

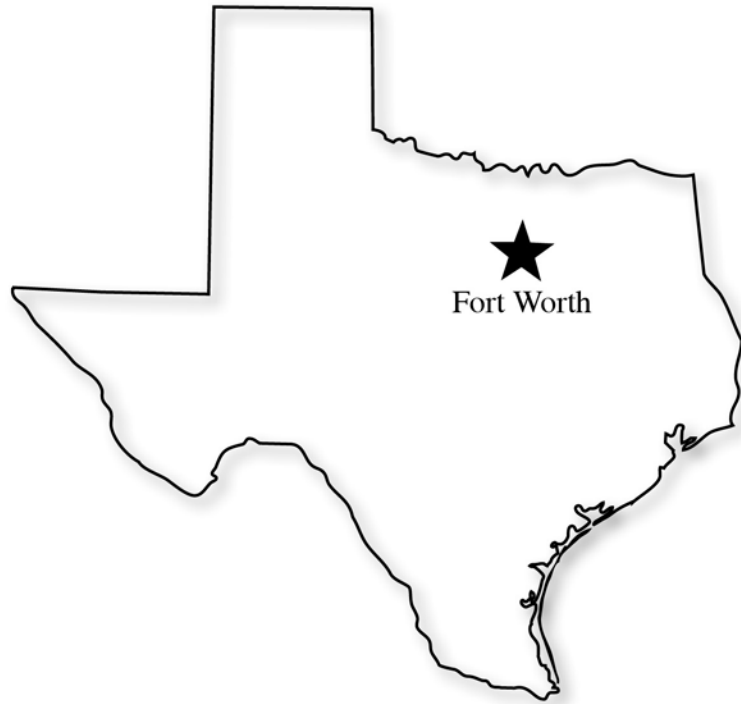


SINGLE AUDIT REPORT

For the Fiscal Year Ended September 30, 2008

CITY of FORT WORTH, TEXAS





Cover Photograph: Rodeo Plaza at the historic Fort Worth Stockyards.

Single Audit Report

For the Fiscal Year Ended
September 30, 2008

CITY OF FORT WORTH, TEXAS

Elected Officials

2008 City Council

Mike Moncrief, Mayor

Salvador Espino
Chuck Silcox
Danny Scarth
Frank Moss
Joel Burns

Jungus Jordan
Carter Burdette
Kathleen Hicks
Wendy Davis

City Manager

Dale A. Fisseler, P.E.

Assistant City Manager

Karen Montgomery

Chief Financial Officer

Lena Ellis

Independent Auditors

Deloitte & Touche LLP

Prepared by the Financial Management Services Department



This page intentionally left blank.

Introductory Section





This page left intentionally blank.

Single Audit Report

TABLE OF CONTENTS

	Page
Title Page	i
Table of Contents	iii
Purpose and Contents of This Report	v
Letter of Transmittal	vii
Overview	
Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based Upon An Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	1
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	3
Schedule Of Expenditures Of Federal And State Awards	
Federal	
U. S. Department of Agriculture	7
U. S. Department of Commerce	7
U. S. Department of Health and Human Services	7
U. S. Department of Housing and Urban Development	8
Equal Employment Opportunity Commission	9
U. S. Department of Justice	9
U. S. Department of Transportation	9
Environmental Protection Agency	11
Institute of Museum Services	11
U. S. Department of Homeland Security	11
U. S. Department of Energy	12
U. S. Department of Education	12
Executive Office of the President	12
Internal Revenue Service	12
State	
Texas State Attorney General's Office	12
Texas Department of Criminal Justice	12
Texas Department of State Health Services	12
Texas Department of Transportation	12
Texas Commission on Environmental Quality	13
Texas Comptroller of Public Accounts	13
Texas State Library and Archives Commission	13
Notes to Schedule of Expenditures of Federal and State Awards	15
Schedule of Findings and Questioned Costs	19
Corrective Action Plan	41
Status of Prior Audit Findings	55
List of Abbreviations	77



This page left intentionally blank.

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 prepared by the independent auditors are included in this document:

1. Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based Upon the 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 and Internal Control Over Compliance Applicable to Each Major Federal and State Award Program 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; 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.



This page left intentionally blank.



June 23, 2009

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, 2008 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 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 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.

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,

A handwritten signature in blue ink that reads "Karen L. Montgomery". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

Karen L. Montgomery
Assistant City Manager

A handwritten signature in blue ink that reads "Lena H. Ellis". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

Lena H. Ellis
Chief Financial Officer

OVERVIEW OF THE CITY'S FISCAL YEAR 2008 ANNUAL AUDIT

This report has been prepared in connection with the fiscal year 2008 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 2008 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.



This page left intentionally blank.

Independent Auditor's Opinion





This page left intentionally blank.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED UPON 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fort Worth, Texas (the “City”) as of and for the year ended September 30, 2008, which collectively comprise the City’s basic financial statements and have issued our report thereon dated June 23, 2009. Our report was modified to include 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 Pension Trust Fund for the year ended September 30, 2008 (which comprises 100% 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 Pension Trust Fund were not audited in accordance with *Government Auditing Standards*. Other auditors audited the financial statements of the Villas of Eastwood, a blended component unit of the City, for the year ended December 31, 2007, (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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 08-II.01 through 08-II.09 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all material weaknesses. However, of the significant deficiencies described above we consider items 08-II.01 through 08-II.03 to be material weaknesses as defined above.

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 grants, 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 June 23, 2009.

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 for the information 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

June 23, 2009

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

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 are applicable to each of its major federal and state programs for the year ended September 30, 2008. 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 on the City’s compliance with those requirements.

As described in item 08-III.10 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with the requirements regarding Eligibility that are applicable to its Low Income Housing Energy Assistance Program. As described in item 08-III.11 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with the requirements regarding the Davis-Bacon Act that are applicable to its Highway Planning and Construction program. As described in item 08-III.16 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with the requirements regarding Allowable Costs that are applicable to its Section 108 Housing and Community Development Block Grant programs. 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 requirements referred to above that are applicable to each of its major federal and state programs for the year ended September 30, 2008. However, the results of our auditing procedures disclosed instances 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 items 08-III.01 through 08-III.3, 08-III.5 through 08-III.09, 08-III.14, and 08-III.17 through 08-III.19.

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.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 08-III.1 through 08-III.5, 08-III.9 through 08-III.15, 08-III.17, and 08-III.18 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 08-III.10 and 08-III.11 to be material weaknesses.

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 financial statements of the City as of and for the year ended September 30, 2008 and have issued our report dated June 23, 2009, 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 for the information 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

June 23, 2009



This page intentionally left blank.

Financial Section





This page intentionally left blank.

**CITY OF FORT WORTH, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2008**

GRANT AGENCY/PROJECT TITLE	FEDERAL CFDA NUMBER	COFW NUMBER	CONTRACT NUMBER	EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
EXPENDITURES OF FEDERAL AWARDS:					
U. S. DEPARTMENT OF AGRICULTURE					
Summer Food FY07	10.559	405191	TX-220-1003 CO 7543008	\$ 40,801	
Summer Food FY08	10.559	204277	TX 220-1003 CO 7543008	405,460	
Sub-total for Program				<u>446,261</u>	
Passed through Texas Forest Service:					
Urban Tree Planting Guide	10.664	420717	01-03-01	3	
Sub-total for Program				<u>3</u>	
Total U. S. Department of Agriculture				<u>446,264</u>	
U. S. DEPARTMENT OF COMMERCE					
J. Guinn Elementary School Renovation	11.300	212964	08-01-04076	38,092	
Total U. S. Department of Commerce				<u>38,092</u>	
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Early Childhood Resource Center					
Sub-total for Program	93.647	416290	90XP0278/01	7	
				<u>7</u>	
Children's Voices, Family Choices, Community Solutions					
Children's Voices, Family Choices, Community Solutions	93.104	416784	5 U79 SMS4497-04	6	
Children's Voices, Family Choices, Community Solutions	93.104	416785	5 U79 SMS4497-05	(354)	
Children's Voices, Family Choices, Community Solutions	93.104	416786	5 U79 SMS4497-06	1,228,809	
Sub-total for Program				<u>1,228,461</u>	
Passed through Texas Department of State Health Services:					
Immunization Outreach FY08	93.268	301196	2008-023573	59,476	
Sub-total for Program				<u>59,476</u>	
Triple Zero FY08					
Sub-total for Program	93.991	301211	2008-024520	35,197	
				<u>35,197</u>	
Bioterrorism Grant FY07					
Biochem Grant FY06	93.283	301219	2008-022929	402,130	
Bioterrorism Grant FY09	93.283	301082	7560005286A2006	1,039	
Sub-total for Program	93.283	301294	2008-028050	33,334	
				<u>436,503</u>	
Passed through Texas Department of					
Housing and Community Affairs:					
CSBG-FY07	93.569	200147	CO# 616039 ALL 617	457,067	
CSBG FY08	93.569	200234	61,080,000,199	672,308	
Sub-total for Program				<u>1,129,375</u>	
LIHEAP WEATHERIZATION					
CEAP FY07	93.568	200178	817039	281,115	
CEAP FY08	93.568	200148	587039-ALL 587	792,092	
Fuel Assistance, Low-income	93.568	200233	58080000149	1,649,187	
Sub-total for Program	93.568	200256	818039	132,012	
				<u>2,854,406</u>	
Passed through Texas Department of Human Services:					
Passed through North Central Texas Council of Governments:					
SSBG With NCTCOG FY06	93.667	203171	03090C01	189,948	
Sub-total for Program				<u>189,948</u>	
Total U. S. Department of Health and Human Services				<u>5,933,373</u>	

**CITY OF FORT WORTH, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2008**

GRANT AGENCY/PROJECT TITLE	FEDERAL CFDA NUMBER	COFW NUMBER	CONTRACT NUMBER	EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
HOME Program FY99	14.239	206128	M-99-MC-48-0204	\$ 126,497	\$ 126,497
HOME Program FY01	14.239	206698	M-01-MC-48-0024	131,004	131,004
HOME Program PY02-03	14.239	206772	M-02-MC-48-0204	158,534	158,534
HOME Program PY03-04	14.239	206846	M-03-MC-48-0204	1,527	1,527
HOME Program PY04-05	14.239	206930	M-04-MC-48-0204	356,595	286,767
HOME Program PY05-06	14.239	206006	M-05-MC-48-0204	357,947	112,387
HOME Program FY07-08	14.239	206181	M-07-MC-48-0204	117,949	-
ADDI-HOME FY07-08	14.239	206182	M-07-MC-48-0204	29,864	-
HOME Program PY 06-07	14.239	206141 &42	M-06-MC-48-0204	1,094,597	319,503
Housing Finance Corporation (Candletree Apts)	14.239	R109	City Contract 27925	28,308	
Sub-total for Program				<u>2,402,822</u>	<u>1,136,219</u>
CDBG 23rd Year PY97	14.218	206112	B-97-MC-48-0010	1,407	
CDBG 24th Year PY98	14.218	206122	B-98-MC-48-0010	19,849	
CDBG 25th Year PY99	14.218	206127	B-99-MC-48-0010	15,565	
CDBG 26th Year PY00	14.218	206132	B-00-MC-48-0010	105,624	
CDBG 27th Year PY01	14.218	206697	B-01-MC-48-0010	116,963	
CDBG YR 28 PY02-03	14.218	206771	B-02-MC-48-0010	186,441	
CDBG 29th Year PY03-04	14.218	206845	B-03-MC-48-0010	52,727	
CDBG 30th Year PY04-05	14.218	206929	B-04-MC-48-0010	757,959	
CDBG 31st Year PY05-06	14.218	206005	B-05-MC-48-0010	426,437	
CDBG 32nd Year PY06-07	14.218	206140	B-06-MC-48-0010	336,849	
CDBG YR 33 PY07-08	14.218	206180	B-07-MC-48-0010	3,775,125	708,251
CDBG YR 34 PY08-09	14.218	206270	B-08-MC-48-0010	1,067,244	184,068
Sub-total for Program				<u>6,862,190</u>	<u>892,319</u>
Section 108 Housing	14.248	R106	Note No. B-99-MC-48-0010	3,264,914	
Sub-total for Program				<u>3,264,914</u>	
Emergency Shelter Grant FY07	14.231	206143	S-06-MC-48-0006	3,446	
Emergency Shelter Grant FY08	14.231	206183	S-07-MC-48-0006	217,339	190,052
Emergency Shelter Grant FY09	14.231	206297	S-08-MC-48-0006	80,001	78,773
Sub-total for Program				<u>300,786</u>	<u>268,825</u>
Fair Housing Assistance Program	14.401	206882	FF206K306002	663	
Fair Housing Assistance Program	14.401	206047	FF206K056002	11,322	
Fair Housing Assistance Program	14.401	206979	FF206K046002	174	
Fair Housing Assistance Program	14.401	206136	FF206K066002	157,460	
Fair Housing Assistance Program	14.401	206223	FF206K076002	325,025	
Sub-total for Program				<u>494,644</u>	
Comprehensive Housing Counseling	14.169	206190	HC-07-0898-028	59,769	
Sub-total for Program				<u>59,769</u>	
Polytechnic Heights Urban Village EDI	14.251	206885	EDI#B-03-SP-TX-0760	223,538	223,538
Polytechnic Heights Urban Village EDI	14.251	206886	EDI#B-03-SP-TX-0767	737,674	737,674
Trinity River Vision EDI FY04	14.251	206993	EDI#B-04-SP-TX-0777	994,100	994,100
Trinity River Vision EDI FY05	14.251	206058	EDI B-05-SP-TX-0650	719,200	719,200
Trinity River Vision EDI FY06	14.251	206160	EDI B-06-SP-TX-0985	643,500	643,500
Sub-total for Program				<u>3,318,012</u>	<u>3,318,012</u>
Lead-based Paint Hazard Control Program	14.900	206029	TXLHB0305-05	1,048,069	
Sub-total for Program				<u>1,048,069</u>	
HOPWA GRANT PY05-06	14.241	206008	TXH05-F002	9,109	9,109
HOPWA GRANT PY06-07	14.241	206144	TXH06-F002	10,622	-
HOPWA GRANT PY07-08	14.241	206184	TXH07-F002	546,722	546,709
HOPWA GRANT PY08-09	14.241	206298	TX-H-08-F002	207,405	207,405
Sub-total for Program				<u>773,858</u>	<u>763,223</u>
Total U. S. Department of Housing and Urban Development				<u>18,525,064</u>	

