



SINGLE AUDIT REPORT

For the Fiscal Year Ended
September 30, 2016

CITY OF FORT WORTH, TEXAS



7th Street Bridge, November 2013

Single Audit Report

For the Fiscal Year Ended

September 30, 2016

CITY OF FORT WORTH, TEXAS

Elected Officials

2016 City Council

Betsy Price, Mayor

Salvador Espino
W.B. "Zim" Zimmerman
Cary Moon
Gyna Bivens

Jungus Jordan
Dennis Shingleton
Kelly Allen Gray
Ann Zadeh

City Manager

David Cooke

Chief Financial Officer

Aaron J. Bovos

Independent Auditors

Weaver and Tidwell, L.L.P.

Prepared by the Department of Finance



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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 the 2 CFR 200 (Uniform Guidance), and the State of Texas Uniform Grant Management Standards (UGMS).

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, 2 CFR 200, and UGMS are accounted for or reported in the Basic Financial Statements in a number of funds including the Grant Special Revenue Fund, the General Fund, or other Proprietary Funds.

REPORTS

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

1. Independent auditor's 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*
2. Independent auditor's report on compliance for each major federal and state program; report on internal control over compliance; and report on schedule of expenditures of federal and state awards required by 2 CFR 200, and the State of Texas *Uniform Grant Management Standards*
3. Schedule of Findings and Questioned Costs
4. Corrective Action Plan – "unaudited"
5. Status of Prior Year Findings



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March 27, 2017

The Honorable Mayor, City Council, Citizens, and Stakeholders
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, 2016 is submitted herewith.

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

INDEPENDENT AUDIT

The Single Audit Act Amendments of 1996, 2 CFR 200, 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. Independent auditor's 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*.
2. Independent auditor's report on compliance for each major federal and state program; report on internal control over compliance; and report on schedule of expenditures of federal and state awards required by 2 CFR 200 and the State of Texas *Uniform Grants Management Standards*.

ACKNOWLEDGEMENTS

The preparation of this report could not have been accomplished without the full support and involvement of the City Manager's Office and all City departments who provided information and analyses contained within this document. A very special thanks is due to the staff of the Department of Finance for their dedicated service to the City and to the citizens of Fort Worth. In addition, we acknowledge the thorough, professional, and timely manner in which our independent auditors, Weaver and Tidwell, L.L.P. , conducted the audit. Finally, we express appreciation to the Mayor and City Council for their unfailing support for maintaining the highest standard and professionalism in the management of the City's finances.

Sincerely,

A handwritten signature in black ink that reads "David Cooke". The signature is written in a cursive, flowing style.

David Cooke
City Manager

A handwritten signature in blue ink that reads "Aaron J. Bovos". The signature is written in a cursive, flowing style.

Aaron J. Bovos
Chief Financial Officer

OVERVIEW OF THE CITY'S FISCAL YEAR 2016 ANNUAL AUDIT

This report has been prepared in connection with the fiscal year 2016 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 2016 annual audit included the requirements of the Single Audit Act Amendments of 1996, the 2 CFR 200, 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 AUDITOR'S 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, in accordance with the 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, the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Fort Worth, Texas (the City) as of and for the year ended September 30, 2016 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 27, 2017. Our report includes a reference to other auditors who audited the financial statements of Terrell Homes, Ltd. and the financial statements of the Employees' Retirement Fund of the City of Fort Worth, as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of other auditors, is based solely on the reports of the other auditors. The financial statements of the Employees' Retirement Fund of the City of Fort Worth were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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.

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

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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 City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency 2016-001, described in the accompanying schedule of findings and question costs, 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 2016-002 and 2016-003 described in the accompanying schedule of findings and question costs, to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 disclosed under *Government Auditing Standards*.

City of Fort Worth's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, TX
March 27, 2017



REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS

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

Report on Compliance for Each Major Federal and State Program

We have audited the City of Fort Worth, Texas' (the City) compliance with the types of compliance requirements described the U.S. Office of Management and Budget (OMB) *Compliance Supplement* and the State of Texas *Uniform Grant Management Standards* (UGMS) that could have direct and material effect on the City's major federal and state programs for the year ended September 30, 2016. The City's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The City's basic financial statements include the operations of the Fort Worth Housing Finance Corporation, which received \$2,428,563 in federal awards which are not included in the City's schedule of expenditures of federal and state awards for the year ended September 30, 2016. Our audit, as described below, did not include the operations of the Fort Worth Housing Finance Corporation because this entity engaged other auditors to perform an audit of compliance.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal and state programs based on our audit of the types of compliance requirements referred to above. 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; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and UGMS. Those standards, the Uniform Guidance, and UGMS, 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 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of the City's compliance.

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

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Opinion on Each Major Federal and State Program

In our opinion, the City complied, in all material respects, with the types of 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, 2016.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on report on internal control over compliance in accordance with the Uniform Guidance and UGMS, 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.

