement, including interest income earned and project expenditures incurred on funds advanced to the City.

Condition – Monthly reports were not submitted to the North Central Texas Council of Governments (NCTCOG), the agency listed as the report recipient, until June 2011.

Context – 8 of 12 monthly reports were not submitted to NCTCOG.

Questioned Costs – None

Cause – City staff explained they were not aware of the reporting requirement until attending a meeting with NCTCOG representatives, where the on-line reporting system was introduced. According to City staff, the meeting occurred in June 2011.

Effect – Lack of compliance with the reporting requirement restricts necessary data grantors need to provide the managerial oversight of grant funds provided to the City.

Recommendation – Submit monthly reports as required by the grant agreement.

Views of Responsible Officials – See Corrective Action Plan

Corrective Action Plan



Findings Related to the Financial Statements

11.II.1 Material Weakness: Accounting for Capital Assets (updated from fiscal years 2004-2010)

Concur. To better improve communications with departments, Financial Management Services Department's (FMS) Accounting Division will meet with all fixed asset and grant coordinators within the City before the end of the third quarter of each fiscal year to review the City's policies and procedures related to capital assets. Emphasis will be placed on when CIP projects are considered complete and should be transferred to completed assets as well as when developer contributions should be added to capital assets.

On a quarterly basis, FMS's Accounting Division will send to each City department a listing of all assets (i.e. improvements, buildings, infrastructure, etc.) pertaining to their group. Each department will be required to compare its assets with the listing from FMS and work with the Accounting Division to resolve any differences.

Improved communications between the City departments and FMS and quarterly reconciliations of the City's assets should result in improved identification, accounting and reporting of the City's capital assets. This includes:

- 1) Properly classifying and accounting for costs related to capital assets;
- 2) Properly capturing and accounting for contributed assets;
- 3) Reconciling detailed capital asset records to the general ledger;
- 4) Assessing if all assets are accounted for (i.e. counting assets on a rotation basis);
- 5) Evaluating the useful life and salvage values for classes or types of capital assets;
- 6) Identifying potential impairments;
- 7) Complying with grant requirements for federally funded assets; and
- 8) Ensuring proper internal controls for City capital assets.

The abovementioned will be facilitated with the selection and implementation of an Enterprise Resource Planning (ERP) financial system. This system will provide the means to better administer and enforce policies and procedures for overall accounting operations, inclusive of capital assets. Planning, requirements gathering and system selection is in the initial stage, with system implementation scheduled after Fiscal Year 2013.

Contact Person: Jennifer Fung, Assistant Finance Director, 817-392-2618

11.II.2 Significant Deficiency: Grant Management

Concur. The following steps are continually being implemented to improve and strengthen controls over grant management:

- Financial Management Services Department ("FMS") will continue to provide training opportunities to both grant management and grant accountants to improve skills and understanding of grant reporting and accounting requirements;
- As grant awards vary and therefore, the accounting requirements vary, FMS will continue to review and evaluate current grant accounting procedures and processes so that grants are accounted for based upon the specific requirements of each grant award.

Contact Person: Jennifer Fung, Assistant Finance Director, 817-392-2618

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11.II.3 Significant Deficiency: Computer System Access Controls (updated from fiscal years 2006-2010)

Concur. The identified deficiencies will be remediated by May 1, 2012 Per Administrative Regulation D-5, dated February 8, 2010, Information Technology Security requires both restricted access to privileged accounts and periodic reviews of user access privileges.

Contact Person: Steven Streiffert, Assistant ITS Director Operations, 817-392-2221

Findings and Questioned Costs Related to Federal and State Awards

11-III.1 Material Weakness in Internal Controls and Material Non-Compliance Finding: Homeland Security Cluster – Equipment and Real Property Management

Concur. Financial Management Services Department’s (FMS) Accounting Division will meet with all grant coordinators within the City before the end of the third quarter of each fiscal year to review the City’s policies and procedures related to capital assets. Emphasis will be placed on the definition of a capital asset, proper classification of expenditures and the information required to properly track grant-funded capital assets.

