

Fort Worth



1964 • 1993 • 2011

Mayor

Mattie Parker

Council Members

Carlos Flores, District 2⁺⁺

Michael D. Crain, District 3

Cary Moon, District 4⁺

Gyna Bivens, District 5

Jared Williams, District 6⁺⁺

Leonard Firestone, District 7⁺⁺

Chris Nettles, District 8

Elizabeth Beck, District 9

⁺ Audit Committee Chair

⁺⁺ Audit Committee Member

**Transportation Impact Fees
Audit**

December 30, 2021



**City of Fort Worth
Department of Internal Audit**

200 Texas Street
Fort Worth, Texas 76102

Audit Staff

Patrice Randle, City Auditor
Brian Burkland, Assistant City Auditor
Sam King, Business Process Analyst II
Akia Terry, Senior Auditor





The Transportation Impact Fees Audit was conducted as part of the Department of Internal Audit's Fiscal Year 2021 Annual Audit Plan.

Audit Objective

The objective of this audit was to evaluate the effectiveness by which impact fees are assessed and collected.

Audit Scope

Our audit included a review of transportation impact fees, assessed and collected from October 1, 2019 through June 30, 2021.

Opportunities for Improvement

Routine reconciliation of transportation impact fee revenue

Billings in accordance with City ordinance

Executive Summary

As part of the FY2021 Annual Audit Plan, the Department of Internal Audit conducted an audit of transportation impact fees assessed by the City of Fort Worth. The Development Services Department functions as the City's administrator (assessor and collector) for transportation impact fees.

With the exception of one instance, we concluded that the Development Services Department assessed and collected transportation impact fees in accordance with the City Ordinance and applicable legislation. The one instance where transportation impact fees were not assessed as required by City ordinance, resulted in a \$2,245.00 underpayment to the City. The Development Services Department collected the \$2,245.00 prior to the release of this audit report.

Transportation impact fees, received by the Development Services Department, were recorded within the Accela permitting software and general ledger. However, the Development Services Department did not reconcile revenue recorded within Accela to revenue recorded in the general ledger. For FY2019, total revenue recorded within Accela exceeded revenue recorded in the general ledger. For FY2020 and FY2021, revenue recorded in the general ledger exceeded revenue recorded in Accela.

Our audit findings are discussed in further detail within the [Detailed Audit Findings](#) section of this report.

Table of Contents

Background..... 1

Objective 4

Scope..... 4

Methodology..... 4

Audit Results..... 5

Overall Risk Evaluation..... 6

Detailed Audit Findings..... 7

Acknowledgements..... 10

Exhibit I – 2017 Transportation Impact Fee Service Areas..... 11



Background

Since new residential, commercial and/or industrial development can significantly increase traffic, local governments assess transportation impact fees as one-time charges (on new development projects) to help fund transportation improvements that will be needed as development occurs. The change-of-use or expansion of existing buildings also constitutes new development.

Transportation impact fees, assessed on commercial construction, are calculated based on assigned land use category and square footage. Transportation impact fees are assessed at the time of the final plat, and are collected prior to issuance of the building permit. The fees are based on collection rates specified in the City's transportation impact fee ordinance, which was adopted by the Fort Worth City Council on May 13, 2008. The City Fort Worth's (CFW's) transportation impact fee ordinance went into effect on July 1, 2008.

Two schedules, within the ordinance, are used when determining transportation impact fee amounts.

- Schedule 1 contains the maximum assessable rate in effect at the time of final plat approval. The maximum assessable fee is assessed based on service area and land use, and represents a development's actual impact on the transportation network.
- Schedule 2 represents the amount that is to be collected when the permit is issued. The transportation impact fee collection rate, which is also dependent upon service area and land use, is adopted by the Fort Worth City Council.

Amended plats that do not increase or decrease the original number of lots, are not subject to assessment or fee collection. Accordingly, such minor replats that do not constitute a change in the project may be exempted upon request by the developer. For example, a replat might be necessary to remove or add a public access or emergency access easement. The determination is made based on the scope of the replat.