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 a 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. 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-004 that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and UGMS. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and UGMS

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 27, 2017, which contained unmodified opinions on those financial statements. Our report on the financial statements of the City includes a reference to other auditors who audited the financial statements of Terrell Homes, Ltd. and the financial statements of the Employees' Retirement Fund of the City of Fort Worth whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Terrell Homes, Ltd. and the Employees' Retirement Fund of the City of Fort Worth is based solely on the report of other auditors. The City's basic financial statements include the operations of the Fort Worth Housing Finance Corporation, which received \$2,428,563 in federal awards which are not included in the City's schedule of expenditures of federal and state awards for the year ended September 30, 2016. Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and UGMS and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, TX
March 27, 2017

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Financial Section



CITY OF FORT WORTH, TEXAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED SEPTEMBER 30, 2016

GRANT AGENCY/PROJECT TITLE	FEDERAL CFDA NUMBER	CONTRACT NUMBER	FY2016 EXPENDITURES	PASS-THROUGH EXPENDITURES
FEDERAL AWARDS				
U.S. DEPARTMENT OF AGRICULTURE				
Passed through Texas Department of Agriculture				
2015 Child & Adult Care Nutrition Program	10.558	80ASSP14-15	65,644	
2016 Child & Adult Care Nutrition Program	10.558	01514-CACF	146,125	
Sub-total for Program			<u>211,769</u>	
Passed through Texas Department of Agriculture				
2015 Summer Food Program	10.559	01514-SFSP	151,691	
2016 Summer Food Program	10.559	01514-SFSP	156,442	
Sub-total for Program			<u>308,133</u>	
Total U.S. Department of Agriculture			<u>519,902</u>	
U.S. DEPARTMENT OF ENERGY				
Passed through Texas Department of Housing and Community Affairs				
2015 Department of Energy Weatherization Assistance Program	81.042	56150002260	268,193	
Total U.S. Department of Energy			<u>268,193</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through Association of Food and Drug Officials				
FDA-AFDO Retail Program Standard	93.103	G-MP-1510-03005	20,000	
Passed through Tarrant County				
2012 Bioterrorism Public Help Preparedness	93.069	CSC 43217	2,711	
Passed through Texas Department of Housing and Community Affairs				
2014 Comprehensive Energy Assistance Program	93.568	58140001788	71	
2015 Comprehensive Energy Assistance Program	93.568	58150002097	1,609,689	
2016 Comprehensive Energy Assistance Program	93.568	58160002327	3,349,075	
2015 Low Income Home Energy Assistance Weatherization Program	93.568	81150002137	205,759	
2016 Low Income Home Energy Assistance Weatherization Program	93.568	81160002404	185,323	
Sub-total for Program			<u>5,349,917</u>	
Passed through Texas Department of Housing and Community Affairs				
2015 Community Services Block Grant	93.569	61150002166	419,523	
2016 Community Services Block Grant	93.569	61160002367	1,010,284	
2016 Community Services Block Grant Supplement	93.569	61150002455	287,229	
Sub-total for Program			<u>1,717,036</u>	
Total U.S. Department of Health and Human Services			<u>7,089,664</u>	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs				
Community Development Block Grant (PY 10-11)	14.218	B-10-MC-48-0010	185,158	71,040
Community Development Block Grant (PY 11-12)	14.218	B-11-MC-48-0010	256,150	250,000
Community Development Block Grant (PY 12-13)	14.218	B-12-MC-48-0010	1,190,638	1,160,175
Community Development Block Grant (PY 13-14)	14.218	B-13-MC-48-0010	1,183,848	494,554
Community Development Block Grant (PY 14-15)	14.218	B-14-MC-48-0010	246,966	-
Community Development Block Grant (PY 15-16)	14.218	B-15-MC-48-0010	4,610,157	1,489,037
Community Development Block Grant Restricted Cash	14.218	M&C L-15682; C-27098; C-27212	544,594	-
Rental Rehabilitation Program	14.218	R-85-MC-48-0212	49,000	-
United Community Centers - Bethlehem Center	14.218	B-99-MC-48-0010	351,916	-
Sub-total for Program			<u>8,618,427</u>	<u>3,464,806</u>
Direct Programs				
Emergency Solutions Grant (PY 14-15)	14.231	E-14-MC-48-0006	57,346	54,100
Emergency Solutions Grant (PY 15-16)	14.231	E-15-MC-48-0006	517,196	455,378
Sub-total for Program			<u>574,542</u>	<u>509,478</u>

CITY OF FORT WORTH, TEXAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED SEPTEMBER 30, 2016