On a quarterly basis, FMS’s Accounting Division will send to each City department a listing of all assets (i.e. improvements, buildings, infrastructure, etc.) pertaining to their group. Each department will be required to compare its assets with the listing from FMS and work with the Accounting Division to resolve any differences. Grant-funded capital assets will be identified as such and will include the following information:

1. a description of the equipment,
2. manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number,
3. source of the equipment, including the award number,
4. whether title vests in the recipient or the Federal Government,
5. acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost,
6. location and condition of the equipment and the date the information was reported,
7. Unit acquisition cost, and
8. ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the Federal awarding agency for its share.

Contact Person: Judy Walton, Accounting Services Supervisor, 817-392-8191

11-III.2 Significant Deficiency in Internal Controls and Non-Compliance Finding: Weatherization – Reporting

Concur. Housing and Economic Development (HED) staff will renew emphasis of controls over timely submission of reports, to include filing reports with the Texas Department of Housing and Community Affairs (TDHCA) on a timely basis and in compliance with the contracts. HED staff has worked proactively to ensure that monthly reporting requirements are completed in a timely manner. Staff received a waiver from TDHCA, prior to the reporting deadline. Staff was unable to submit these reports and meet the monthly reporting deadline because of extenuating circumstance, which include, inclement weather conditions in February, 2011.

The August 5, 2011, report was submitted late due to circumstances which involved a glitch in the TDHCA reporting system and were out of city staff’s control. The “health and safety” reporting line in the report was locked-up preventing the city from submitting the report. The issue was immediately reported to TDHCA. TDHCA corrected the issue several days later. Unfortunatley, the communication regarding this issue was conducted via telephone. The City assures that future communication regarding late reporting will be documented in writing.

Contact Person: Jay Chapa, Director of Housing & Economic Devleopment, 817-392-5804

**CITY OF FORT WORTH, TEXAS
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11-III.3 Material Weakness in Internal Controls and Material Non-Compliance Finding: CSBG Cluster – Reporting

Concur: The City has initiated a process of reviewing performance and financial reports to ensure timely submission in accordance with contract terms. The Fiscal Coordinator ensures performance reports are entered by the programming staff by the 14th of each month. The financial report is entered on or before the 15th of each month according to contract requirements. If the 15th falls on a holiday or weekend, the reports are entered by the previous Friday or the day before the holiday.

Currently the CFW end of the month closing dates vary from the 6th – 14th. The Grant Accountant (s) provides reports to the Fiscal Coordinator by the 15th of the month. The report must be entered on the 15th of the month. This does not allow adequate time for budget adjustments which may need to be made so that the expenditure report can be properly entered into the grantor's online reporting system. Although the department has instituted procedures for timely and thorough review, the department is dependent on the receipt of the month close information from Finance Accounting. The timing is further compressed and exacerbated by the grantor's online reporting system restrictions which does not allow for negative numbers to be entered nor does it allow going over the grantor system's approved budget amounts. Therefore, if the general ledger is not adjusted, the numbers entered into the grantor's system must be adjusted.

The fiscal coordinator will work with the financial division to develop a set date for end of the month and run reports the same date, so that reports will be submitted on time.

Contact person: Richard Zavala, Director of Parks and Community Services, 817-392-5704

11-III.4 Material Weakness in Internal Controls and Material Non-Compliance Finding: CSBG Cluster – Period of Availability

Concur. The City has revamped its procedures for reviewing invoices for proper support before submitting payment. The invoices are processed by the Senior Account Technician and reviewed by the Sr. Administrative Assistant for accuracy and proper supporting documentation. They then go to the Assistant Director for review and approval to pay. Reconciliations of all expenses will be conducted each month after Finance closes. Any issues will be researched and resolved, prior to approval for payment.

During the latter part of August, program staff was contacted by Tarrant County College about an issue with overbilling. On September 2, 2010, the program staff met with Tarrant County College to review the matter. They were notified that a check would be issued for the overpayment.