Chapter 395 of the Texas Local Government Code governs the imposition of impact fees, and requires that the City update its land use assumptions, capital improvements plan, and impact fees at least every five years. The City of Fort Worth's 2008 transportation impact fees were updated in February 2013, after Kimley-Horn conducted the 2013 transportation impact fee study.

Kimley-Horn also completed the CFW's 2017 transportation impact fee study, to determine the maximum impact fee, per unit, of new development chargeable and as allowed by state law. Kimley-Horn noted that the actual fee ultimately assessed was at the discretion of the Fort Worth City Council, as long as the fee did not exceed the maximum assessment allowed by law. The City's transportation impact fee ordinance applies to all new, non-exempt development within the corporate boundaries of the City at the time the study was created, and located within a transportation service area.

Fort Worth is divided into 28 service areas, as required by the six-mile limit stipulated in Chapter 395 of the Texas Local Government Code. Service areas are defined as areas within the city wherein impact fees for transportation improvements or transportation facility expansions may be collected. Such fees are assessed for new developments occurring within the defined service areas. No transportation impact fees may be collected in seven of the 28 service areas, since no capacity-related transportation improvement projects have been designated within those seven areas.



The remaining 21 service areas (28 billable service areas, less the seven that are not billable) where transportation impact fees may be assessed, and the maximum transportation impact fee per service unit (per square mile), are noted in the following table.

Service Area	Maximum Fee Per Service Unit (per Vehicle-Mile)
A	\$2,025
AA	\$205
B	\$3,316
C	\$1,144
D	\$463
E	\$3,449
F	\$675
G	\$1,799
L	\$441
M	\$3,164
N	\$845
O	\$3,560
PI	\$492
S	\$2,984
T	\$1,826
U	\$3,457
V	\$3,269
W	\$1,356
X	\$3,806
Y	\$2,348
Z	\$3,706

Source: 2017 CFW transportation impact fee study

The CFW’s Development Services Department is responsible for processing building permits, and assessing transportation impact fees. Transportation impact fees may be reduced by a credit allowance, upon execution of a credit agreement negotiated and approved by the Development Services Department. The credit allowance may be applied for the dedication of right-of-way or construction, or for the funding of eligible transportation facilities. Transportation impact fees may also be discounted to incentivize certain performance or characteristics of a development. Discounts reduce Schedule 2 transportation impact fees, and may be given for land use/transportation connection or extraordinary investments. The discounts may be applied, upon meeting provisions outlined by the CFW. The applicant must provide burden of proof to show that the development qualifies for the discount.

In reference to discounts related to land use/transportation connections, the amount of transportation impact fees due under Schedule 2 may be discounted for any development where an accepted traffic impact study demonstrates that the development will reduce the vehicle trips from those contained in the adopted land use equivalency table. In reference to discounts related to extraordinary investments, the amount of transportation impact fees due under Schedule 2 may be discounted for any development that results in: (1) \$15 million in capital investment; (2) creation of 100 new jobs; and (3) the projected salary of the new jobs is at least twice the current minimum wage, plus benefits.



The Development Services Department records transportation impact fee transactions within the Accela permitting software. Based on transactions posted within PeopleSoft, the CFW collected a total of approximately \$34 million in transportation impact fees in FY2019 and FY2020, combined.



Objective

The objective of this audit was to evaluate the effectiveness by which impact fees are assessed and collected.

Scope

Our audit included a review of transportation impact fees, assessed and collected from October 1, 2019 through June 30, 2021.

Methodology

To achieve the audit objective, the Department of Internal Audit performed the following:

- interviewed Development Services Department staff;
- reviewed Mayor and City Council communications related to transportation impact fees;
- reviewed permitting and related revenue, as documented in the permitting software;
- compared square footage data within Accela to square footage data within appraisal district records;
- recalculated transportation impact fees due to the City of Fort Worth;
- reviewed general ledger postings; and,
- evaluated internal controls related to transportation impact fees.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.