GRANT AGENCY/PROJECT TITLE	FEDERAL CFDA NUMBER	CONTRACT NUMBER	FY2016 EXPENDITURES	PASS-THROUGH EXPENDITURES
Direct Programs				
HOME Investment Partnerships Project (PY 05-06)	14.239	M-05-MC-48-0204	21	-
HOME Investment Partnerships Project (PY 07-08)	14.239	M-07-MC-48-0204	309,030	309,030
HOME Investment Partnerships Project (PY 08-09)	14.239	M-08-MC-48-0204	376,557	376,557
HOME Investment Partnerships Project (PY 09-10)	14.239	M-09-MC-48-0204	670,148	670,148
HOME Investment Partnerships Project (PY 10-11)	14.239	M-10-MC-48-0204	395,608	395,608
HOME Investment Partnerships Project (PY 11-12)	14.239	M-11-MC-48-0204	444,383	461,796
HOME Investment Partnerships Project (PY 14-15)	14.239	M-14-MC-48-0204	1,278,252	1,042,988
HOME Investment Partnerships Project (PY 15-16)	14.239	M-15-MC-48-0204	964,578	75,585
Sub-total for Program			<u>4,438,577</u>	<u>3,331,712</u>
Direct Programs				
Housing Opportunities for Persons with AIDS (PY 14-15)	14.241	TXH-14-F002	141,996	144,664
Housing Opportunities for Persons with AIDS (PY 15-16)	14.241	TXH-15-F002	932,428	902,364
Sub-total for Program			<u>1,074,424</u>	<u>1,047,028</u>
Direct Programs				
Fair Housing Assistance Program (PY 13-14)	14.401	FF-206-K-13-6002	150,750	
Fair Housing Assistance Program (PY 14-15)	14.401	FF-206-K-14-6002	344,509	
Fair Housing Assistance Program (PY 15-16)	14.401	FF-206-K-15-6002	160,821	
Sub-total for Program			<u>656,080</u>	
Direct Programs				
Lead Hazard Reduction Program	14.905	TX-LHD-0273-14	838,416	
Total U.S. Department of Housing and Urban Development			<u>16,200,466</u>	<u>8,353,024</u>
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION				
Direct Programs				
Employment Discrimination Defense (PY 12-13)	30.001	EECCN130018	246	
Employment Discrimination Defense (PY 13-14)	30.001	EECCN130018/MOD0002	58,600	
Employment Discrimination Defense (PY 15-16)	30.001	EECCN130018/MOD0005	11,037	
Total Equal Employment Opportunity Commission			<u>69,883</u>	
U.S. DEPARTMENT OF JUSTICE				
Direct Programs				
2014 DNA Capacity Enhancement	16.741	2014-DN-BX-0086	128,503	
Direct Programs				
Federal Asset Forfeiture Program	16.922	MOU	248,012	
Direct Programs				
COPS Hiring Program-ARRA	16.710	2014ULWX0050	840,253	
Direct Programs				
FY 13 Justice Assistance Grant	16.738	2013-DJ-BX-0364	100,661	35,526
FY 14 Justice Assistance Grant	16.738	2014-DJ-BX-0297	420,777	170,139
Passed through the Office of the Governor, Criminal Justice Division				
DJ-Edward Byrne Memorial Justice Assistance Grant	16.738	2888901	56,975	
Sub-total for Program			<u>578,413</u>	<u>205,665</u>
Passed through the Office of the Governor, Criminal Justice Division				
Crime Laboratory Equipment Enhancement	16.742	2841502	31,159	
Passed through the City of Cleveland				
2016 Presidential Candidate Nomination Convention - RNC Cleveland	16.751	2016-ZC-BX-0001	182,011	
Passed through the City of Arlington				
2013 Human Trafficking Task Force	16.320	CSC 45760	8,299	

CITY OF FORT WORTH, TEXAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED SEPTEMBER 30, 2016

GRANT AGENCY/PROJECT TITLE	FEDERAL CFDA NUMBER	CONTRACT NUMBER	FY2016 EXPENDITURES	PASS-THROUGH EXPENDITURES
Passed through the Safe City Commission Inc. 2013 Project Safe Neighborhood	16.609	2013-GP-BX-0005	9,928	
Total U.S. Department of Justice			2,026,578	205,665
U.S. DEPARTMENT OF TRANSPORTATION				
Direct Programs				
FW Alliance Runway Extension Phase X	20.106	3-48-0296-40-2009	394,635	
FW Alliance Runway Extension Phase XI	20.106	3-48-0296-42-2010	68,697	
FW Alliance Runway Extension Phase XII	20.106	3-48-0296-43-2011	2,397,413	
FW Alliance Runway Extension Phase XIII	20.106	3-48-0296-47-2012	7,712,196	
FW Alliance Runway Extension Phase XIV	20.106	3-48-0296-50-2012	6,658,152	
FW Alliance Runway Extension Phase XV	20.106	3-48-0296-50-2012	5,021,809	
FW Alliance Runway Extension Phase XVI	20.106	3-48-0296-54-2014	2,433,084	
FW Alliance Runway Extension Phase XVII	20.106	3-48-0296-56-2015	1,063,097	
FW Alliance Avigation Easements	20.106	3-48-0296-48-2012	189,377	
FW Alliance Noise Land Acquisition	20.106	3-48-0296-49-2012	19,583	
FW Alliance Cargo Entitlements 2013	20.106	3-48-0296-52-2013	3,508,628	
FW Alliance Cargo Entitlements 2014	20.106	3-48-0296-54-2014	412,363	
			<u>29,879,034</u>	
Passed through Texas Department of Transportation				
FW Spinks Wildlife Hazard Assessment	20.106	16WASPINK	5,670	
FW Spinks North Perimeter Road Improvements	20.106	4XXAV081	66,576	
FW Meacham Airport Layout Update	20.106	13ALMEACH	356	
FW Meacham Terminal Area Taxilane Improvements	20.106	SBGP-086-2014	181,676	
			<u>254,278</u>	
Sub-total for Program			<u>30,133,312</u>	
Passed through Federal Motor Carrier Safety Administration				
2015 High Priority Grant	20.218	FM-MHP-0213-15-01-00	277,633	
Passed through Texas Department of Transportation				
2016 STEP Comprehensive	20.600	2016-FORTWORT-S-1YG-0036	150,872	
Passed through Texas Department of Transportation				
Chapel Creek Boulevard at IH 30	20.205	CSJ 0902-48-722	164,921	
Intelligent Transportation System Expansion	20.205	CSJ 0902-48-587 & 48-588	203,545	
Dirks Rd between Alta Mesa/Bryant Irvin	20.205	CSJ 0902-48-775	1,287,997	
East Rosedale Street US 287	20.205	CSJ 0902-48-832	136,610	
East Rosedale Street Retrofit	20.205	CSJ 0902-48-845	1,756,910	
Intersection Improvements - Miller/Wilbarger	20.205	CSJ 0172-06-092	98,921	
Peach St/Live Oak Connector	20.205	CSJ 0902-48-688 & 689	159,122	
Rosedale Corridor Management System	20.205	CSJ 0902-90-018	24,905	
South Central High Speed Corridor	20.205	CSJ 0902-48-694	15,140	
SW 121 Trinity Trails Clear Fork Project	20.205	CSJ 0902-48-777	16,561	
The Ridglea Urban Village Street	20.205	CSJ 0902-48-582	1,640,691	
Urban Villages Central Cluster	20.205	CSJ 0902-48-681	23,858	
Urban Villages Southwest Cluster	20.205	CSJ 0902-48-683	567,163	
Passed through North Central Council of Governments				
South Main Urban Village Sustainable Development Project	20.205	CSJ 0902-48-536	1,177	
Passed through Texas Department of Parks and Wildlife				
Northwest Community Park Improvements	20.205	CSJ 0902-48-508	10,115	
Sub-total for Program			<u>6,107,636</u>	
Total U.S. Department of Transportation			36,669,453	
ENVIRONMENTAL PROTECTION AGENCY				
Passed through Texas Commission on Environmental Quality				
2015 PM Local Air Pollution Monitoring	66.034	582-15-50040	30,908	