On July 30, 2010 the city received communications from the grantor, it was clear that their expectation was for grantees to fully expend all funds. On August 2, 2010 staff submitted a plan to the grantor projecting to fully exhaust funding. The grantor acknowledged receipt of the plan. Staff worked diligently with partner agencies and clients to identify additional CSBG eligible services that could be provided before September 30. On September 28, 2010 we received an approved budget amendment from the grantor. Staff was able to obligate the majority of the funding by September 30 and payments were made within 60days of the end of the grant, as allowed in the contract. However, approximately \$90,000 +/- was left over and staff identified other CSBG eligible costs to use this funding on.

In the last single audit, the city's external auditors required that a formal discussion be held with the grantor regarding the overpayment from Tarrant County College and how it was re-invested into the program.

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On October 21, 2011, a full explanation was provided to the grantor. They assigned staff to review the general ledger. A final report from the grantor has not been issued.

In hindsight, more timely communication should have taken place regarding the use of returned funds. In the future, any refunds by vendors will be reported to the granting agency for appropriate treatment.

Contact person: Richard Zavala, Director of Parks and Community Services, 817-392-5704

11-III.5 Material Weakness in Internal Controls and Material Non-Compliance Finding: Highway Planning and Construction Cluster – Davis-Bacon

Concur. The City takes seriously its responsibility to comply with all applicable laws and regulations and as such project management staff for all city departments will be informed of the compliance requirements of the Davis-Bacon Act. The City will also provide Davis-Bacon reporting requirements for fiscal and project management staff. Training will be developed and delivered by the Contract Compliance section of Financial Management Services Department. It will be provided annually and will include instruction on how compliance is monitored and documented. Initial training will be completed by June 1, 2012. Davis-Bacon reporting requirement is also covered in the Local Government Project Procedures (LGPP) Qualification training sponsored by the Texas Department of Transportation (TxDOT). The City has recently sent several of its staff members to the LGPP training and, as a result, has certified “responsible parties” to oversee flow through type grant projects.

Contact Person: Doug W. Wiersig, Director Transportation and Public Works, 817-392-7801

11-III.6 Significant Deficiency in Internal Controls: ARRA EECBG and Highway Planning and Construction Cluster – Procurement and Suspension and Debarment

Concur. The Financial Systems Administration Division of Financial Management Services has completed writing guidelines and specific instructions for verification of eligibility of potential vendors against the Excluded Parties List System (EPLS). These instructions require users to document that the website was searched and the vendor was not listed and will be communicated to all BSO Super Users who have access to issue purchase orders. The requirement to search for suspension and debarment will be added to all purchasing training materials and both the online and classroom training.

Contact Person: Jack Dale, Purchasing Manager 817-392-8357

11-III.7 Material Weakness in Internal Controls and Material Non-Compliance Finding: BNSF Relocation – Reporting

Concur. Based on communication received September 10, 2009 it was originally understood that the firm hired to provide project management oversight for the BNSF relocation project would complete the monthly status report. In the future the Aviation Department will take the necessary steps to identify the City staff responsible for monitoring grant requirements and to follow up to ensure compliance including adhering to reporting requirements and documenting compliance.

Contact Person: Aya Ealy, Management Analyst II, 817-392-5406



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Status of Prior Year Findings



**CITY OF FORT WORTH
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
SEPTEMBER 30, 2011**

Part II - Prior Year Findings Related to the Financial Statements

10.II.1 Material Weakness: Accounting for Capital Assets

Condition – A significant amount of effort has been made by the City over the past several years to improve the practices used to account for and report the City’s investment in capital assets. For fiscal years 2008 through 2010, we did not note the level of errors that were noted in previous years related to capital assets. Audit adjustments for fiscal years 2008 through 2010 related to capital assets were not material and were generally isolated to specific areas of the accounting process. However, there are certain matters that remain unresolved; and when considered cumulatively, we believe these matters represent a potential risk of material error in future years and therefore warrant continued attention by City management. These matters include:

- The need for the City to upgrade its current Excel-based approach to accounting for capital assets to a more controlled database environment, such as a module to the planned ERP system
- A lack of consistent application of the City’s now formalized written policies for capital assets by all departments of the City
- A lack of proper communication between the Financial Management Services Department and other City departments regarding Construction-in-Progress (“CIP”), resulting in improper classification of certain projects within CIP
- A lack of timely reporting of disposals of capital assets by City departments to the Financial Management Services Department
- An inappropriate capitalization process for the internally generated intangible assets related to the ERP system implementation costs.
- The need for reassessment of the continuing appropriateness of the practice of recording salvage value for Water System assets

Cause – The City has multiple departments and contractors managing construction projects and capital assets without consistent, complete application of the proper procedures to account for transactions or purchases. Formal procedures are not in place to establish timely communication regarding capital asset transactions between the various departments and the Financial Management Services Department.