**CITY OF FORT WORTH, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2008**

GRANT AGENCY/PROJECT TITLE	FEDERAL CFDA NUMBER	COFW NUMBER	CONTRACT NUMBER	EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION					
EEOC FY07	30.002	216146	7 FPSLP0063	\$ 3,000	
EEOC FY08	30.002	216258	7FPSLP0106	99,947	
Total Equal Employment Opportunity Commission				<u>102,947</u>	
U. S. DEPARTMENT OF JUSTICE					
Coverdell Forensic Sciences	16.742	202230	DN-07-A10-19873-01	71,123	
Coverdell Forensic Science Impr. FY07	16.742	453145	2006-DN-BX-0026	34,610	
Sub-total for Program				<u>105,733</u>	
Joint Urban Strike Team Increasing Community Efforts	16.595	219174	CFW Co. 33619	23,099	
Sub-total for Program				<u>23,099</u>	
COPS MORE-Making Officer Redeployment Effective	16.710	423334	95CLWX0066	(49,135)	
Sub-total for Program				<u>(49,135)</u>	
Human Trafficking Law Enforcement	16.582	423107	2006-VT-BX-0003	133,704	
Sub-total for Program				<u>133,704</u>	
Passed through Texas Department of Criminal Justice:					
DART FY08	16.588	202199	WF-07-V30-13414-10	65,129	
EDART FY08	16.588	202200	WF-07-V30-13415-10	64,381	
Domestic Assault Response Team	16.588	202260	WF-08-V30-13414-11	2,900	
Enhanced Domestic Assault Response Team	16.588	202261	WF-08-V30-13415-11	3,345	
Sub-total for Program				<u>135,755</u>	
Violence Against Women Grant	16.590	423166	2007-WE-AX-0004	307,022	
Sub-total for Program				<u>307,022</u>	
Tarrant County Area Justice Assistance Grant	16.738	423010	2005-DJ-BX-0354	39,366	
Tarrant County Area Justice Assistance Grant	16.738	423085	2006-DJ-BX-1180	55,119	
Sub-total for Program				<u>94,485</u>	
Passed through the North Texas Crime Commission:					
6 City Anti-Gang Init.:Gang Crime Reduct	16.744	462155	CO2006-MU-MU-0003	137,143	
Fugitive Apprehension Strike Team	16.744	462188	CO2006-MU-MU-0003	22,096	
PSN - NPD 2	16.744	462229	CO2007-PG-BX-0061	128,833	
PSN/ANTI-GANG INITIATIVE	16.744	462248	CO2007-GP-CX-0022	56,090	
Sub-total for Program				<u>344,162</u>	
Passed through the Near Southeast Community Development Corporation:					
Community Prosecutor Program	16.595	459152	CFW Co. 34251	33,194	
Joint Law Enforcement/Neighbor	16.595	459240	CFW Co. 36680	18,420	
Joint Code Compliance Neighbor	16.595	459241	CFW Co. 36351	24,713	
Joint Law Enforcement Neighbor	16.595	459280	CFW Co. 37331	15,251	
Joint Code & Neighborhood Cleanup	16.595	459301	CFW Co. 37823	4,291	
Sub-total for Program				<u>95,869</u>	
Total U. S. Department of Justice				<u>1,190,694</u>	
U. S. DEPARTMENT OF TRANSPORTATION					
Alliance -Update 150 Noise Study	20.106	218872	3-48-0296-23-2004	34,258	
Alliance N/E T/W Access to Fedex	20.106	218934	3-48-296-25-2004	334,823	
Alliance-Runway Extension	20.106	218035	3-48-0296-27-2005	116,659	
Alliance R/W Extension Project 16R&16L	20.106	218935	3-48-0296-24-2004	(20,104)	
Alliance -POFZ Runway Precision Obstacle Free Zone	20.106	218087	3-48-0296-31-2006	108,369	
Alliance - ARFF Vehicle	20.106	218139	3-48-0296-29-2006	549,999	
Alliance - Design/Construct Improvements	20.106	218186	3-48-0296-32-2007	528,861	
Alliance - Runway Ext. - Ph VIII	20.106	218187	3-48-0296-33-2007	276,056	
Mecham - Phase IV-B	20.106	218974	3-48-0085-14-2005	869,038	
AFW Noise Study, ARFF Vehicle	20.106	218317	3-48-0293-36-2008	56,343	
Sub-total for Program				<u>2,854,302</u>	

**CITY OF FORT WORTH, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2008**

GRANT AGENCY/PROJECT TITLE	FEDERAL			CONTRACT NUMBER	EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
	CFDA NUMBER	COFW NUMBER				
Passed through Texas Department of Transportation:						
Spinks- Eastside Drainage Ditch	20.106	302753	0202FWSPK		\$ 68,003	*
Spinks-Airfield Upgrades-Phase II	20.106	302001	0502SPINK		248	*
Runway 16/34 Repair and Apron Expansion	20.106	302985	CSJ 0502 MEACH		86,150	*
Airport Systems Plan	20.106	302989	CSJ 0502FTWRH		16,300	*
Spinks-Wildcat Way No. & Eastside T/W	20.106	302070	CSJ# 0602SPINK		37,696	*
Spinks - R.A.M.P.	20.106	302133	CSJ# 0702SPINK		9,094	
Spinks - R.A.M.P.	20.106	302214	M802SPNKS		34,980	
Meacham - R.A.M.P.	20.106	302215	M802 MECHM		31,881	
Alliance - R.A.M.P.	20.106	302216	M802 ALNCE		32,208	
Alliance - R.A.M.P.	20.106	302309	M902ALNCE		765	
Spinks - R.A.M.P.	20.106	302310	M902SPNKS		761	
Sub-total for Program					<u>318,086</u>	
Comprehensive STEP FY07	20.600	302131	587XXF6013		118	
Commercial Vehicle STEP FY07	20.600	302132	587XXF6064		(195)	
Comprehensive Step FY08	20.600	302175	588-EGF-6140		406,434	
Commercial Vehicle STEP FY08	20.600	302176	588-EGF-6039		60,827	
STEP - Impaired Driving Mobility	20.600	302238	588XXF6030		50,442	
STEP - Click it or Ticket	20.600	302275	588XXF6029		23,715	
Sub-total for Program					<u>541,341</u>	
Traffic Signal System	20.205	302296	95XXF6009		110,685	
Signage and Information System	20.205	302825	0902-48-508		6,252	
State Highway 121 Tollway	20.205	302943	0902-48-585		71,209	
Magnolia Village I Pedestrian/Street Improvement	20.205	302054	0902-48-536		31,749	
Trinity River Trail System	20.205	302878	0902-48-557&581		16,102	
Berry Street Construction	20.205	302879	0902-48-558, 490, 410		37,298	
South of Seventh Project	20.205	302898	0902-48-562		188,434	
Sycamore School Road Quiet Zone Project	20.205	302156	0902-48-685		2,690	
Peach St Rr Safety Improvement Project	20.205	302157	02-7XXF6018		89,630	
Hemphill West Quiet Zone Project	20.205	302158	0902-48-686		45,099	
Magnolia Ave Rr Crossing Project	20.205	302159	0902-48-687		15,338	
Urban Village (Central Cluster)	20.205	456167	0902-48-681		35,883	
Urban Village (Southeast Cluster)	20.205	456168	0902-48-682		50,000	
Urban Village (Southwest Cluster)	20.205	456169	0902-48-683		81,366	
Ninth St. Pedestrian & Streetscape Development	20.205	302891	0902-48-495		569	
Hulen Street from IH20 to Banwick and Overton Ridge	20.205	C200	0902-48-907, 327		38,281	
3 New Bridges - N. Main St.	20.205	302217	0014-01-022		8,161	
3 New Bridges - Henderson St.	20.205	302218	0171-05-081		8,116	
So. Central High Speed Corridor	20.205	302253	0902-48-694		5,000	
Sub-total for Program					<u>841,862</u>	
Passed through Texas Parks and Wildlife:						
Regional Park Grant	20.219	306836	53-00009		64,950	
TPWD Rec Trail Fund Prgm-Heritage Trace	20.219	306920	771-07042		20,506	
Sub-total for Program					<u>85,456</u>	
Passed through North Central Texas Council of Governments:						
RTC - NCTCOG / Vehicle Purchases	20.205	203179	CFW No. 35402		72,120	
Sub-total for Program					<u>72,120</u>	
Passed through the Governor's Office of Emergency Management and the Texas Department of Public Safety:						
Hazardous Materials Emergency Preparedness FY07	20.703	450198	07-DEM-LEPC-12		(1)	
Sub-total for Program					<u>(1)</u>	
Total U.S. Department of Transportation					<u>4,713,166</u>	