CITY OF FORT WORTH, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2016

GRANT AGENCY/PROJECT TITLE	FEDERAL CFDA NUMBER	CONTRACT NUMBER	FY2016 EXPENDITURES	PASS-THROUGH EXPENDITURES
Passed through Texas Commission on Environmental Quality 2014 PM Local Air Pollution Monitoring	66.605	582-14-40060	74,526	
Total Environmental Protection Agency			105,434	
U.S. DEPARTMENT OF HOMELAND SECURITY				
Direct Programs 2014 SAFER	97.083	EMW-2013-FH-00820	1,281,138	
Passed through Texas Department of Public Safety 2013 UASI - LETPA	97.067	13-SR-27000-02	133	
2014 UASI - LETPA	97.067	14-SR 27000-02	826,831	
2014 UASI	97.067	14-SR 27000-01	1,863,259	
2014 UASI - M&A	97.067	14-SR 27000-03	109,744	
Passed through Texas Governor's Division of Emergency Management 2015 UASI	97.067	EMW-2015-SS-00080	277,551	
2015 UASI M&A	97.067	EMW-2015-SS-00080	47,404	
Sub-total for Program			3,124,922	
Direct Programs Butler-McClure Engineered Drainage Channel	97.042	PA-06-TX-4223-PW-01734	24,841	
Passed through Texas Governor's Division of Emergency Management 2014 Cooperating Technical Partners	97.042	EMW-2014-CA-K00188	255,582	
2015 Emergency Management Program	97.042	15TX-EMPG-0177	47,269	
2016 Emergency Management Program	97.042	16TX-EMPG-0177	244,220	
Sub-total for Program			571,912	
Passed through Texas Commission on Environmental Quality 2016 Biowatch	97.091	582-16-60018	416,735	
Total Department of Homeland Security			5,394,707	
INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
Passed through Texas State Library Archives Commission 2015 Library Cooperation Grant Program	45.310	479-16005	72,125	
Total Institute of Museum and Library Services			72,125	
NATIONAL ENDOWMENT FOR HUMANITIES				
Direct Awards Latino American 500	45.164	LA 105973	10,021	
Total National Endowment for Humanities			10,021	
EXECUTIVE OFFICE OF THE PRESIDENT				
Passed through the Office of National Drug Control Policy High Intensity Drug Trafficking Area Task Force	95.001	CSC 47090	142,216	
High Intensity Drug Trafficking Area Commercial Smuggling Task Force	95.001	CSC 33102 & 44244	1,389	
Total Executive Office of the President			143,605	
U.S. DEPARTMENT OF THE TREASURY				
Direct Awards Treasury Asset Forfeiture Program	21.000	MOU	618,780	
Total Department of the Treasury			618,780	
TOTAL FEDERAL DIRECT AND PASS-THROUGH AWARDS			69,188,811	8,558,689