Recommendation – The following recommendations should be considered by City management.

- Implement a more sophisticated system of accounting for capital assets. Such a system should contain automated controls to ensure proper accounting and reconciliation of capital assets. However, consider the importance of fully integrating an electronic capital asset system with the City’s general ledger system and plan appropriate timing for the implementation of any new capital asset system relative to the City’s overall ERP implementation time-table.
- Implement and provide training on the newly designed City policy that defines when CIP projects are considered complete and should be transferred to completed assets. Communicate and implement the City policy that defines the date on which developer contributions should be added to capital assets. In addition, develop consistent application of city policies on accounting for capital assets in general and the related reconciliation processes. Ensure that such policies are implemented and enforced.
- On an overall basis, improve communication between the operating departments and the Financial Management Services Department related to capital assets.
- Implement a policy to count the assets of each department on a rotation basis. Ensure that each asset is counted at least biennially, in order to comply with the requirements established for Federally-funded

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STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
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assets. Require timely communication of all disposals or impairments of capital assets from the City departments to the Financial Management Services Department.

- Review the City's policies and procedures related to capitalization of intangible assets, particularly those related to the capitalization of ERP system implementation costs.
- Reassess the City's policy of recording salvage value on water system assets. Consider the use and history of such assets and realistically assess the likelihood and appropriateness of salvage value in those assets.

Current Status of Corrective Action Plan:

Repeated. The implementation of the Corrective Action Plan is on track, see Current Year Finding (11.II.1)

10.II.2 Significant Deficiency: Grant Management

Condition – Numerous errors were noted in the City's accrual and deferral of grant revenues and the related receivables, which required adjustments in the accounting records and in the SEFA. Although not material to the City financial statements as a whole or to the SEFA, these errors required substantial effort to research and correct.

Cause – Large numbers of grants accounted for in multiple funds create a difficult process in preparation of the year-end closing entries and in the accumulation of the data for the SEFA. Nonstandard grants require research that was not properly or timely performed by grant accounting personnel.

Effect – Inaccurate accounting for both the receipts and expenditures of grant-related transactions can lead to an improperly prepared SEFA or errors in revenue recognition when related expenditures are not properly reported.

Recommendation – Develop standard policies and procedures for identifying and reporting grants in the general ledger. Continue to educate personnel in all departments on the requirements related to proper accounting and reporting for grants. This information should also include guidance on the nature of grants, both monetary and non-monetary. Use standard funds for accounting for such grants and perform periodic reviews of all departments to ensure that grant accounting standards and compliance requirements are met.

Current Status of Corrective Action Plan:

Repeated. The implementation of the Corrective Action Plan is on track, see Current Year Finding (11.II.2)

10.II.3 Significant Deficiency: Computer System Access Controls

Condition and Cause – Although improvements were made in this area during fiscal year 2010, the following deficiencies were still noted during the review of general computer controls over the City's financial system and the water billing system:

- A shared administrator account (QSECOFR) exists on AS400 (SunGard) with privileged access through the ALLOBJ authority granted to this account. The password for this account is stored in a folder to which non-IT administrators (1 administrative assistant and 10 IT programmers in the water department) have access.

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- On the Mainframe, there are 21 accounts (including legacy accounts) that cannot be traced to individuals who have administrative access to the MARS application.
- On the Mainframe hosting MARS and Genesys applications, a code compliance employee and a security group member formerly in the operations group have inappropriate access to production datasets.
- On the Court View application 27 users have inappropriate administrative access through the roles granted to them. However we also noted that the roles were cleaned up after year end as part of the SQL upgrade and the users no longer have this access.