* Includes Expenditures processed by Texas Department of Transportation

**CITY OF FORT WORTH, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2008**

GRANT AGENCY/PROJECT TITLE	FEDERAL CFDA NUMBER	COFW NUMBER	CONTRACT NUMBER	EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
ENVIRONMENTAL PROTECTION AGENCY					
Brownfields Cleanup Revolving Loan Fund	66.818	214680	BL-98690701	\$ 752,668	
Brownfields Study	66.818	214894	BF-97676101-0	54,901	
Sub-total for Program				<u>807,569</u>	
Passed through Texas Water Development Board:					
Clean Water State Revolving Fund-tier 3	66.458	P272	132700-project 71722	672,860	
Clean Water State Revolving Fund-tier 3	66.458	P255	DWSRF - 2007	1,324,522	
Sub-total for Program				<u>1,997,382</u>	
Drinking Water State Revolving Fund-tier 3	66.468	P262	Project -61152	1,780,089	
Drinking Water State Revolving Fund-tier 3	66.468	P254	CWSRTier III 2007	756,265	
Sub-total for Program				<u>2,536,354</u>	
Passed through Texas Commission for Environmental Quality (TCEQ):					
Local Air Pollution Monitoring Sites-PM2.5 Monitoring	66.034	412120	582-7-72658	26,871	
Sub-total for Program				<u>26,871</u>	
(EPA) Section 105	66.605	412208	582-8-72685	93,297	
Sub-total for Program				<u>93,297</u>	
Total Environmental Protection Agency				<u>5,461,473</u>	
INSTITUTE OF MUSEUM SERVICES					
Passed through Texas State Library and Archives Commission:					
Interlibrary Loan Service FY08	45.310	308192	771-08005	287,715	
Interlibrary Loan Service FY09	45.310	308279	771-09020	29,799	
Sub-total for Program				<u>317,514</u>	
Total Institute of Museum Services				<u>317,514</u>	
DEPARTMENT OF HOMELAND SECURITY					
Passed through Texas Governor's Division of Emergency Management:					
Texas Homeland Security FY05-UASI	97.008	442172	06-SR-27000-01	1,569,235	
Texas Homeland Security FY06-UASI	97.008	442071A	2005 HSGP-27000	217,565	
HSGP-UASI FY07	97.008	442236	07-SR-27000-01	268,056	
Sub-total for Program				<u>2,054,856</u>	
Texas Homeland Security FY05-MMRS	97.071	442173	2006 SR-27000-01	114,739	
Texas Homeland Security FY06-MMRS	97.071	442071B	2005 HSGP-27000	51,578	
HSGP-MMRS FY07	97.071	442237	07 SR 27000-01	25,203	
Sub-total for Program				<u>191,520</u>	
HSGP-LETPP FY06	97.074	442206	2006-GA-27000-02	55,594	
Sub-total for Program				<u>55,594</u>	
Buffer Zone Protection Program	97.078	450163	2006-BZ-T6-0032	174,978	
Sub-total for Program				<u>174,978</u>	
Emergency Management Perform Grant FY07	97.042	450213	CSC# 18700	(257)	
Emergency Management FY08	97.042	450232	08TX-EMPG-0177	144,426	
Sub-total for Program				<u>144,169</u>	
Assistance to Firefighters grant	97.044	446282	EMW-2007-FO-30407	22,723	
Sub-total for Program				<u>22,723</u>	
Hurricane Katrina Disaster Relief	97.036	446055	FEMA 3216-EM-TX	(2,079)	
Hurricane Gustav	97.036	446315	EM-3290-TX	362,434	
Hurricane Ike	97.036	446320	EM-3294-TX	1,118,519	
Sub-total for Program				<u>1,478,874</u>	
Passed through Texas Commission on Environmental Quality:					
BioWatch Monitoring Activities	97.091	412119	582-7-72674	351,286	
Sub-total for Program				<u>351,286</u>	
Total Department of Homeland Security				<u>4,474,000</u>	

**CITY OF FORT WORTH, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2008**

GRANT AGENCY/PROJECT TITLE	FEDERAL CFDA NUMBER	COFW NUMBER	CONTRACT NUMBER	EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
U. S. DEPARTMENT OF ENERGY					
Passed through Texas Department of Housing and Community Affairs:					
DOE Weatherization	81.042	200177	567039	\$ 169,567	
DOE Weatherization	81.042	200255	568039	90,356	
Total U. S. Department of Energy				<u>259,923</u>	
U. S. DEPARTMENT OF EDUCATION					
Passed through Texas Education Agency and Fort Worth ISD:					
Fort Worth ISD 21st Century Learning Program	84.287	449977	CFW No. 30851	70,851	
Sub-total for Program				<u>70,851</u>	
Passed through Texas Education Agency:					
Diamond Hill Coalition FY08	84.298	403306	086000297110001	44,631	\$ 44,631
Sub-total for Program				<u>44,631</u>	<u>44,631</u>
Total U.S. Department of Education				<u>115,482</u>	
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	07.XXX	GG01	15PNT501-CS #31555	85,736	
Total Executive Office of the President				<u>85,736</u>	
IRS - Criminal Investigation	21.XXX	478264	CFW No. 37071	4,028	
Total IRS				<u>4,028</u>	
Total Expenditures of Federal Awards				<u>41,667,756</u>	<u>6,423,229</u>
EXPENDITURES OF STATE AWARDS:					
TEXAS STATE ATTORNEY GENERAL'S OFFICE					
Other Victim Assistance Grant					
Total Texas State Attorney General's Office	NONE	473205	12/12/96	32,484	
				<u>32,484</u>	
TEXAS DEPARTMENT OF CRIMINAL JUSTICE					
Cold Case Investigations					
Cold Case FY08	NON	202095	SF-07-A10-17221-03	(59)	
Cold Case FY08	NONE	202202	SF-08-A10-17221-04	86,449	
Cold Case FY09	NONE	202262	SF-09-A10-17221-05	5,613	
Total Criminal Justice Division				<u>92,003</u>	
TEXAS DEPARTMENT OF STATE HEALTH SERVICES					
EMS Local Projects Grant FY08					
Total Texas Department of State Health Services	NONE	301249	2008-022512	15,000	
				<u>15,000</u>	
TEXAS DEPARTMENT OF TRANSPORTATION					
Hulen Street from IH20 to Banwick and Overton Ridge					
3 New Bridges - Henderson St.	NONE	C200	0902-48-907, 327	2,310	
Passed through the North Central Texas Council of Governments:	NONE	302218	0171-05-081	153	
Tarrant Regional Auto Crimes	NONE	422278	AGREEMENT	20,506	
Total Texas Department of Transportation				<u>22,969</u>	
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY					
Air Pollution Control Service FY07					
Ozone Monitoring Station	NONE	412040	582-6-74392	280,942	
Mow Down Air Pollution	NONE	412207	582-8-72691	57,755	
Total Texas Commission on Environmental Quality	NONE	412222	2007-011	1,961	
				<u>340,658</u>	

**CITY OF FORT WORTH, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2008**

GRANT AGENCY/PROJECT TITLE	FEDERAL CFDA NUMBER	COFW NUMBER	CONTRACT NUMBER	EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
TEXAS CONTROLLER OF PUBLIC ACCOUNTS					
Tobacco Compliance Grant FY07	NONE	443104	Letter of Agreement	\$ (219)	
Tobacco Compliance Grant FY08	NONE	443212	Letter of Agreement	27,000	
Passed through the University of Texas Health Science Center:					
Guinn School Renovaton	NONE	452046	CFW No. 32474	57,398	
Total Texas Comptroller of Public Accounts				<u>84,179</u>	
TEXAS STATE LIBRARY AND ARCHIVES COMMISSION					
Loan Star Libraries Grant FY08	NONE	308247	442-08179	<u>141,059</u>	
Total Texas State Library and Archives Commission				<u>141,059</u>	
Total Expenditures of State Awards				<u>728,352</u>	\$ -
Total Expenditures of Federal and State Awards				<u>\$ 42,396,108</u>	<u>\$ 6,423,229</u>

See Notes to the Schedule of Expenditures of Federal and State Awards



This page intentionally left blank.

CITY OF FORT WORTH
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2008

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, 2008.

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 government and all sub-awards to the City pursuant to federal and state grants, contracts and similar agreements. Major program categories are identified 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. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. 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, 2008 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.

In the opinion of City management potential HUD audit findings are estimated to be \$1,150,636 and an escrow account has been established for that purpose. Additional potential HUD findings might be forthcoming due to the North Main Mercado Project Section 108 review for national objective compliance.

CITY OF FORT WORTH
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2008

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 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 2008 the City of Fort Worth received \$159,757 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, 2008:

- Mercado Project, Commitment No. B-97-MC-48-0010 \$ 2,120,000
- Mercado Project-due within one year 265,000
- Mercado Project-Total \$2,385,000

- Evans Avenue and Rosedale Street Business and Cultural District Project, Commitment No. B-99-MC-48-0010 \$ 6,027,000
- Evans Avenue and Rosedale Street –due within one year 396,000
- Evans Avenue and Rosedale Street-Total \$6,423,000

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, 2008 the outstanding loan balances were:

- TWDB Series 2005 \$ 6,485,000
- TWDB Series 2005-due within one year 355,000
- Series 2005-Total \$6,840,000

- TWDB Series 2005A \$10,070,000
- TWDB Series 2005-due within one year 490,000
- Series 2005A-Total \$10,560,000

- TWDB Series 2007A \$32,100,000
- TWDB Series 2007A-due within one year 1,460,000
- Series 2007A-Total \$33,560,000

CITY OF FORT WORTH
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2008

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, 2008 the outstanding loan balance was:

• TWDB Series 2005B	\$51,455,000	
• TWDB Series 2005 B-due within one year	<u>2,855,000</u>	
Series 2005 B-total		<u>\$54,310,000</u>
• TWDB Series 2007 B-due within one year	<u>\$1,800,000</u>	
Series 2007 B-total		<u>\$ 1,800,000</u>

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.



This page intentionally left blank.

Independent Auditor's Findings





This page left intentionally blank.

CITY OF FORT WORTH, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS SEPTEMBER 30, 2008

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:

- Community Development Block Grant, which is qualified for Allowable Costs
- Section 108 Housing, which is qualified for Allowable Costs
- Highway Planning and Construction, which is qualified for Davis-Bacon Act
- Low Income Housing Energy Assistance Program, which is qualified for Eligibility

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

Identification of major programs:

Federal:

14.218	Community Development Block Grant
14.248	Section 108 Housing
14.251	Economic Development Initiative
20.106	Airport Improvement Program
20.205	Highway Planning and Construction
93.104	Children’s Voices, Family Choices, Community Solutions
93.568	Low Income Housing Energy Assistance Program
97.004/97.067	
(97.008, 97.071, 97.074)	Homeland Security Grant Program Cluster
97.036	Hurricane Disaster Relief

State:

Air Pollution Control Services
Loan Star Libraries

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

Federal: \$1,200,000

State: \$300,000

Auditee qualified as low-risk auditee? No

Part II—Findings Related to the Financial Statements

08-II.1 Material Weakness: Accounting for Capital Assets (updated from fiscal years 2004-2007)

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 2008, we did not note the level of errors that were noted in previous years related to capital assets. Audit adjustments for fiscal 2008 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:

- A lack of formally written policies and procedures to be applied by all departments of the City.
- An inconsistent application by various departments of the City’s policies and procedures as currently implemented.
- An incomplete understanding of the nature and purpose of accounting for Construction-in-Progress (“CIP”) by some departmental personnel.
- A lack of proper communication between the Financial Management Services Department and other City departments regarding donated assets received by the City, resulting in incomplete recording of donated assets.

- A significant work load required of Financial Management Services Department accountants related to capital assets.

Context – Capital assets represent the City’s single largest asset. As of September 30, 2008, the City has over 1,500 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 guidance on the proper procedures to account for transactions or purchases. Formal procedures are not in place to establish timely communication between the various departments and the Financial Management Services Department.

Effect – Various 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.

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 insure 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.
- Develop a City-wide policy that defines when CIP projects are considered complete and should be transferred to completed assets. Develop a City policy that defines the date on which developer contributions should be added to capital assets. In addition, develop policies on accounting for capital assets in general and the related reconciliation processes. Ensure that such policies are implemented and enforced.
- Implement controls over the application of overhead and direct labor charges to CIP projects and develop procedures that require the review and approval of these charges for accuracy and propriety.
- 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 assets.
- Perform an evaluation of the useful life and salvage value estimates for classes or types of capital assets by comparing to actual experience to ensure they are reasonable.
- On an overall basis, improve communication between the operating departments and the Financial Management Services Departments related to capital assets.

Views of Responsible Officials – See Corrective Action Plan.

08-II.2 Material Weakness: Reporting Component Units (updated from fiscal years 2005-2007)

Criteria – Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39 *Determining Whether Certain Organizations are Component Units* provides guidance on the reporting of related organizations in the City’s basic financial statements.