Audit Results

Based on our audit results, the Development Services Department generally assesses and collects transportation impact fees in accordance with the City Ordinance and applicable legislation. With the exception of one applicant, we concluded that the City properly billed for transportation impact fees during our audit period. In the one instance, transportation impact fees should have been assessed, but were not.

The Development Services Department utilizes a transportation impact fee estimator, within Excel, whereby transportation impact fees are calculated once the user populates applicable fields, such as service area and square footage. Internal Audit concluded that the estimator is properly configured to accurately calculate transportation impact fees. However, accuracy of amounts charged is incumbent upon data entry accuracy.

During our audit period, transportation impact fee revenue recorded in the general ledger was not reconciled to transportation impact fee revenue recorded within Accela. For FY2020 and FY2021, total transportation impact fee revenue recorded in the general ledger exceeded that recorded in Accela. However, total FY2019 transportation impact fee recorded in Accela exceeded that recorded in the general ledger.

Overall Risk Evaluation

High	Medium	Low
<u>Transportation impact fee revenue not reconciled between the permitting software and the general ledger</u>		
<u>Applicant not billed as required</u>		



Detailed Audit Findings

1. Transportation impact fee revenue, recorded in the general ledger, was not reconciled to transportation impact fee revenue recorded within the Accela permitting software.

Upon receipt of transportation impact fee revenue, the Development Services Department posts payments to each customer’s account within the Development Services Department’s permitting software (Accela). Journal entries are then processed to record the payments into the general ledger. Based on our test results, transportation impact fee revenue (recorded in Accela) did not agree with transportation impact fee revenue recorded in the general ledger for fiscal years 2019, 2020 and 2021, as of June 30, 2021. Discrepancies identified during our audit period are noted in the following table.

Fiscal Year	General Ledger	Accela	Variance
2019	\$ 14,765,814.68	\$ 14,825,540.35	\$ 59,725.67
2020	\$ 16,253,942.80	\$ 16,041,226.18	(\$212,716.62)
2021 ¹	\$ 14,170,157.91	\$ 14,136,089.85	(\$34,068.06)

¹ through June 30, 2021

Source: Auditor-Generated

Section V.D.1. of Finance Directive 02 states that reconciliations must be performed between all subsidiary ledgers and the general ledger, on a monthly or quarterly basis, and all discrepancies must be resolved within 30 days. The Development Services Department indicated that they were under the impression that such reconciliations were being completed by the Financial Management Services Department. However, Financial Management Services Department staff indicated they did not reconcile the general ledger to Accela, on behalf of the Development Services Department.

Reconciling Accela to the general ledger is necessary to decrease the risk of incorrect account postings, untimely corrections, and/or undetected misappropriations. Internal Audit recommended that Accela financial transactions and accounts be reconciled to the general ledger in the Planning and Development Software Audit, dated February 3, 2017. Management partially concurred with the recommendation, stating that Accela Automation had not been considered a subledger of the general ledger until the software audit. Management also stated that there was no interface between Accela and the general ledger, and that a monthly reconciliation to the general ledger would have to be done manually and would include thousands of transactions.

Internal Audit also previously recommended that the Development Services Department Director, in conjunction with the Chief Technology Officer, ensure that an automated eRDD interface between Accela and PeopleSoft ERP Financials be created and implemented as soon as possible. Development Services Department management concurred with the audit recommendation, and stated that the recommendation would be implemented to the extent that a connection and interface was feasible.

Recommendation 1A: *The Development Services Director should require that Accela financial transactions and accounts be routinely reconciled to the general ledger.*

Auditee’s Response: Development Services concurs with the audit finding and that this is an area of concern for the program. Reconciliation is critical due to the amount of money received on a monthly and annual basis. Staff has identified the following strategies to correct this issue:

- The Transportation Impact Fee Office staff will create a Standard Operating Procedure (SOP) for Transportation Impact Fee Reconciliations with input from the department’s Business



Support team. This will formalize and document the process to reconcile the transportation impact fees between Accela and the General Ledger. The SOP will be completed by January 31, 2022.