Recommendation - The following should be considered:

- Privileged access should be restricted to authorized administrators. Inappropriate users' access, including that for programmers, should be removed.
- User access privileges of all user accounts at the application, database, operating system, networks and key security configuration should be reviewed on a regular basis to ensure it is appropriate at all times.

Current Status of Corrective Action Plan:

Repeated. The implementation of the Corrective Action Plan is on track, see Current Year Finding (11.II.3)

**CITY OF FORT WORTH
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
SEPTEMBER 30, 2011**

Part III – Prior Year Findings and Questioned Costs Related to Federal and State Awards

10-III.1 Material Weakness in Internal Controls and Material Non-Compliance Finding: STEP Program – Allowable Costs

Program – CFDA 20.600, STEP Program, from the Department of Transportation, 2008-2010 (This program was not selected as a major program, but rather the finding was detected by City management and is being reported here in accordance with the requirements of *Government Auditing Standards*.)

Condition – During fiscal 2010 suspicious activity was noted by police supervisors and allegations were made against certain police officers regarding falsified time records. These officers were funded through the STEP program.

Cause – Police officers often work without direct supervisory review and certain officers determined that they would work fewer hours than was actually reported. This malfeasance was detected by police supervisors and immediately investigated.

Recommendation – Establish training or additional supervisory reviews to prevent police officers from inappropriately recording hours not worked.

Current Status of Corrective Action Plan:

Corrected

10-III.2 Material Weakness in Internal Controls and Material Non-Compliance Finding: Guinn School Renovation – Cash Management and Earmarking

Program – State Program Guinn School Renovation – from the University of North Texas Health Science Center, 2006/2008

Condition – Management did not document the review of periodic budget to actual expenditure comparisons throughout the year. Further, the City did not properly incur the entire amount awarded within the State fiscal year or extension period for either of the two grants received for the Guinn School Renovation project. Because of this, the City also failed to meet the earmarking requirements for the 2006 and 2008 grants.

Cause - Grant management was aware of the cash management requirements related to the advanced funds and the impact of unspent funding on the earmarking requirements, but was unable to obtain an extension from the University of North Texas Health Science Center.

Recommendation – If the extension is not granted, unspent amounts at the end of the appropriate period should be refunded to the granting agency. In addition, ensure grant managers retain evidence of control procedures and stay in compliance with the requirements related to cash management and earmarking.

Current Status of Corrective Action Plan:

Corrected

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10-III.3 Significant Deficiency in Internal Control and Non-Compliance Finding: Guinn School Renovation – Period of Availability

Program – State Program Guinn School Renovation from the University of North Texas Health Science Center, 2006/2008

Condition – Management did not document the review of periodic budget to actual comparisons throughout the year, which should be used to monitor the period of availability. Further, the City charged costs to the grant that were not obligated during the appropriate period of availability.

Cause - Grant management was aware of the requirements related to period of availability, but was unable to obtain an extension from the University of North Texas Health Science Center.

Recommendation – All costs charged to the grant should be reviewed by an individual knowledgeable of period of availability requirements to ensure that the costs are appropriate. Evidence of the review should be retained.

Current Status of Corrective Action Plan:

Corrected

10-III.4 Material Weakness in Internal Controls and Material Non-Compliance Finding: Highway Planning and Construction Cluster – Davis-Bacon

Program – CFDA 20.205 / 20.219 Highway Planning and Construction Cluster from the Department of Transportation, 2010

Condition and Context – Compliance with Davis-Bacon requirements was not monitored for certain construction projects funded with federal grants through the Texas Department of Transportation (“TXDOT”). 2 out of 2 contracts tested were not properly monitored. This finding is repeated from the previous year.

Cause - In prior years, program management staff members in the Planning Department were not aware that the Davis-Bacon compliance requirement applies to flow through grants from the Texas Department of Transportation. The City has endeavored to correct this but they have not yet implemented compliance on the two projects selected from one subcontractor selected for testing.

Recommendation – All program managers who oversee or coordinate construction projects for TXDOT pass-through grants should be trained on the Davis-Bacon compliance requirement, including how it is monitored and documented.