CITY OF FORT WORTH, TEXAS
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 YEAR ENDED SEPTEMBER 30, 2016

GRANT AGENCY/PROJECT TITLE	CONTRACT NUMBER	FY2016 EXPENDITURES
STATE AWARDS		
TEXAS STATE ATTORNEY GENERAL'S OFFICE		
Direct Awards		
2012 Compensation Victim Crime	CSC 42902	99,321
2016 Victim Coord and Liaison	1662261	38,391
2017 Victim Coord and Liaison	1771906	3,672
Total Texas State Attorney General's Office		141,384
TEXAS PARKS AND WILDLIFE DEPARTMENT		
Direct Awards		
Gateway Park Oxbow Development	53-000009	44,378
Northwest Community Park Development	55-000018	261,476
Total Texas Parks and Wildlife Department		305,854
TEXAS DEPARTMENT OF MOTOR VEHICLES		
Passed Through Tarrant County		
Tarrant County Auto Crimes Task Force 15/16	CSC 47077	84,514
Tarrant County Auto Crimes Task Force 16/17	CSC 48269	7,394
Total Texas Department of Motor Vehicles		91,908
TEXAS DEPARTMENT OF TRANSPORTATION		
Direct Awards		
GE Test Track Project	CSJ 0918-46-250	14,340,293
Double Eagle Extension	CSJ 0918-46-250	695,360
FW Meacham Administration Building	16TBMEACHM	500,000
FW Alliance Ramp Maintenance 2015	M1502ALNC	18,349
FW Alliance Ramp Maintenance 2016	M1602ALNC	42,000
FW Meacham Ramp Maintenance 2015	M1502MECH	5,665
FW Meacham Ramp Maintenance 2016	M1602MECH	50,000
FW Spinks Ramp Maintenance 2016	M1602SPNK	49,622
Passed Through the North Central Texas Council of Governments		
Litsey Road Bridge Replacement	CSJ 0918-46-251	2,274
West Rosedale Street Retrofit	CSJ 0902-48-792	1,850
South Main Street Reconstruction	CSJ 0902-48-883	1,076,290
Total Texas Department of Transportation		16,781,703
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY		
Direct Awards		
Air Pollution Compliance Monitoring	582-10-90259	3,670
2015 Compliance Monitoring	582-15-50123	264,822
Nox Ozone Monitoring	582-16-60238	42,169
Total Texas Commission On Environmental Quality		310,661
TEXAS COMPTROLLER OF PUBLIC ACCOUNTS		
Passed Through University of North Texas Health Science Center		
Guinn School Business Assistance Center 2014/2015	CSC 45476	18,517
Guinn School Business Assistance Center 2016/2017	2016-0238_14856	547,601
Total Texas Comptroller of Public Accounts		566,118
TOTAL STATE AWARDS		18,197,628



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CITY OF FORT WORTH, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2016

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, Texas (the “City”) for the year ended September 30, 2016.

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 2 CFR 200 and the State of Texas Uniform Grant Management Standards (“UGMS”).

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 2 CFR 200, 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, 2016 may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with rules and regulations governing the grants.

4. OUTSTANDING LOAN BALANCES

The City 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, 2016. There are no longer continuing compliance requirements for these loans.

CITY OF FORT WORTH, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2016

• Evans Avenue and Rosedale Street Business and Cultural District Project, Commitment No. B-99-MC-48-0010	\$ 2,000,000
• Evans Avenue and Rosedale Street-due within one year	\$ 600,000
Evans Avenue and Rosedale Street-Total	<u>\$ 2,600,000</u>

The City has an outstanding loan payable under the Clean Water State Revolving Loan Fund from the Texas Water Development Board, as a pass-through agency for the Environmental Protection Agency (CFDA 66.458). There are no longer continuing compliance requirements for these loans. As of September 30, 2016 the outstanding loan balances were:

• TWDB Series 2005	\$ -
• TWDB Series 2005-due within one year	\$ 385,000
Series 2005-Total	<u>\$ 385,000</u>

• TWDB Series 2007A	\$ 19,380,000
• TWDB Series 2007A-due within one year	\$ 1,700,000
Series 2007A-Total	<u>\$ 21,080,000</u>

• TWDB Series 2016	\$ 35,330,000
• TWDB Series 2016-due within one year	\$ 1,835,000
Series 2016-Total	<u>\$ 37,165,000</u>

The City 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). There are no longer continuing compliance requirements for these loans. As of September 30, 2016 the outstanding loan balance was:

• TWDB Series 2009 ARRA	\$ 10,475,000
• TWDB Series 2009 ARRA-due within one year	\$ 810,000
Series 2009 ARRA-Total	<u>\$ 11,285,000</u>

5. NONCASH AWARDS

Certain federal financial awards programs do not involve cash awards. The City receives grant awards from the Federal Aviation Administration, of which the projects are executed by TxDOT on behalf of the City. The Schedule includes \$232,144 of expenditures that were incurred by TxDOT on behalf of the City as expenditures in the Airport Improvement Program (CFDA 20.106).

Independent Auditor's Findings



**CITY OF FORT WORTH, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED SEPTEMBER 30, 2016**

Part I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200?	No
Identification of major programs:	
14.239 HOME Investment Partnership Program	
20.106 Airport Improvement Program	
Dollar threshold used to distinguish between Type A and Type B programs:	\$2,075,664
Auditee qualified as low-risk auditee?	No

**CITY OF FORT WORTH, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED SEPTEMBER 30, 2016**

State Awards

Internal control over major programs:

Material weakness(es) identified? No

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

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with State of Texas Uniform Grant Management Standards? Yes

Identification of major programs:

- RTR Multimodal Transportation Improvement
- GE Test Track Project
- Double Eagle Extension
- Litsey Road Bridge Replacement
- West Rosedale Street Retrofit
- South Main Street Reconstruction

Dollar threshold used to distinguish between Type A and Type B programs: \$ 545,929

Auditee qualified as low-risk auditee? No

**CITY OF FORT WORTH, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016**

Part II – Findings Related to the Financial Statements

Finding 2016-001

Accounting and Management of Capital Assets

Criteria:

In accordance with US Generally Accepted Accounting Principles (GAAP), the City is required to report all capital assets, including accumulated depreciation, on the government wide and proprietary fund statements of net position with the related gains, losses and depreciation expense recognized on the government wide statement of activities and the proprietary fund statement of revenues, expenses and changes in fund net position.