Condition – The City did not accurately classify some organizations closely related to the City as component units. While the City has a process in place to identify potential component units, it did not include a thorough consideration of all criteria set forth in GASB Statement No. 14 and GASB Statement No. 39. Final conclusions for these related entities were not reviewed by someone knowledgeable of the guidance and the City’s relationship to the entities. There is no consistent process in place to review activities of component units to determine whether their activities are properly accounted for in the City’s general ledger.

Context – There are a number of potential component units (or related organizations) for the City that require assessment each year regarding their classification as component units and their financial activities.

Effect – Improper assessment of component units creates the potential for under-reporting of the reporting entity.

Cause – There is no formal process for monitoring the status and financial activities of component units. Arrangements between the City and related organizations are frequently made by various departments within the City without proper communication of these relationships to the Financial Management Services Department.

Recommendation – Perform an annual re-assessment of all potential component units to insure that their classification remains appropriate. This analysis should consider the basic criteria of GASB 14, but should also consider the additional criteria of GASB 39. In addition, the financial activities of these related entities should be monitored to insure that proper accounting for their financial activities are recorded in the City’s financial statements.

Views of Responsible Officials – See Corrective Action Plan.

08-II.3 Material Weakness: Cash Management Controls

Criteria – Proper and timely accounting of all cash and investment transactions within the City’s general ledger is critical to adequate controls over those balances.

Condition – In December 2007 the City issued certain water bonds, but the City’s Financial Management Services Department did not become aware of the transaction until March 2009. After the City recorded the transaction in March we noted that although the funds were now included in total cash and investments, they were not included within the City’s overall reconciliation of cash and investments. Upon our notification to the City of this fact, the additional account was also added to the overall cash and investments reconciliation process.

Context – The total amount of the funds were approximately \$30 million.

Cause – There appears to be incomplete communication of all of the cash and investment transactions between the treasury department and the Financial Management Services Department. Although the transaction occurred in the early part of fiscal year 2008, the Financial Management Services Department did not learn of the transaction or record it until well after year end.

Effect – The absence of the funds from the City’s records created an imbalance between the funds actually on deposit, or invested with the bank, and the City’s general ledger. This occurred because Financial Management Services Department personnel were not aware of the additional account.

Recommendation – Implement a formal communication process between the treasury function and the accounting function to properly report on a timely basis all debt issuances and new account deposits that occur throughout the year. In addition, on a monthly basis prepare an overall summary of all the individual bank and investment account reconciliations in order to reconcile the total of all accounts to the general ledger.

Views of Responsible Officials – See Corrective Action Plan.

08-II.4 Significant Deficiency: Grant Management (updated from fiscal years 2005-2007)

Criteria – OMB Circular A-133 requires the City to annually prepare a Schedule of Expenditures of Federal and State Awards (“SEFA”) that lists all expenditures related to Federal and State award programs for that year.

Condition – The City worked very hard to prepare an accurate SEFA for the year ended September 30, 2008. However, numerous errors were noted which required adjustment in the schedule. Although not material to the City as a whole, these errors required substantial effort to research and correct.

Context – For the year ended September 30, 2008, the City managed more than 150 different Federal and State grant awards. 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 create a difficult process in accumulating the data for the schedule. Nonstandard grants require research that was not properly or timely performed by grant accounting personnel.

Effect – An improperly prepared SEFA misstates the expenditures for grant awards reported to the granting agencies. Further, errors in revenue recognition or untimely capital asset recording can occur 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.

Views of Responsible Officials – See Corrective Action Plan.

08-II.5 Significant Deficiency: Documentation of Policies and Procedures Related to Accounting and Financial Reporting (updated from fiscal years 2006 and 2007)

Criteria – Policies and procedures related to control activities should be adequately documented in order to provide a consistent framework for the application of accounting and reporting.

Condition – There is currently a general lack of documented policies and procedures related to accounting and reporting. As a result, there are instances of improper accounting entries recorded that require subsequent correcting journal entries. The City is currently using a combination of intensive internal supervisory reviews as well as additional reviews by an outside consultant to analyze year-end trial balances and make corrections before performing final closes and preparing financial statements. This process appears to generally be identifying most errors; however, a better process would be the correct recording of entries initially and prior

to review by supervisors or consultants. Heavy reliance on this review process could result in some errors not being detected and corrected on a timely basis.

Context – Current governmental accounting and reporting requirements are very complex and require thoughtful and consistent policies and procedures that are well-documented in order to ensure consistent application.

Cause – A rapidly changing public sector environment, combined with an outdated system has created many situations in which consistent application of procedures is difficult and often absent.

Effect – The lack of formal policies and procedures contributes to inconsistent application of accounting and reporting methodologies and creates an environment in which changes in personnel can result in errors in the accounting function.

Recommendation – We recognize that the City is working on a project to provide appropriate documentation of all accounting and reporting policies and procedures. We recommend swift completion and implementation of this project, including continuous training of all accounting personnel. Consider a periodic update to ensure that all policies and procedures remain appropriate in the changing municipal financial environment. Ensure that documented policies and procedures cover all aspects of the City's financial operations, including both manual and IT-driven procedures. In addition, ensure that training is provided to all appropriate accounting and departmental personnel.

Views of Responsible Officials – See Corrective Action Plan.

08-II.6 Significant Deficiency: Court System Accounts Receivable and Escrow Liabilities (updated from fiscal years 2006 and 2007)

Criteria – The activities of the City's municipal courts system generates both accounts receivable and escrow liabilities. The court fines and fees should be appropriately calculated, recorded, and reserved, as necessary.

Condition – Based upon a review by Internal Audit, certain deficiencies were noted in the calculation and recording of court costs payable to the State of Texas. The City completed a reconciliation of these accounts in February 2009 and has recorded certain adjustments to the City's general ledger.

Context – Although a formalized review of the system has now been completed, a final conclusion and settlement has not yet been reached and agreed to by the State of Texas. An audit by state auditors is now underway.

Cause – The City implemented a new court system in calendar year 2006. With this implementation certain errors in the calculation and allocation of court fines and fees occurred and were not initially detected.

Effect – Improper use of the courts system could result in errors in processing of court fines and fees and improper assessment of the amounts due to or due from the City related to citizens or other parties.

Recommendation – Work to resolve any remaining issues with the state auditors and make any necessary final corrections to the records. Insure that any deficiencies noted in the City's processes are fully addressed.

Views of Responsible Officials – See Corrective Action Plan.

08-II.7 Significant Deficiency: Computer System Access Controls (updated from fiscal years 2006 and 2007)

Criteria – Access controls are key controls to the City’s financial systems in order to protect financial data from improper accounting and reporting.

Condition and Cause – The following deficiencies were noted during the review of General Computer Controls over the City’s financial system and the water billing system :

Policies and Procedures: Formal security policies, procedures and standards have not been updated by management. A draft report is currently under review, but has not been approved by City management as of the date of this report.

Strong Password Enforcement: The City’s systems are not configured to force users to use a strong password across all the systems. Although the users are required to access the systems through Windows login that forces users to use relatively strong passwords (with the exception of complexity requirement), the password requirements for other systems that include MARS, RACF, BuySpeed, DataWarehouse, and Sunguard, were noted to be generally weak.

User Access Reviews: User access to the IT systems is not reviewed on a periodic basis to identify and correct any inappropriate access.

User Access Termination: Based on limited testing, three instances of terminated employees with access to the IT systems were noted. It was also noted that the City considers it to be the responsibility of the department heads to log a helpdesk ticket when a user is terminated or transferred. In such instances, a control requiring periodic user access review would allow management to detect and correct any inappropriate access.

Configuration Reviews: The key configuration data sets and user roles are not reviewed on a periodic basis. This includes the appropriateness of access controls to datasets that are not protected by the security mechanisms (RACF protected dataset), direct access to data (direct database update access or command line access) and definition of key user roles within the applications.

Security Administration Privileges: We noted a number of instances of excessive administrator privileges to various IT systems. For example, apart from the IT personnel, 25 other users have administrative privileges to the CourtView system, 24 system accounts have administrator privileges on the Windows domain that may not be needed, and the Financial Management Services Department personnel have administrative privileges on the Buy-Speed database that may not be needed.

Context - Management is 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. The City is currently reestablishing and documenting policies and procedures related to controls.

Effect- Unauthorized access to an entity’s information systems can potentially allow damage to the data which can lead to the integrity of the system or information maintained in the system being compromised.

Recommendation - The following should be considered:

- Formal security policies, procedures and standards should be implemented by management. Periodic reviews or monitoring controls should be established to ensure that the established policies are appropriately implemented on all the systems and remain pertinent.

- System access of all personnel and key security configuration should be reviewed on a regular basis to ensure it is appropriate at all times.
- Appropriate security monitoring controls should be established and implemented based on the City's comprehensive security risk assessment.

Views of Responsible Officials - See Corrective Action Plan.

08-II.8 Significant Deficiency: Change Management of Computer Controls (updated from fiscal years 2006 and 2007)

Criteria – As changes are made to the City's systems (programs, databases, operating systems and networks), those changes should be fully tested and authorized by management to ensure integrity of data during the change process.

Condition – The City has designed and implemented a Change Management Policy, but the current processes do not require that all changes are processed in accordance with the change management policy. Some of the specific cases noted were as follows:

Emergency Changes: The programmers are given access to make changes directly in the production environment using special access (emergency access) to correct problems that are to be fixed on an urgent basis. When programmers are given such access, the access is left open for a period of 24 hours during regular weekdays and possibly up to 48 hours or more on the weekends before the access is disabled. Any change made by the programmer using such special access is not logged and reviewed for appropriateness and it is possible for a programmer to make unauthorized changes using this special access privilege.

Migrating Changes: In the Water Services IT department, the Administrators implement changes in the production environment and also perform programming duties. In such cases, if unauthorized changes are made, they would not be detected by management on a timely basis.

Context – The City's IT department regularly reviews changes submitted through the change control process, but does not prevent IT personnel from making changes outside of the City's policy.

Effect – Unauthorized changes may lead to material changes going undetected in the system.

Cause – The current processes and system configurations do not prevent a programmer or IT administrator from implementing a change that has not been approved by management. There is a lack of clear segregation of duties due to lack of technical knowledge or availability of adequate personnel.

Recommendation – Management should implement adequate preventive controls that restrict the same person or programmer from implementing a change to the system without adequate testing or approval. In cases where it is not feasible to have adequate segregation of IT functions, management should consider implementing monitoring controls, such as a review of the log of changes or a peer review of all changes performed.

Views of Responsible Officials - See Corrective Action Plan.

08-II.9 Significant Deficiency: Processing Expenditures in Excess of Budget

Criteria – City policy requires that budgeted funds be available before expenditures can be processed within the system. City Council has the authority to amend the original budget to realign funds or release additional funds for spending; however, such spending should not occur until approval of such amendments has taken place.

Condition – In certain instances, we noted that expenditures were incurred before the City Council approved an amended budget, thus resulting in actual expenditures that were in excess of budgetary amounts.

Context – Budgetary comparison reports for July 2008 reflected overspent budgets for several funds, including the General Fund, without prior approval from the City Council.

Cause – The timing of expenditures sometimes causes unexpected budgetary differences that require a budgetary amendment approval by the City Council.

Effect – In order for the budgetary control process to be an effective control over City expenditures, approval must be obtained prior to the expenditure of the funds.

Recommendation – The budgetary process for a large city is certainly a very complex and inexact process. However, the strengths and benefits of pre-approval of expenditure levels by City Council are worthy of the efforts it takes to insure the process is effective. Reconsider the required procedures that would allow for a more timely approval of expenditures by the City council. Such consideration might include:

- A reconsideration of the actual requirements of the City charter as they relate to specific approval of expenditures.
- A reconsideration of the annual budgetary process to more closely plan for anticipated expenditures.
- A reconsideration of the usefulness of an encumbrance process in anticipating contemplated expenditures that might exceed the original budget and require amendment.
- A reconsideration of the timing and form of monthly reporting of expenditures as compared to budget, accompanied by estimations of future additional expenditures.
- A reconsideration of the budgetary level of control desired by City Council – whether at the functional, departmental, or some other level of reporting.

Views of Responsible Officials – See Corrective Action Plan.