Current Status of Corrective Action Plan:

Repeated. The implementation of the Corrective Action Plan is on track, see Current Year Finding (11.III.5)

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10-III.5 Material Weakness in Internal Controls: CSBG Cluster – Allowable Costs

Program – CFDA 93.569/93.710, Community Services Block Grant Cluster, from the Department of Health and Human Services, 2010

Condition and Context – Certain payments were approved for applicant tuition payments to Tarrant County Community College (“TCC”) without obtaining proper support from TCC and checking for allowability of the costs. TCC later reported to the City that certain billings had been inadvertently duplicated. The City has received a refund for these amounts from TCC, but has not yet returned that money to the granting agency. The City had not performed an adequate review of invoices and was unaware of the duplications until notified by TCC. After audit inquiries were made, the City reviewed these invoices and allowability was established for all items selected.

Cause - TCC submitted invoices to the City lacking sufficient details for City employees to identify these errors. The Grant Manager and the Assistant Department Head approved invoices without proper support in an effort to speed up the process and to expend grant funds before the grant end date. The City did not perform adequate review and reconciliation of these charges applied to the grant. These issues appear to have occurred due to the additional requirements placed on the City’s control system. The existing control system in place did not have the necessary capacity to handle the new and increase activities of ARRA funding.

Recommendation – Obtain proper support for all invoices before submitting payment and perform proper review and reconciliations of all grant expenditures. Discrepancies should be identified and reported to management and resolved before requests for reimbursement are submitted. Communicate directly with the granting agency to determine the appropriate treatment of the refunded amount from TCC.

Current Status of Corrective Action Plan:

Repeated. The implementation of the Corrective Action Plan is on track, see Current Year Finding (11.III.3)

10-III.6 Material Weakness in Internal Controls and Material Non-Compliance Finding: CSBG Cluster – Reporting

Program – CFDA 93.569/93.710, Community Services Block Grant/ ARRA Cluster, from the Department of Health and Human Services, 2010

Condition – The grant manager has not timely filed reports to TDHCA. The reports must be filed in order to request reimbursement. In addition, there was no evidence that amounts reported to TDHCA could be reconciled to the City’s financial accounting and client tracking systems..

Cause – Changes in personnel responsibilities and restructuring of the department caused delays in submitting the monthly reports. These issues appear to have occurred due to the additional requirements placed on the City’s control system. The existing control system in place did not have the necessary capacity to handle the new and increase activities of ARRA funding.

Recommendation – The City should provide the appropriate level of supervisory review of reporting activities to ensure that performance and expenditure reports are submitted in a timely manner and in accordance with contract terms in order to receive timely reimbursement for expenditures. Ensure that reports submitted to the grantor are

**CITY OF FORT WORTH
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supported by the expenditure reports as prepared by the grant accountant and the City's financial accounting system.

Current Status of Corrective Action Plan:

Corrected

10-III.7 Significant Deficiency in Internal Controls and Non-Compliance Finding: CDBG – Procurement

Program – CFDA 14.218/ 14.253 Community Development Block Grant/ ARRA Cluster from the Department of Housing and Urban Development, 2010

Condition – Although the Community Development Block Grant requires contractor insurance to be in place, we noted a certain contract that lacked the required evidence of contractor insurance.

Cause - Requirements related to procurement are complicated and can be difficult to monitor without adequate oversight. The selected contract not in compliance was the 2nd annual renewal of a 2008 Professional Services contract. No certificate of insurance was presented or retained, for any of the 3 contract periods.

Recommendation – Ensure that procurement practices are in compliance with the applicable regulations. Increase training on procurement regulations and procedures for all individuals involved in the procurement process.

Current Status of Corrective Action Plan:

Corrected

10-III.8 Significant Deficiency in Internal Controls and Non-Compliance Finding: CDBG – Allowable Costs

Program – CFDA 14.218/ 14.253 Community Development Block Grant/ ARRA Cluster from the Department of Housing and Urban Development, 2010

Condition and Context – Housing & Economic Development department staff could not locate the final inspection report, known as Compliance Inspection Report Form OMB 2502-0189, for one of the three files tested for eligibility involving rehabilitation expenses. The file did contain evidence of construction work performed. The rehabilitation costs on this property were \$26,665.