Condition:

(X) Material Weakness () Significant Deficiency () Compliance Finding

Cause and Context:

Capital assets represent the City's largest asset balance. Proper accounting for capital assets requires the maintenance and reconciliation of an accurate and detailed listing of projects that meet the City's criteria for capitalization and timely identification of changes in project status.

During the year ended September 30, 2016, the City did not have a consistent and effective method by which to track capital projects in progress and did not reconcile the activity of projects managed by multiple departments on a timely basis.

Effect:

As a result of lack of controls and without an accurate and effective method to timely reconcile capital assets, several errors were identified in the listing during the audit and a significant amount of time and adjustments were required by City management to accurately reflect ending balances. Failure to timely reconcile capital projects in progress exposes the City to risk of erroneous financial reporting.

Recommendation:

We recommend that the Financial Management Services (FMS) Department implement processes to obtain support for project classification from operating departments, record any necessary adjustments and changes in project status, and reconcile all capital projects in process schedules to the general ledger on a regular (i.e. quarterly) basis. In addition, all reconciliations performed and journal entries recorded to capital assets accounts as a result of these procedures should be subjected to supervisory review and approval.

**CITY OF FORT WORTH, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016**

SECTION II – FINANCIAL STATEMENT FINDINGS – CONTINUED

Finding 2016-001 - Continued

Views of Responsible Officials- See Corrective Action Plan

Finding 2016-002

Journal Entries and Financial Reporting

Criteria:

In order to produce financial statements that conform to GAAP, the City posts manual journal entries as needed to adjust balances in the general ledger. The FMS department is responsible for review and approval of all manual journal entries, including journal entries submitted by operating departments.

Condition:

() Material Weakness (X) Significant Deficiency () Compliance Finding

Cause and Context:

As a result of inadequate or untimely review, improper or inaccurate journal entries were approved and recorded into the general ledger affecting significant financial statement balances. These entries required significant time and effort by City management to research and correct.

Effect:

Without adequate and timely review processes in place, errors could fail to be detected and corrected resulting in potential material misstatement of the City's financial statements.

Recommendation:

While current processes are designed to identify improper journal entries these processes are not consistently implemented. We recommend that the City consistently implement review procedures for all journal entries that encompass evaluation of both the accuracy and appropriateness of the entry in accordance with the City's accounting policies and GAAP as part of its regular review process of interim financial information.

Views of Responsible Officials- See Corrective Action Plan

**CITY OF FORT WORTH, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016**

SECTION II – FINANCIAL STATEMENT FINDINGS – CONTINUED

Finding 2016-003

Operations Security IT Access Controls

Criteria:

Information Technology (IT) systems allow the City to automate tasks to enable timely and accurate financial reporting. User access to these systems should be appropriately segregated and tracked to restrict access to applications that are consistent with job responsibilities and further to prevent override of internal controls.

Condition:

() Material Weakness (X) Significant Deficiency () Compliance Finding

Cause and Context:

The City's PeopleSoft and Sungard applications both have generic user accounts with privileged access to software applications with access shared by developers.

Effect:

The use of shared generic user accounts with privileged access exposes the City to risk that potentially unauthorized, incorrect, or otherwise inappropriate changes could be made to critical financial reporting applications. Further, as a result of the accounts being generic in nature, there is not an effective mechanism for tracking any such changes made.

Recommendation:

We recommend that generic user access accounts be removed and that access to privileged functions be restricted to authorized system administrators and that all changes to critical systems be tracked and monitored.

Views of Responsible Officials- See Corrective Action Plan.

**CITY OF FORT WORTH, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDING SEPTEMBER 30, 2016**

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

Finding 2016-004

Major Program – GE Test Track Project
Compliance Requirement: Reporting

Criteria:

In accordance with the grant agreement, the City must submit a monthly report of expenditures to the North Central Texas Council of Governments, the pass-through agency, including expenditures of local match funds.

Condition:

() Compliance Finding (X) Significant Deficiency () Material Weakness

Cause and Context:

City management was not aware that the monthly reports were required to be submitted. As a result, the reports were not submitted until February 2017.

Effect:

Due to lack of controls in place to monitor adherence to compliance requirements, the City did not submit reports timely.

Recommendation:

We recommend the City implement a process for operating departments to review all open grants and contracts on a regular basis to ensure continued compliance with compliance requirements.

Views of Responsible Officials- See Corrective Action Plan.

Corrective Action Plan



Findings Related to the Financial Statements

2016-001 Material Weakness: Accounting and Management of Capital Assets

Concur: The Financial Management Services Department (FMS) is in the process of documenting and re-designing the entire Capital Asset process from start to finish. A Sr. IT Business Planner has been hired to support the maintenance and operation of the PeopleSoft Asset Management Module (PSAM). In addition, this position will be in charge of documenting and streamlining the capital asset process. Major areas that will be reviewed with processes documented are (not all inclusive):

- Purchased Assets
- Donated Assets
- Constructed Assets (Construction In Progress (CIP))
- Improved and timely month end reconciliations of the PSAM to the PS General Ledger (to include a more stringent secondary review).
- Quarterly reconciliations to compare all CIP balances to the general ledger and correct any differences.