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

08-III.1 Significant Deficiency in Controls and Non-Compliance Finding: Economic Development Initiative Reporting

Program – CFDA 14.251, Economic Development Initiative, from the Department of Housing and Urban Development, 2008

Criteria – Semi-annual progress reports must be submitted every six months. Reports should be reviewed prior to submission.

Condition – Submitted reports were past due, contained incorrect information, and were not reviewed prior to submission.

Questioned Costs – None

Context - 4 of 10 reports selected for testing were not reviewed. 6 of 10 reports were submitted late.

Cause - Reports were delayed or submitted without review due to a change in grant management and insufficient implementation of controls over grant reporting.

Effect – Failure to submit timely reports that have been appropriately reviewed and approved may lead to erroneous reporting and could result in the reduction or denial of funding by the granting agency.

Recommendation - Maintain a list of all reporting deadlines and establish procedures for the timely review and approval of reports to ensure accurate and complete reports are submitted to the funding agency in accordance with grant deadlines.

Views of Responsible Officials – See Corrective Action Plan

08-III.2 Significant Deficiency in Controls and Non-Compliance Finding: Economic Development Initiative Subrecipient Monitoring

Program – CFDA 14.251, Economic Development Initiative, from the Department of Housing and Urban Development, 2008

Criteria – Local governments that provide Federal awards to subrecipients are required to monitor subrecipient compliance with the requirements of OMB Circular A-133. The subrecipients' audit reports should be obtained and reviewed, and instances of noncompliance must be addressed by appropriate corrective action within six months. (24 CFR 85.26)

Condition – The City did not receive or retain the financial statement or single audit reports for certain subrecipients. No documentation was available to support a review of the reports.

Questioned Costs – None

Context - The City did not receive the audit report for one subrecipient and did not retain the audit report for another subrecipient. There was no documentation available to show that the report not retained was reviewed.

Cause - Grant management was unaware of the requirement to obtain, review, and retain the A-133 audit report, and document such review.

Effect – Without the A-133 audit report, the City is unable to monitor whether its subrecipients take timely and appropriate corrective action on all audit findings. Furthermore, in cases of continued inability or unwillingness of a subrecipient to have the required audits, the City is required to take appropriate action using sanctions, in accordance with OMB Circular A-133.

Recommendation - Request A-133 audit reports annually for all subrecipients. All subrecipients should be reviewed annually for compliance with the contracts, and the review should be adequately documented. The A-133 audit report and documentation of the review should be retained by the City.

Views of Responsible Officials – See Corrective Action Plan.

08-III.3 Significant Deficiency in Controls and Non-Compliance Finding: Homeland Security Allowable Costs

Program - CFDA 97.004/97.067 (97.008, 97.071, 97.074) Homeland Security Grant Program Cluster, from the Department of Homeland Security, 2008

Criteria – Travel expenses should be reasonable and are allowable to the extent that they do not exceed charges normally allowed by the governmental unit. The rates and amounts for travel established under subchapter I of Chapter 57, Title 5, United States Code or by the Administrator or General Services or by the President should be used in the absence of policy for the governmental unit. (2 CFR 225.43b)

Condition – The City’s travel policy does specify allowable rates for lodging. As such, the General Services Administration approved rates were used to determine reasonableness for travel costs. Lodging rates for charged travel exceeded the approved rate allowed by the General Services Administration.

Questioned Costs – \$508

Context - 3 out of 3 travel expenses selected for testing were found to have charged lodging rates that exceeded the allowable amount from the General Services Administration.

Cause - Grant management did not use approved rates from the General Services Administration (or other approved sources) to determine appropriate lodging costs for travel expenses charged to the grant.

Effect – Travel costs that exceed the federally-allowed amounts may be rejected when submitted for reimbursement.

Recommendation – Develop a local policy that sets forth approved rates for travel and lodging, or use approved rates from the General Services Administration, found at “www.gsa.gov/perdiem,” for grant-related travel charges.

Views of Responsible Officials – See Corrective Action Plan

08-III.4 Significant Deficiency in Controls: Homeland Security Reporting

Program - CFDA 97.004/97.067 (97.008, 97.071, 97.074) Homeland Security Grant Program Cluster, from the Department of Homeland Security, 2008

Criteria – All reports should be complete and undergo a supervisory review and approval prior to submission.

Condition – There was no documentation that reports were reviewed prior to submission, and one report was incomplete when it was submitted.

Questioned Costs – None

Context - 6 of 6 reports selected for testing did not contain evidence of supervisor review and approval. One report was submitted early, and therefore was not complete as it did not represent the entire reporting period.

Cause - The incomplete report was submitted early and did not reflect the entire reporting period. Grant management was not aware that all reports should be reviewed prior to submission.

Effect – Failure to review and approve reports prior to submission may result in erroneous or improper reports being submitted to grantors.

Recommendation - Prepare reports after the close of the reporting period so that the reports are complete. Review all reports prior to submission. Print and retain copies of all online reports and document the review process.

Views of Responsible Officials – See Corrective Action Plan

08-III.5 Significant Deficiency in Controls and Non-Compliance Finding: Procurement, and Suspension and Debarment

Program – CFDA 14.218 Community Development Block Grant; 14.248 Section 108 Housing; 20.106 Airport Improvement Program; 20.205 Highway Planning and Construction; 93.104 Children’s Voices, Family Choices, Community Solutions; 97.004/97.067 (97.008, 97.071, 97.074) Homeland Security; 97.036 Hurricane Disaster Relief; LoanStar Libraries State Program

Criteria – Purchases with an expected value of \$25,000 or greater should be completed by the Purchasing Department in compliance with competitive bidding requirements and must be approved by City Council (AR C-9 8.3.4). Vendors should be checked for suspension and debarment before the City enters into a purchase agreement (44 CFR 17). Documentation of the competitive bid and check for suspension and debarment should be kept to maintain a record of compliance.

Condition – We identified several instances of control weaknesses and events of noncompliance related to requirements for procurement and suspension and debarment.

Questioned Costs – None

Context - We identified several issues related to the City’s procurement process, including:

- A purchasing contract over \$25,000 was not approved by City Council resulting in a violation of City policy
- For all vendors tested for compliance with suspension and debarment requirements, verification of vendor status was not performed until after year-end. However no vendors were noted to be suspended or debarred.
- A vendor was not properly checked for suspension and debarment as the City only makes purchases with this vendor through procurement cards. In addition, multiple procurement card purchases that totaled an amount greater than \$25,000 for one vendor were not competitively procured.

Cause - Requirements related to procurement and suspension and debarment are complicated and can be difficult to enforce if purchasing is decentralized or made through use of procurement cards.

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

Recommendation - Review the City’s policies and state laws (Texas Local Government Code Chapters 252 and 271) to ensure that procurement practices are in compliance with the applicable regulations, particularly

those related to suspension and debarment. Increase training on procurement regulations and procedures for all individuals involved in the procurement process including procurement card holders.

Views of Responsible Officials – See Corrective Action Plan

08-III.6 Non-Compliance Finding: Community Development Block Grant Davis-Bacon Act

Program - CFDA 14.218 Community Development Block Grant (“CDBG”) from the Department of Housing and Urban Development, 2008

Criteria – The requirements of the Davis-Bacon Act regarding the payment of prevailing wage rates are applicable to construction work for projects financed with CDBG grant funds, whether contracted by the managing department or contracted by another department or agency (49 USC 47112).

Condition – Compliance with Davis-Bacon requirements was not monitored for one construction project managed by another City department.

Questioned Costs – None

Context – The condition was noted for one construction contract.

Cause - The City’s Housing and Economic Development department designated responsibility for the construction of the Morningside Neighborhood project to another City department, which contracted the work out to an outside contractor, but did not request certified payrolls nor monitor the project for compliance with the Davis-Bacon Act.

Effect – Compliance with Davis-Bacon monitoring requirements for construction projects was not met.

Recommendation - Develop or modify communication methods to ensure that departments using CDBG funds for construction projects are monitoring for compliance with the Davis-Bacon Act.

Views of Responsible Officials – See Corrective Action Plan

08-III.7 Non-Compliance Finding: Airport Improvement Program Allowable Costs

Program – CFDA 20.106 Airport Improvement Program from the Department of Transportation, 2008

Criteria – Circular A-87, Attachment A, General Principles for Determining Allowable Costs, Section C. Basic Guidelines, stipulates that allowable costs must “be adequately documented.”

Condition – Of the 75 transactions tested for Allowed Activities/Allowable Costs, 6 payments to one contractor included charges totaling \$ 4,606 that lacked adequate documentation for two subcontractor charges and four postal charges.

Questioned Costs – \$4,606

Context – This issue was noted in 6 out of 75 transactions tested.

Cause - It appears that the invoices were approved without adequate supporting documentation.

Effect – Costs billed to grants that are not adequately documented may be questioned and disallowed by the grantor. As a result, the City may be requested to reimburse the grantor for these costs, since the City has already received the funds from the grantor.

Recommendation - Verify that costs charged to the grant are consistent with the contract terms and conditions and are adequately supported before approving the invoice for payment and requesting reimbursement from the grantor.

Views of Responsible Officials – See Corrective Action Plan

08-III.8 Non-Compliance Finding: Airport Improvement Program Allowable Costs

Program – CFDA 20.106 Airport Improvement Program from the Department of Transportation, 2008

Criteria – The City received three Texas Department of Transportation (TxDOT) State Assisted Airport Routine Maintenance grants in September 2007, one for each airport-Alliance, Meacham and Spinks, TxDOT Project AM2008ALNCE, AM2008MECHM and AM2008SPNKS, respectively. The grant documents specify the scope of services to be for Alliance- airport pavement markings and purchase of airfield runway lighting equipment; for Meacham-crack seal and seal coat RW 17/35 and install sprinkler system and landscaping at the Terminal Building; and for Spinks- crack seal and seal coat taxiway Alpha, stripe terminal parking lot, repair road to control tower and contract for AWOS AviMet Data Link and repair parts, to purchase herbicide and contract for airport sign.

Condition – Three invoices were paid for runway cleaning and glass beads for Alliance airport totaling \$24,219 that were not within the grant scope. Three invoices were paid for a dumpster pad and fence material and installation at Meacham totaling \$22,609 that were not within the grant scope. Four invoices were paid for fence material and installation at Spinks totaling \$35,715 that were not within the grant scope.

Questioned Costs – \$82,543

Context - The condition was noted in all three TxDOT-related grants.

Cause - Although the City had other uses for the grant funds, an amendment to the grant scope of services was not requested.

Effect – TxDOT approved and reimbursed the City for all of the above costs, but these costs were not within the original scope of the grant agreements.

Recommendation - Verify that grant expenses are allowable per the grant agreement or request an amendment to the original terms in order to maintain compliance with the grant requirements.

Views of Responsible Officials – See Corrective Action Plan

08-III.9 Significant Deficiency in Controls and Non-Compliance Finding: Low Income Home Energy Assistance Program Allowable Costs

Program – CFDA 93.568 Low Income Home Energy Assistance Program from the Department of Health and Human Services, 2008

Criteria – OMB Circular A-87 Section C.3.c states that “any cost allocable to a particular Federal award or cost objective under the principles provided for in this Circular may not be charged to other Federal awards to

overcome fund deficiencies, to avoid restrictions imposed by law or terms of the Federal awards, or for other reasons.” In addition, OMB Circular A-87 Attachment B 8.h.(4) states that “where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation.”

Condition – Certain Community Services Block Grant (“CSBG”) personnel costs were inappropriately transferred and charged to the Low Income Home Energy Assistance Program (“LIHEAP”).

Questioned Costs – \$67,551

Context - 1 of 45 items selected for testing represented personnel cost transfers.

Cause - Grant management approved the transfer of personnel costs from CSBG to LIHEAP to prevent overspending the CSBG grant award.

Effect – The granting agency may deem unsupported personnel costs unallowable resulting in a potential loss of reimbursement or future grant funding.

Recommendation - Improve monitoring of the grant budgets during the year to prevent overspending. Review OMB guidance surrounding required supporting documentation for allowable costs to ensure all personnel costs charged to the grant are appropriately supported.