Cause - At the time of our testing, the Senior Loan Officer in the Housing & Economic Development department assigned to this property was no longer an employee of the City and his co-workers were not able to locate the final inspection form.

Recommendation – The City should consider requiring that the final inspection form should be in the project file before releasing payment to the contractor.

Current Status of Corrective Action Plan:

Corrected

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10-III.9 Significant Deficiency in Internal Controls and Non-Compliance Finding: Weatherization – Reporting

Program – CFDA 81.042, Weatherization Program, from the Department of Energy, 2010

Condition and Context – Two of six non-ARRA, and four of eight ARRA reports tested during the audit were not submitted timely to TDHCA.

Cause - City staff cited electronic contract system and human errors in their response to TDHCA for the monitoring review report dated July 22, 2010.

Recommendation – Implement new or renew emphasis of controls over submission of reports. File reports with TDHCA on a timely basis and in compliance with the contracts.

Current Status of Corrective Action Plan:

Repeated. The implementation of the Corrective Action Plan is on track, see Current Year Finding (11.III.2)

LIST OF ABBREVIATIONS

ATCT	-	Air Traffic Control Tower
CAPER	-	Consolidated Annual Performance and Evaluation Report
CDBG	-	Community Development Block Grant
CEAP	-	Comprehensive Energy Assistance Program
CFDA	-	Catalog of Federal Domestic Assistance
CFW or COFW	-	City of Fort Worth
CHDO	-	Community Housing Development Organizations
CIP	-	Construction-in Progress
CO4PR26	-	IDIS Report: CDBG Financial Summary
COPS	-	Community Oriented Policing Services
DART	-	Domestic Abuse Response Team
DEA	-	Drug Enforcement Administration
DNA	-	Deoxyribonucleic Acid
DOE	-	Department of Education
ECC	-	Environmental Collection Center
EDA	-	Economic Development Administration
EDART	-	Enhanced Domestic Abuse Response Team
EDI	-	Economic Development Initiative
EMPACT	-	Environmental Monitoring for Public Access and Community Tracking
EPA	-	Environmental Protection Agency
ERP	-	Enterprise Resource Planning
FAA	-	Federal Aviation Administration
FMS	-	Financial Management Services
FATS	-	Fixed Assets Tracking System
FHIP	-	Fair Housing Initiative Program
FWEDC	-	Fort Worth Economic Development Corporation
FY	-	Fiscal Year - Normally refers to the year in which a grant was awarded
GASB	-	Governmental Accounting Standards Board
HHW	-	Hazard Household Waste
HOME	-	Home Investment Partnership Program
HOPWA	-	Housing Opportunities for Persons With AIDS
HUD	-	Housing and Urban Development
IDIS	-	Integrated Disbursement and Information System
ITC	-	Intersection Traffic Control
LIHEAP	-	Low Income Housing Energy Assistance Program

LIST OF ABBREVIATIONS

MARS	-	Management and Accounting Reporting System
OJJDP	-	Office of Juvenile Justice and Delinquency Prevention
OMB	-	Office of Management and Budget
POFZ	-	Precision Obstacle Free Zone
PY	-	Program Year (usually June 1 - May 31)
RAMP	-	Routine Airport Maintenance Program
RAS	-	Risk Advisory Services
RLF	-	Revolving Loan Fund
SCRAM	-	Sex Crime Apprehension and Monitoring
SF272	-	Standard Form 272
SMGCS	-	Surface Movement Guidance and Control System
SSBG		Social Services Block Grant
STEP	-	Selective Traffic Enforcement Program
TDHCA	-	Texas Department of Housing and Community Affairs
TPW	-	Transportation and Public Works
UGMS	-	Uniform Grant Management Standards
UPARR	-	Urban Park and Recreation Recovery
WAVE	-	The term "Wave" is derived from the focus on media and enforcement in "waves" during specific holiday periods.

Fort Worth



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**SINGLE AUDIT REPORT
CITY of FORT WORTH
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