The process re-design will include procedures to ensure that proper support is obtained to justify the project classification and any necessary adjustments to the project. This support will include information obtained from other City departments, vendor invoices, M&Cs, etc. There will be a timely secondary review of all Journal Entries and entries entered into PSAM to ensure the entries are complete and correct.

The process re-design will include the reassignment of funds to Sr. Accountants who will be responsible and held accountable for every area of the funds assigned to them which will include purchased assets, donated assets, CIP, monthly reconciliations, etc. In addition, the supervisor will perform an overall evaluation at the project level which will span across funds.

FMS is in the process of Identifying and redeploying additional resources in the department to assist in performing a comprehensive evaluation of all current Construction in Progress balances

This action plan will be completed by September 30, 2017.

Contact Person: Aaron J. Bovos, Chief Financial Officer, Department of Finance, 817-392-8517

2016-002 Significant Deficiency: Journal Entries and Financial Reporting

Concur: The Journal Entry process was de-centralized with the implementation of PeopleSoft Financials. Departments are now responsible to create many of their own journal entries and FMS staff (Sr. Accountants and above) are responsible for the approval of the entries. It is the FMS staff's responsibility to understand the application of GAAP and how it relates to City transactions. In addition, FMS staff approving journal entries need to ensure that they understand the transaction and proper backup is provided before they approve the entry. The FMS department will hold training sessions with staff members who approve journal entries to ensure they possess adequate knowledge of GAAP and City processes and procedures.

This action plan will be completed by September 30, 2017.

Contact Person: Aaron J. Bovos, Chief Financial Officer, Department of Finance, 817-392-8517

**CITY OF FORT WORTH, TEXAS
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2016**

Findings Related to the Financial Statements

2016-003 Significant Deficiency: Operations Security IT Access Controls

PeopleSoft Application:

Concur: The five PeopleSoft accounts identified are required system service accounts necessary for automated processes to function. Access is restricted to the PeopleSoft administrators as required for system operation. PeopleSoft administrators have the necessary permissions to accomplish their work without routinely needing to sign on using the service accounts.

To improve controls over interactive logins to the PeopleSoft service accounts, the following actions will be taken. Permissions of each service account will be reviewed and restricted to the minimum privileged functions necessary for that specific service account. Reporting will be established to identify service account usage. System logging will be reviewed for completeness as to tracking actions taken when the accounts are signed on. These actions will be completed by June 1, 2017.

SunGard Application:

Concur: Four of the six generic accounts identified are user profiles that are integral to the IBM operating system and are required for some automated processes to function. SunGard administrators do not routinely log in with these accounts/profiles, they login with their personally identifiable accounts to perform their needed functions. The two remaining accounts are used solely by our SunGard vendor for login support purposes.

To improve control over these accounts, the following actions will be taken: Message and event monitoring software will be used to track the user profiles and their actions. Reporting will be initiated to identify usage of these profiles and the actions taken during these user sessions. One of the two vendors' accounts has already been deleted. The remaining vendor account will be monitored using a system feature called pass-through, which can be configured to alert City personnel and log detailed information any time a SunGard employee accesses our system. The remainder of these actions will be completed by June 1, 2017.

Contact Persons: Steve Streiffert, Asst. IT Director, IT Solutions and David Holt, Sr. IT Manager, Water Department

***2016-004 Significant Deficiency: Major Program – GE Test Track Project
Compliance Requirement: Reporting***

Concur: At this time the project manager for the GE Test Track will be working with a representative from the NCTCOG to resolve prior reporting deficiencies. This issue will be resolved by submitting a single report to Transportation & Public Works' (TPW) Grant Accountant prior to the month's end.

After discussing this finding with TPW's Administrative/Fiscal Management, it was concluded that controls should be added to monitor adherence to compliance requirements as they pertain to TPW's Grant projects in the future.

The Business Support Division is in the process of reorganizing staff in order to place better focus in each area of support. This will include the area of grant compliance as needed for appropriate projects. The Transportation & Public Works Department Business Support Division plans to dedicate staff who will work cooperatively with the project managers to ensure timely reporting in the future and to review all open grants and contracts on a regular basis. This action will be completed by April 14, 2017.

Contact Person: Aaron J. Bovos, Chief Financial Officer, Department of Finance, 817-392-8517

Status of Prior Year Findings



CITY OF FORT WORTH, TEXAS
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2016

Part II—Findings Related to the Financial Statements

2015-001 Significant Deficiency: Financial Accounting and Reporting (updated from prior year)

Condition – While the City has made substantial strides in owning the financial reporting process, prepared the financial statements by the external deadlines and completed the first steps in automating the financial reporting process, the process continues to be reliant on manual controls and subject to human error. Due to the lack of preparation of interim financial statements on accrual basis and delays in preparation of year-end financial statements, certain areas were reviewed late leaving little to no time for the financial reporting team to react or correct issues which caused delays in the internal reporting time line.

Cause – While the City made improvements in owning the financial reporting process and automating certain functions, the City was in a transition year due to the implementation of the new software for the financial system and CAFR preparation. In addition, the City has relied heavily on departments outside the control of the finance department for the accounting of component units and individuals responsible for these functions did not have the appropriate accounting and reporting knowledge.