Views of Responsible Officials – See Corrective Action Plan

08-III.10 Material Weakness in Controls and Material Non-Compliance Finding: Low Income Home Energy Assistance Program Eligibility

Program – CFDA 93.568 Low Income Home Energy Assistance Program from the Department of Health and Human Services, 2008

Criteria – Texas Department of Housing and Community Affairs and U.S. Department of Health and Human Services require maintenance of a client filing system which documents direct services rendered, applicant eligibility requirements, and is accessible for examination for three years.

Condition – Management was unable to provide selected applicant files to show proper eligibility support for applicants to the Low Income Home Energy Assistance Program. In addition, supervisory review of applicant files was not documented.

Questioned Costs – \$7,858

Context - 7 of 36 files selected for testing could not be located, 1 of 36 files was missing eligibility documents required for retention, and 15 of the 29 applicant files available for testing did not contain evidence of supervisory review. The 8 files (7 missing and 1 missing required eligibility documents) represented \$7,858 in grant expenditures.

Cause - Applicant files are processed and retained at nine decentralized locations throughout Tarrant County.

Effect – Lack of proper documentation or review of applicant files could result in grant funding being awarded to ineligible applicants or being reduced by the granting agency in the future due to noncompliance with grant requirements.

Recommendation - Implement a review process assuring proper documentation is retained in applicant files. In addition, implement proper document retention policies and filing procedures to ensure applicant files are properly retained for three years.

Views of Responsible Officials – See Corrective Action Plan

08-III.11 Material Weakness in Controls and Material Non-Compliance Finding: Highway Planning and Construction Davis-Bacon Act

Program – CFDA 20.205 Highway Planning and Construction from the Department of Transportation, 2008

Criteria – The requirements of the Davis-Bacon Act regarding monitoring and payment of prevailing wage rates are applicable to construction work for airport development projects financed with grants (49 USC 47112).

Condition – Compliance with Davis-Bacon requirements was not monitored for construction projects funded with federal grants passed through the Texas Department of Transportation.

Questioned Costs – None

Context - This issue was noted for one contractor on both of the two construction projects that were ongoing during the fiscal year: the Berry Street Reconstruction and Traffic Signal System Expansion projects.

Cause - Program management and staff members were not aware that the Davis-Bacon compliance requirement is applicable to pass-through grants received from the Texas Department of Transportation.

Effect – The City did not comply with Davis-Bacon monitoring requirements for construction projects passed through TXDOT.

Recommendation – Ensure that program managers that oversee or coordinate projects for TxDOT pass-through grants are informed about and understand the Davis-Bacon compliance requirement and how it is documented.

Views of Responsible Officials – See Corrective Action Plan

08-III.12 Significant Deficiency in Controls: Airport Improvement Program Revenue Diversion (Program Income)

Program – CFDA 20.106 Airport Improvement Program from the Department of Transportation, 2008

Criteria – The basic requirement for use of airport revenues is that all revenues generated by a public airport must be expended for the capital or operating costs of the airport, the local airport system, or other local facilities which are owned or operated by the owner or operator of the airport and are directly and substantially related to the actual air transportation of passengers or property.

Condition – The City does not have a written policy regarding the use of airport revenues generated by the airports owned by the City.

Questioned Costs – None

Context - The City owns the Alliance, Meacham and Spinks airports which generate fees and revenues from leasing hangars, mineral rights, and other sources.

Cause - The Aviation and Financial Management Services Department personnel are aware of the Federal Aviation Administration (FAA) requirement regarding diversion of revenue from airport activities but no written policy has been approved.

Effect – Without a policy on use of airport revenues, the City does not comply with FAA grant requirements, which includes having and complying with such a policy.

Recommendation - Adopt a formal policy on the use of airport revenues consistent with FAA requirements.

Views of Responsible Officials – See Corrective Action Plan

08-III.13 Significant Deficiency in Controls: Airport Improvement Program Procurement

Program – CFDA 20.106 Airport Improvement Program from the Department of Transportation, 2008

Criteria – The auditee’s compliance responsibility for a vendor is to ensure only that the procurement, receipt, and payment for goods and services comply with laws, regulations, and the provisions of contracts or grant agreements. A program’s compliance requirements normally do not pass through to vendors. However, the auditee is responsible for ensuring compliance for vendor transactions that are structured such that the vendor is responsible for program compliance or the vendor’s records should be reviewed to determine compliance.

Condition – The services for a grant-funded activity at Alliance Airport were further subcontracted to a third party by the management company. The City Purchasing Department has no file or data regarding this procurement.

Questioned Costs – None

Context - 2 of the 75 transactions selected for testing totaled \$18,259 and were paid to the aforementioned vendor.

Cause - Due to the City’s arrangement with an outside contractor to manage Alliance Airport projects, the outside contractor further contracted with another company for the runway cleaning services.

Effect – Although the City had no record of the activity and did not control the procurement activities surrounding the transaction, ultimate responsibility for compliance with federal procurement, suspension and debarment requirements is retained by the City. Failure to comply with such requirements can result in the reduction or denial of current or future funding.

Recommendation – In the event of outsourcing certain activities whereby the vendor becomes responsible for a compliance requirement, monitor all third party procurement activities in order to determine that federal, state and local requirements are met.

Views of Responsible Officials – See Corrective Action Plan

08-III.14 Significant Deficiency in Controls and Non-Compliance Finding: Highway Planning and Construction Program Income

Program – CFDA 20.205 Highway Planning and Construction from the Department of Transportation, 2008

Criteria – State and local governments may only use the Federal share of net income from the sale, use, or lease of real property previously acquired with Federal funds if the income is used for projects eligible under 23 USC (23 USC 156).

Condition – Rental contracts are managed by an outside contractor and were not available for review. Program income is not projected at the beginning of the project and is therefore not budgeted. As the project progressed and properties were acquired, individuals and businesses were charged rent until the properties were vacated. The rent was charged to encourage prompt vacancy of properties.

Questioned Costs – None

Context - \$26,766 of rental income was recorded for fiscal 2008.

Cause - There is not a policy or agreement in place with TxDOT for access to and use of the funds generated from rental income.

Effect – Communication with the Department of Transportation on the use of rental income on eligible projects is necessary so that there is a proper understanding between the City and the Federal and State agencies on use of program income.

Recommendation - Develop a written policy to comply with Federal guidelines for program income, including the use of rental income generated during the relocation process.

Views of Responsible Officials – See Corrective Action Plan

08-III.15 Significant Deficiency in Controls: Hurricane Disaster Relief Allowable Costs

Program – CFDA 97.036 Hurricane Disaster Relief from the Department of Homeland Security, 2008

Criteria – OMB Circular A-87 requires that costs charged by a local government to a grant must be allowable by requirements set forth in OMB guidance, along with requirements specified by the granting agency. Grant management should be aware of which costs are allowable and should implement controls to prevent ineligible costs from being charged to the grant.

Condition – Although no reportable questioned costs were identified during testing, our testing identified insufficient monitoring of costs charged to the grant. Department personnel participating in Hurricane relief efforts had the ability to charge expenditures to the grant, but did not have adequate knowledge of allowable costs. Persons knowledgeable of the grant were unable to review all charges for allowability.

Questioned Costs – None

Context – The hurricane-related expenditures were incurred during a very short time-span on an emergency basis.

Cause - Due to the emergency nature of the grant, management was unable to implement sufficient controls for allowable costs.

Effect – Lack of controls over allowable costs could result in ineligible costs being charged to the grant, which could ultimately lead to disallowance when submitted for reimbursement.

Recommendation - Persons knowledgeable of the grant and allowable costs should review all expenditures charged to the grant to ensure that they are allowable.

Views of Responsible Officials – See Corrective Action Plan

08-III.16 Material Non-Compliance Finding: Section 108 Housing and Community Development Block Grant Allowable Costs

Program – CFDA 14.248 Section 108 Housing and CFDA 14.218 Community Development Block Grant from the Department of Housing and Urban Development, 2008

Criteria – Based on the Contract for Loan Guarantee Assistance Under Section 108 of the Housing and Community Development Act of 1974, as Amended, 42 U.S.C. 5308, the Contract is pursuant to 24 CFR 570.703 (1) to develop a branch library and public health center. Guaranteed loan funds may be used for specified activities, provided such activities meet the requirements of §570.200, including acquisition, construction, reconstruction, rehabilitation or historic preservation, or installation of public facilities (except for buildings for the general conduct of government) to the extent eligible under §570.201(c), including public streets, sidewalks, other site improvements and public utilities, and remediation of known or suspected environmental contamination in conjunction with these activities.

Condition – A number of related transactions have occurred for which there is insufficient documentation of approvals from the granting agencies.

1. The contract with the Department of Housing and Urban Development (“HUD”) for the Mercado project completed several years ago required job creation of 109 jobs. The City has repaid HUD for the Section 108 funds used to build the Mercado, which was sold to a private company, but the jobs have not been created. The total of Community Development Block Grant (“CDBG”) funds used to repay HUD for the Mercado Section 108 Funds was \$ 1.1 million.
2. The contract with HUD for the Shamblee branch library combined HUD’s approval for \$6 million in funds to the library, as well as \$1.5 million for a loan program to businesses in the Evans/Rosedale area.
3. Housing Department personnel represented that the land on which the Shamblee Library was built was purchased with CDBG funds in prior years. The original and amended contract with HUD for the use of Section 108 Funds provided for the building of the branch library and a health facility. Only a branch library was built with federal funds, yet some expenditures were incurred towards the cost of the health facility land.
4. The City has used the Section 108 Loan funds to furnish and equip the Shamblee Library facility, including books, furniture, fixtures, network and telephone equipment and a video history of the library project.

Questioned Costs – Not determinable

Context – The City has been working through these issues with HUD, but no resolution on their allowability has yet been reached.

Cause - The Evans/Rosedale project has been ongoing for many years and under the direction of various staff members within the Housing and Economic Development Department. It appears that lack of proper oversight and administration of the Section 108 funds has resulted in the above conditions.

Effect – Undetermined allowability of costs could result in a required return of funds to HUD.

Recommendation – Continue the current discussions with HUD on the allowability of the costs incurred under these Section 108 projects. Obtain clarification from HUD personnel on whether the above conditions relate to inappropriate expenditures and document the resolution of these matters. Determine whether additional funds will be required to be returned to HUD.

Views of Responsible Officials – See Corrective Action Plan

08-III.17 Significant Deficiency in Controls and Non-Compliance Finding: Children’s Voices, Family Choices, Community Solutions Reporting

Program – CFDA 93.104 Children’s Voices, Family Choices, Community Solutions from the Department of Health and Human Services

Criteria – Federal Cash Transaction Report – 272 and SF269 Financial Status Report which is filed quarterly and annually, respectively, should report the appropriate amount of expenditures for that period.

Condition – The expenditure in the fourth quarter Federal Cash Transaction Report – 272 and annual SF269 Financial Status Report does not reflect the appropriate total expenditures for that period. The grant year 2008 SF269 FSR shows expenditures of \$1,150,000 which is \$79,000 less than the expenditures actually reflected in the City’s records. The difference is due to additional year-end accruals that were recorded by the City after the report was completed.

Questioned Costs – None

Context – The report is required to reflect actual expenditures for the year.

Cause – For fiscal 2008 the City’s accrual process was not completed within a reasonable time. Therefore, accounts payable accruals had not yet been input into the City’s system when the grant accountant obtained the figures from the system to report total expenditures for the quarter.

Effect – The expenditures reported in the grant year 2008 fourth quarter Federal Cash Transaction Report – 272 and SF269 Financial Status Report are misstated.

Recommendation - Complete the year-end accrual process within a reasonable time to account for the expenditures in appropriate period. Provide accurate data for input into the 4th quarter and year-end grant reports.

Views of Responsible Officials – See Corrective Action Plan

08-III.18 Significant Deficiency in Controls and Non-Compliance Finding: Section 108 Equipment and Real Property Management

Program – CFDA 14.248 Section 108 Housing from the Department of Housing and Urban Development, 2008

Criteria – Grantees must provide reasonable assurance that proper records are maintained for equipment acquired with Federal awards, equipment is adequately safeguarded and maintained, disposition or encumbrance of any equipment or real property is in accordance with Federal requirements.