- The Transportation Impact Fee Office staff will begin monthly reconciliations in February 2022.

Target Implementation Date: February 1, 2022

Responsibility: Leo Mantey and Mirian Spencer

Applicable Department Head: D. J. Harrell, Development Services Department Director

Applicable Assistant City Manager: Dana Burghdoff

Recommendation 1B: *The Development Services Director should require that accountability is established for past unreconciled revenue, with particular focus on where less revenue is posted in the general ledger than in Accela.*

Auditee's Response: Development Services concurs with the audit finding and that this is an area of concern for the program. Reconciliation is critical due to the amount of money received on a monthly and annual basis. Staff has identified the following strategy to correct this issue:

- Using the SOP for Transportation Impact Fee Reconciliations created to address audit recommendation 1A, the Transportation Impact Fee Office staff will reconcile the previous year's accounts. The reconciliation and resolution of any findings will be completed by June 30, 2022.

Target Implementation Date: June 30, 2022

Responsibility: Leo Mantey and Mirian Spencer

Applicable Department Head: D. J. Harrell, Development Services Department Director

Applicable Assistant City Manager: Dana Burghdoff

2. In one instance, transportation impact fees were not billed as required by City Ordinance.

Internal Audit identified one instance where transportation impact fees should have been charged, but were not. Accurate assessments are necessary to help ensure that new development is paying for its fair share of improvements to the road system.

The one applicant should have been assessed transportation impact fees totaling \$2,245.00. However, no payment was recorded within Accela. Internal Audit was not provided an answer as to how the City could have issued a permit without receiving payment.

The Development Services Department's administrative guidelines for transportation impact fees are intended to guide the administration, application and interpretation of the City ordinance (Ordinance No. 18083-05-2008). Section 2, of those administrative guidelines, states that all final plats, within the corporate boundaries of Fort Worth, are assessed on the later of the effective date of the Ordinance



(July 1, 2008) or final plat approval by the City. The guidelines further state that credits are granted as recognition of arterial capacity construction (in lieu of fee payment), and that the availability of credit shall be determined by Development Services Department staff at building permit review, and that no credit shall be given absent an executed credit agreement or established credit pool. No credit agreement existed between the City of Fort Worth and this applicant.

Recommendation 2: *The Development Services Director should require compliance with the City Ordinance when assessing transportation impact fees.*

Auditee's Response: Development Services concurs with the audit finding. Transportation Impact Fee Staff have made progress in addressing this instance where the transportation impact fees were not billed as required by City Ordinance. Staff has reviewed the permit history. It was found that on March 10, 2019, Transportation Impact Fee staff reviewed the building permit; but the fee was not invoiced in the Accela system. Therefore, the building permit was able to be issued on March 19, 2019. Staff have now corrected this error in Accela. On Dec 2, 2021, Staff reached out to the applicant to advise them of the transportation impact fees that were due through the third-party plans examiner hired by the applicant to process their building permits. The third-party plans examiner has subsequently reached out to the applicant. Staff has sent follow up emails on Dec 13th and 22nd requesting the status of payment. Payment in full was received on Dec. 28th 2021. Transportation Impact Fee Staff will work with ITS partners to explore having Transportation Impact Fees auto invoice in the future. In addition, Staff will work with ITS to create and run scheduled system queries to identify all assessed fees to ensure all are invoiced properly in the future.

Target Implementation Date: January 31, 2022

Responsibility: Leo Mantey and Mirian Spencer

Applicable Department Head: D. J. Harrell, Development Services Department Director

Applicable Assistant City Manager: Dana Burghdoff



Acknowledgements

The Department of Internal Audit would like to thank the Development Services and Financial Management Services Departments for their cooperation and assistance during this audit.

Exhibit I – 2017 Transportation Impact Fee Service Areas