Recommendation – The City should continue with its implementation of the comprehensive plan of upgrading the processes, procedures, systems, and capabilities of the financial accounting and reporting department, including the allocation of resources needed to manage the financial activities of the organization. This plan should at least encompass the following:

- Develop and implement a plan and schedule of interim financial reports and schedules that are prepared and reviewed so that actions can be taken and informed decisions can be made in a timely manner.
- Implement a series of milestones in the reporting process to ensure that deadlines are met and information is reviewed by an individual at a management level independent from the preparer for accuracy and completeness prior to closing.
- Implement a process that requires designated finance and accounting professionals to read minutes of council meetings to identify resolutions that have an impact on the financial reporting and compliance and prepare an action plan accordingly.
- Implement a process during the year that requires designated finance and accounting professionals to perform financial analysis of fund financial statements by comparing current year balances to prior balances, identify variances or relationships that are not consistent with operations and obtain explanations from respective departments, this will help management identify issues prior to finalization of close process.
- Require that all financial accounting and reporting functions of components under the control of the City to be performed by the financial management services department so that these functions are performed by individuals with the right level of training and supervision.

Current Status of Corrective Action Plan:

The finding was partially corrected during the year ended September 30, 2016, however, related issues exist and have been reported as Finding 2016-002 – Journal Entries and Financial Reporting.

CITY OF FORT WORTH, TEXAS
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2016

2015-002 Significant Deficiency: Accounting and management of capital projects (updated from fiscal years 2004-2014)

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. However, we continue to note issues in accounting for capital projects in progress. In a number of instances we noted communication breakdown between the user department and finance that lead to errors in reporting the status of completion of a project.

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.

Departments are not held accountable as to the number of projects in progress and therefore in some instances, departments had hundreds of projects in progress instead of completing and closing out projects prior to commencing new ones.

Recommendation – Consider implementing the following:

- Adopt and implement policies that define when a project is substantially complete, and enforce the closure of such project.
- Consistently perform quarterly reconciliations to the general ledger for all capital expenditures.
- Implement an interim review process for projects to identify projects with little to no activity to determine whether these projects are abandoned or completed and therefore adjustments are needed to be made.
- Require supervisory reviews of the quarterly reconciliations.
- On an overall basis, improve communication between the operating departments and the Financial Management Services Department related to capital assets.

Current Status of Corrective Action Plan:

The finding was not fully corrected during the year ended September 30, 2016. In the current year, this has been reported in as Finding 2016-001 – Accounting and Management of Capital Assets.

**CITY OF FORT WORTH, TEXAS
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2016**

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

2015-003 Significant Deficiency in controls and noncompliance: Allowable Cost: CFDA 14.218 Community Development Block Grants - Allowable Costs

Program: - Community Development Block Grant

Criteria – OMB Circular A-87 Section 8d requires that benefits, whether treated as indirect costs or as direct costs, shall be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities.

Condition and Context – The employer payroll taxes and related fringes were allocated based on the department’s budget table instead of the department and project charged with the employee’s salary expense. Although the total payroll taxes and fringes expenditures were calculated correctly, the allocation of these expenditures within the project was incorrect. As a result, the amount allocated to the CDBG grant was overstated.

Cause – During the fiscal year, when an electronic Payroll Action Request (ePAR) was processed in the system, an “override” indicator was erroneously turned on by the system which forced the deduction allocation to follow the budget table rather than the project in which the employee’s salary was charged.

Recommendation – The City should correct the system issue that resulted in this error. Further, the City should implement more rigorous monthly controls to identify any payroll calculation and allocation anomalies when analyzing and reconciling the total salary expenses and related benefits based on the actual hours worked on the project.

Current Status of Corrective Action Plan:

Planned corrective action was completed during the year ended September 30, 2016.



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LIST OF ACRONYMS

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
CFR	-	Code of Federal Regulations
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
CSBG	-	Community Services Block Grant
DEA	-	Drug Enforcement Administration
DNA	-	Deoxyribonucleic Acid
DOE	-	Department of Energy
DOJ	-	Department of Justice
DOT	-	Department of Treasury
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
FHAP	-	Fair Housing Assistance Program
FHIP	-	Fair Housing Initiative Program
FWCP	-	Northwest Fort Worth Community Park
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

LIST OF ACRONYMS

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 Home Energy Assistance Program
MARS	-	Management and Accounting Reporting System
MMRS	-	Metropolitan Medical Response System
NCTCOG	-	North Central Texas Council of Governments
OJJDP	-	Office of Juvenile Justice and Delinquency Prevention
OMB	-	Office of Management and Budget
PACSD	-	Parks and Community Services Department
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
SAA	-	State Administrative Agency
SCRAM	-	Sex Crime Apprehension and Monitoring
SF272	-	Standard Form 272
SFSP	-	Summer Food Service Program
SMGCS	-	Surface Movement Guidance and Control System
SRF	-	State Revolving Fund
STEP	-	Selective Traffic Enforcement Program
TDA	-	Texas Department of Agriculture
TDHCA	-	Texas Department of Housing and Community Affairs
TPW	-	Transportation and Public Works
TPWD	-	Texas Parks and Wildlife Department
UGMS	-	Uniform Grant Management Standards
UNTHSC	-	University of North Texas Health Science Center
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.