Condition – Equipment and fixed assets acquired with Section 108 Funds for the Shamblee Library were not individually listed in the records of the City’s Fixed Assets Accounting System.

Questioned Costs – None

Context – The Shamblee library construction was partially funded with federal funds.

Cause - The Fixed Assets Accountant recorded equipment and fixed asset purchases for the Shamblee Library in a summarized manner.

Effect – Equipment and fixed assets selected for audit testing could not be traced into the City’s Fixed Assets Accounting System, since they were represented as summarized totals.

Recommendation – Ensure that the City’s Fixed Asset Accounting System lists individual equipment and fixed assets purchased with Section 108 Funds in order to identify such assets as acquired with Federal funds and to demonstrate proper stewardship for the assets acquired with the Federal funds.

Views of Responsible Officials – See Corrective Action Plan

08-III.19 Non-Compliance Finding: Community Development Block Grant Special Tests and Provisions

Program – CFDA 14.218 Community Development Block Grant from the Department of Housing and Urban Development, 2008

Criteria – The City is required to prepare a Citizen Participation Plan under the guidelines of the Department of Housing and Urban Development (“HUD”). HUD has informed the City that the City’s Citizen Participation Plan which has been in effect since 2000, contains some parts that do not comply with HUD’s Consolidated Plan Regulations.

Condition – HUD correspondence dated December 10, 2008 to the City, stated that the revised draft of the Citizen Participation Plan submitted June 13, 2008 contains most of the required elements but HUD requested the City to address the following items:

- The citizen participation plan must explain how it will be provided in a format accessible to persons with disabilities.
- The public comment period for the Consolidated Annual Performance and Evaluation Report (CAPER) is inconsistently identified in Sections C and I. The correct minimum comment period is 15 days.
- The City’s Community Development Council (CDC) plays an important role in the development of priorities for the City’s Consolidated Plan programs. However, this group is mentioned only once in the citizen participation plan, with very little information about how the public will be notified of its meetings.
- At least one public hearing must be conducted before the Consolidated Plan and Annual Action Plan are published for public comment. This must be incorporated into the Plan.

Questioned Costs – None

Context – The City has continued to work with HUD to resolve these matters, but has not yet fully obtained final approval from HUD on its revised plan.

Cause – The requirements for the plan must be fully met by the City and approved by HUD.

Effect – The City has not complied with HUD requirements for its Citizen Participation Plan.

Recommendation – Continue to work with HUD to obtain documentation from HUD on whether the revised Citizen Participation Plan complies with all requirements.

Views of Responsible Officials – See Corrective Action Plan

Corrective Action Plan





This page intentionally left blank.

**CITY OF FORT WORTH
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER, 30, 2008**

Findings Related to the Financial Statements

08-II.1 Material Weakness: Accounting for Capital Assets (updated from fiscal years 2004-2007)

Concur. At the end of the 3rd quarter of each fiscal year, City departments will receive all asset listings pertaining to their group regardless of type of asset (i.e. improvements, buildings, infrastructure, etc.) This will ensure that each department's assets are consistent with calculated depreciation, yearly additions and deletions.

The Financial Management Services Department's (FMS) Accounting Division will require each department to compare its information – resolving any differences with Accounting's records. This process will allow for a common information stream for internal and external users.

Additionally, the FMS is currently working with an outside consultant to identify and document processes and procedures related to construction-in-progress and capital asset tracking. The City is also seeking to partner with an external consultant to complete citywide policies relative to capital asset management. These efforts should result in improved identification, accounting, and reporting of the City's capital assets. This includes 1) properly capturing and accounting for contributed assets; 2) reconciling detailed capital asset records to the general ledger; 3) assessing if all assets are accounted for (i.e. counting assets on a rotation basis); 4) evaluating the useful life and salvage value for classes or types of capital assets; 5) complying with grant requirements for federally funded assets; and 6) otherwise ensuring proper internal controls for City capital assets.

To better improve communications with departments, FMS is also using the Fiscal Accountability Committee to educate and coordinate capital asset matters. Future plans are to develop and administer training on accounting and fiscal topics, which includes providing guidance and instruction on proper capital asset management.

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 for fiscal 2012.

Contact Person: Lena Ellis, Director of Financial Management Services, 817-392-8517

**CITY OF FORT WORTH
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER, 30, 2008**

08-II.2 Material Weakness: Reporting Component Units (updated from fiscal years 2005-2007)

Concur. While the City does have a process for identifying new potential component units, a re-assessment of existing potential component units utilizing the guidance from both GASB-14 and GASB-39 has not been performed in the past. Effective July 2009, the City will initiate new procedures to ensure that in September of each year, the Accounting Division will revisit all potential component units, obtain any information that may indicate a change in relationship with the City, and re-apply the guidance from the two GASB statements to determine if the level of change compels the need to report them as component units.

Contact Person: Stephen Nesbitt, Acting Accounting Manager, 817-392-8337

08-II.3 Material Weakness: Cash Management Controls

Concur. Controls over verifying, recording, and reconciling all cash transactions are of the utmost importance to the City. Management has also counseled employees on the importance of identifying all cash transactions and ensuring that all City bank accounts are included in the monthly cash reconciliation. Effective July 2009, the City will implement procedures that include the Treasury Division's notification to the City Controller of debt issuance. Immediately after notification of the issuance of bonds, the Accounting division will contact the Treasury division and verify the bank account used for deposit and the dollar amount received by the City. This information will be recorded in the general ledger and added to the bank reconciliation.

Contact Person: Stephen Nesbitt, Acting Accounting Manager, 817-392-8337

08-II.4 Significant Deficiency: Grant Management (updated from fiscal years 2005-2007)

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

- Training will continue to be provided to grant management personnel to improve skills and provide updates on grant requirements.
- Effective October 2006, a procedure was implemented requiring the review of Mayor and Council Communication documents to ensure that all grants are captured properly. This procedure was modified in January 2007 to include a "tickler reminder" each Friday afternoon in the Supervisor's Outlook Calendar that triggers an alert to examine the City Council Agenda. In addition, the supervisor will appoint a person to examine the Council Agenda in the event of the supervisor's absence.
- The City will continue to strengthen grant management by establishing standardized documentation for each grant. This process is estimated to be implemented by January 2010.

Contact Person: Ken Stewart, Grant Accounting Supervisor, 817-392-8338

**CITY OF FORT WORTH
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER, 30, 2008**

08-II.5 Significant Deficiency: Documentation of Policies and Procedures Related to Accounting and Financial Reporting (updated from fiscal years 2006 and 2007)

Concur. The City recognizes the need for policies and procedures that address all aspects of its financial management, accounting and reporting responsibilities. Management is currently in the process of seeking external assistance in developing and implementing financial policies and procedures for the City. We anticipate this project will require fifteen months to fully develop and document policies, train City staff, and align departmental procedures with new and revised policies. The City anticipates that this process will be complete by September 2010. The process will include periodic review, and update of all policies to include communication of changes once the development and implementation phase of the project are complete.

Contact Person: Walter Peoples, Assistant Director of Financial Management Services, 817-392-6217

08-II.6 Significant Deficiency: Court System Accounts Receivable and Escrow Liabilities (updated from fiscal years 2006 and 2007)

Concur. The City implemented a new court system in calendar year 2005 and fiscal year 2006. The department has performed an assessment of the municipal court case management system to identify and correct the identified deficiencies, and developed an implementation plan to further enhance utilization of the system. The audit controls were tested to ensure the errors are not repeated. Final adjustments as required have been provided by Municipal Courts to the Financial Management Services department and Deloitte and Touche, LLP. The department has maintained contact with the Texas Comptroller of Public Accounts regarding this issue and is undergoing an audit review, which commenced on April 7, 2009. Distributions of collected funds are reviewed quarterly by the department to ensure accurate payments are being made to the State. These changes were implemented April 30, 2009.

Contact Person: William Rumuly, Clerk of the Court, Municipal Court Services Department, 817-392-6736

08-II.7 Significant Deficiency: Computer System Access Controls (updated from fiscal years 2006 and 2007)

Concur. The City continuously reviews and updates system access controls. In November 2008, the Information Security Council updated the Administrative Regulation D-5 Information Technology Security which establishes improved security processes and risk assessments. It has been submitted for signature by the City Manager and is expected to be completed in the near future. A new Annual Report on Information Security was approved by the City's Information Security Council and published in February 2009.

As committed to in the response to the Fiscal Year 2007 Audit, on April 1, 2009, the City updated its System Access Review Procedure to address the key weaknesses identified in

**CITY OF FORT WORTH
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER, 30, 2008**

this deficiency. It includes key security configuration reviews to administrator privileges and personnel system access.

A Decision Package for Fiscal Year 2010 was submitted to fund a comprehensive Security Risk Assessment. If approved, upon completion of that assessment a plan to select and implement appropriate security monitoring controls can be established.

Contact Person: Steve Streiffert, Assistant Director of IT Solutions-Operations, 817-392-2221

08-II.8 Significant Deficiency: Change Management of Computer Controls (updated from fiscal years 2006 and 2007)

Concur. The City has reasonable and adequate change control procedures and continues to enhance them. New reports have been implemented to identify and communicate changes because existing systems have limited capabilities to monitor and track changes.

As committed to in the response to the Fiscal Year 2007 audit, on May 1, 2009, the City updated the Change Management Policy to improve controls regarding Emergency Changes, Change Migration, and improve monitoring. These updates include amending all Change Requests to include a test plan, implementation plan, back-out plan and validation plan. Additionally a Change Request is now required to be submitted within 24 hours of the Emergency Change. This update now separates the responsibilities for those requesting the access, those granting the access, and the supervisory/manager who validates the reason for the access.

Investigation will be done by March 2010 to determine what monitoring capabilities the City has with current systems to enhance detection of unauthorized changes.

Contact Person: Steve Streiffert, Assistant Director of IT Solutions-Operations, 817-392-2221

08-II.9 Significant Deficiency: Processing Expenditures in Excess of Budget

Partially Concur. Currently, all budgeted expenditures are approved as part of the budget adoption process. Budget and departmental staff take all necessary measures to ensure an accurate anticipation of all future expenditures. Budget Office staff completes a projection of anticipated expenditures for each Fund following the close of each fiscal month (FM03-FM11). Additionally, they will provide timely re-estimates to the City Council through the Monthly Management Report to notify the City Council of any projected overages. Assistant City Manager and Department Heads will continue to monitor their departments' approved budget and encourage staff to adhere to the items approved as part of the adopted budget. Should an unanticipated expenditure arise,

**CITY OF FORT WORTH
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER, 30, 2008**

departmental staff is encouraged to locate alternative funding and/or defer some of planned expenditures in order to address unanticipated expenditures. Should alternative funds not be available, staff will prepare a supplemental appropriation to ensure that funds are in place prior to the expenditure. Through the M&C process, both Finance and Budget staff test for funds availability and budgeted purpose prior to the processing of the M&C and recommending the expenditure of funds.

It is noted that while the City can improve or tighten its controls over the expenditure approval process, ultimately all expenditures are approved by Council. Most are approved as outlined above, while others may be ratified after-the-fact in case of an emergency or other urgency. Budget Office and Financial Management Services staff will continue to monitor and work with citywide departments to ensure all anticipated expenditures are properly approved before dollars are expended.

Contact Person: Lena Ellis, Director of Financial Management Services, 817-392-8517

Findings and Questioned Costs Related to Federal and State Awards

08-III.1 Significant Deficiency in Controls and Non-Compliance Finding: Economic Development Initiative Reporting

Concur. Some reports were late but no activity had taken place during the reporting period. Effective June 2009, reports will be reviewed by a separate staff member to assure that they are correct, valid and timely. The City has instituted a calendar warning one month in advance of the reporting deadlines for all active grants.

Contact Person: Randall Harwood, Trinity River Vision Director, 817-392-6101

08-III.2 Significant Deficiency in Controls and Non-Compliance Finding: Economic Development Initiative Subrecipient Monitoring

Concur. The City will implement a process whereby an entity that receives more than \$500,000 in federal funds provides their Single Audit to the City before the contract for the utilization of federal funds is executed. The Single Audit will be reviewed by appropriate city staff. The City has received and reviewed the Single Audits for the two entities specified in this finding.

Since some of our contracts are already negotiated and are in the process of being executed, implementation of this process is scheduled for August 2009.

Contact Persons: Randall Harwood, Trinity River Vision Director, 817-392-6101
Dolores Garza, Economic Development Specialist, 817-392-2639

**CITY OF FORT WORTH
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER, 30, 2008**

08-III.3 Significant Deficiency in Controls and Non-Compliance Finding: Homeland Security Allowable Costs

Concur. Regulation 2 CFR 225.43b states, “ Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the governmental unit in its regular operations as the result of the governmental unit's written travel policy.” The City’s travel policy regarding lodging states, “Reimbursement shall be made at the single room occupancy rates, unless two or more employees traveling on City business occupy the same room.”

Grants management followed the city’s travel policy regarding lodging in that all cost was at the single room occupancy rate, which is the charge normally allowed by the City’s travel policy.

However, grants management recognizes the dollar value limit implied in the audit’s Condition statement. Effective July 2009, the City will restrict the dollar value limit to that which is implied in the Condition statement. Grants management will administratively require all future travel funded with federal grant dollars to adhere to General Services Administration (GSA) per diem rates and associated federal travel regulations governing actual expenses (Federal Travel Regulation (FTR) Chapter 301-11.300 -306).

Contact Person: Eric Carter, Homeland Security Grant Manager, 817-392-2877

08-III.4 Significant Deficiency in Controls: Homeland Security Reporting

Concur. In January 2009, in response to a previous audit finding, Grants management has instituted a procedure change that now requires two signatures to be on all official reports. Signed reports are scanned and saved to the network drive.

Contact Person: Eric Carter, Homeland Security Grant Manager, 817-392-2877

08-III.5 Significant Deficiency in Controls and Non-Compliance Finding: Procurement, and Suspension and Debarment

Concur. Point 1: The Law Department will recommend seeking City Council approval to ratify the contract as soon as possible. In accordance with the City Charter, chapter 6, section 1, The Assistant City Managers do not sign a contract until it first has been approved by the Legal Department.

Concur. Point 2.: In January of 2009, the Financial Management Systems Division compared the City’s entire vendor database to the federal suspension and debarment

**CITY OF FORT WORTH
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER, 30, 2008**

database, the Excluded Parties List System (EPLS), and found none of the City's vendors on the EPLS. On February 2, 2009, the Purchasing Division instituted a policy and practice to check all vendors in the EPLS prior to issuing M&Cs and purchase orders to ensure that no payment is authorized to vendors that have been debarred or suspended by the federal government.

Concur. Point 3. The Purchasing Division will implement a rule with the City's credit card team in the Financial Management Systems Division that prevents grant-funded purchases with a City credit card unless the purchaser has verified and documented that the vendor is not listed on the federal EPLS prior to making the credit card purchase. This change to Administrative Regulation C-9 was implemented in March 2008.

In addition, the Purchasing department will monitor credit card purchases to ensure that annual agreements are established for vendors where annual expenditures reach or exceed \$25,000 per year.

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

08-III.6 Non-Compliance Finding: Community Development Block Grant Davis-Bacon Act

Concur. The Davis-Bacon wage rates for Morningside Neighborhood project were not monitored for the initial \$180,000. The City's Transportation/Public Works Department (TPW) was assigned to construct the Morningside Lights Up project. The city has in place policies and procedures for Davis-Bacon obtained from the U.S. Department of Housing and Urban Development (HUD) CDBG Basic Training. The monitoring procedures will be followed and met as required by HUD. All projects will be monitored prior to the start date for Davis-Bacon. Compliance personnel will and do attend the pre-construction conference so that all contractors can obtain a copy of Davis-Bacon forms and contract.

The Department of Labor has taken the position that the prevailing wage requirements do not apply to employees of a State or political subdivision of a State, but shall apply to employees of a private contractor who is subcontractor of the State or political subdivision. This rule does not apply to PHA employees under the U. S. Housing Act of 1937 (See Subparagraph 7-2 (2)). Employees of utilities are exempt providing they are only extending existing service to the property. Under most Davis-Bacon statutes, only employees of contractors or subcontractors are subject to Davis-Bacon wage requirements. Housing and Economic Development Department was not notified of the contractor. All certified payroll for the Morningside Lights Up project has been obtained, reviewed and no exceptions found. Effective June 2009, departments outsourcing grant-related construction contracts will include Davis-Bacon requirements in the agreements..

Contact Person: Sherry Johnson, Contract Compliance Specialist, 817-392-7333

**CITY OF FORT WORTH
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER, 30, 2008**

08-III.7 Non-Compliance Finding: Airport Improvement Program Allowable Costs

Concur. Aviation staff will review contract documents to ensure that consultants are correctly billing the City based on contract language. Effective June 2009 Aviation staff will also ensure that invoices and pay requests are not approved without proper documentation.

Contact Person: Aya Ealy, Grants Specialist, 817-392-5406

08-III.8 Non-Compliance Finding: Airport Improvement Program Allowable Costs

Concur. Effective June 2009, the Aviation staff has developed procedures to ensure that items that are not listed in the scope of services will not be submitted for reimbursement. Grant Specialists will review pay requests prior to payment to ensure that every item is properly supported and within the grant scope. In the event that it is necessary, Aviation staff will also submit an amendment to the scope of services to include additional eligible items to be charged to the RAMP grant.

Contact Person: Aya Ealy, Grants Specialist, 817-392-5406

08-III.9 Significant Deficiency in Controls and Non-Compliance Finding: Low Income Home Energy Assistance Program Allowable Costs

Concur. The following actions will be implemented in July 2009:

1. Grant managers will review all OMB Circulars related to the CEAP and CSBG grants.
2. The department will schedule training offered by the Texas Department of Housing and Community Affairs.
3. Completed time and attendance reports will be reviewed by a supervisor to ensure that personnel are charging hours to the correct grant.
4. After the close of the fiscal month, staff will reconcile grant expenditures to ensure that only eligible costs in all categories are charged.
5. The Fiscal Coordinator will meet with Grant Coordinators to discuss expenditure ratios to ensure compliance.
6. Any allowable expenditure adjustments will be performed monthly; and
7. Documents will be filed in an efficient and organized manner for auditor review.

**CITY OF FORT WORTH
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER, 30, 2008**

Contact Person: Anthony Meyers, Assistant Director, Parks & Community Services, 817-392-5775.

08-III.10 Material Weakness in Controls and Material Non-Compliance Finding: Low Income Home Energy Assistance Program Eligibility

Concur: By August 1, 2009 a file management procedure will be developed and implemented to ensure that all files are available for the prescribed period. Additionally the quality assurance procedure will be reviewed to determine an effective method for assuring all documents are maintained in the file.

Contact Person: Anthony Meyers, Assistant Director, Parks & Community Services, 817-392-5775.

08-III.11 Material Weakness in Controls and Material Non-Compliance Finding: Highway Planning and Construction Davis-Bacon Act

Concur. Program Management staff for all City Departments will be informed of the compliance requirements of the Davis-Bacon Act and how that compliance is documented. Program Management in all City Departments will be given detailed training on these requirements as well as other requirements under the Act.

All contracts requiring Davis-Bacon compliance will include a Davis-Bacon Clause in the solicitation, notice to bidders and contract documents providing detailed requirements of the Act as they pertain to the contractor and the City. This clause will include:

1. All City contracts that receive over \$2,000 in federal funding either directly or indirectly will be required to comply with the Davis-Bacon Act.
2. The Davis-Bacon prevailing wage rates will be utilized in all Davis-Bacon required contracts and where competitive bidding procedures are utilized the Program Manager will assure that the correct wages are used.
3. If a contract has not been awarded within 90 days after bid opening then a new general wage determination must be made unless a request for a 90 day extension is obtained.
4. Davis-Bacon covered contractors must maintain payroll and basic records and shall furnish each week a "Certified Payroll Report" to the City Contracting Department with respect to the wages paid each of its employees engaged on work covered by part 3 and part 5 (29 CFR, Subtitle A) during the preceding weekly payroll period. (form WH348 or form WH347 should be used). Records to be maintained by contractor shall include:

Name, address, and social security number of each employee; each employee's work classification(s); hourly rate(s) of pay (including rates of contributions or costs anticipated for bona fide fringe benefits or cash equivalents thereof); daily and weekly numbers of hours worked; deductions made; and actual wages paid.

**CITY OF FORT WORTH
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER, 30, 2008**

5. Each City Contracting Department shall receive the Weekly Certified Payroll Reports and review them to determine the contractors continuing compliance with the Contracted Prevailing Wage Rates. Each Department shall maintain the Certified Payroll Reports with the project files.
6. Each contractor shall preserve his weekly payroll records for a period of three years from date of completion of the contract. Such records shall be made available at all times for inspection by the contracting department.

Training on Davis-Bacon Act requirements and inclusion of the Davis-Bacon clause in future contracts will commence effective June 2009.

Contact person: Eric Bundy, Senior Management Analyst, 817-392-7598

08-III.12 Significant Deficiency in Controls: Airport Improvement Program Revenue Diversion (Program Income)

Concur. By September 2009, the City will develop a written policy regarding the use of Airport revenue generated by the airports owned by the City.

Contact Person: James Burris, Management Analyst II, 817-392-8372

08-III.13 Significant Deficiency in Controls: Airport Improvement Program Procurement

Concur. Aviation staff has spoken with Alliance Air Management who manages the day to day operations of Fort Worth Alliance Airport regarding this finding. The Aviation Department will advertise bids for services commonly used at Alliance Airport creating annual agreements to better facilitate the recommendations of this finding. Effective June 2009, the Aviation Department will monitor their procurement activities and ensure that all policies and procedures as set forth by Federal, State and Local regulations governing the procurement of goods are followed.

Contact Person: James Burris, Management Analyst II, 817-392-8372

08-III.14 Significant Deficiency in Controls and Non-Compliance Finding: Highway Planning and Construction Program Income

Concur. This policy request will be referred to the Real Property Division of the Transportation & Public Works Department for future projects in July 2009.

Contact Person: Bryan Beck, Engineer, 817-392-7909

**CITY OF FORT WORTH
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER, 30, 2008**

08-III.15 Significant Deficiency in Controls: Hurricane Disaster Relief Allowable Costs

Concur. Grant accounting staff in the Financial Management Services Department will conduct a workshop in mid-August 2009 for all involved employees who manage grants. The purpose of this workshop is to discuss grant guidelines to ensure that only allowable costs are charged to a grant.

Contact Person: Anat Zoarets, Management Analyst, 817-392-8349

08-III.16 Material Non-Compliance Finding: Section 108 Housing and Community Development Block Grant Allowable Costs

1. Concur. The U.S. Department of Housing and Urban Development conducted a monitoring review of the City's Section 108 loan guarantee on September 16-17, 2008. The review concluded that the City must conduct an assessment of the project and determine the number of full time jobs that it can reasonably expect to create within the next 24 months. This estimate should take into consideration the current percentage of building space that is under lease and should be evaluated against the public benefit standards of 570.209(b) to determine whether they can be met for this project and if the overall project will meet a national objective. The City has submitted in December 2008 a detailed plan of how it will create the required number of full time jobs. The plan included specific time periods by which certain job creation milestones will be achieved. The anticipated date of completion is December 2010.

2. Concur. The City intends to utilize remaining Section 108 and EDI grant funds to provide low interest and/or forgivable loans to small businesses to incentivize their establishment along Evans Avenue within the Phase II of the Cypress development project currently underway. Cypress Development is the master developer of the Evans-Rosedale redevelopment area and is currently focused on Phase I of their project which lies adjacent to I-35W immediately south of the Hazel Harvey Peace Center for Neighborhoods.

3. Concur. The City concurs that the original plan for the Section 108 loan was to build a branch library and a health facility; however, after an overall review of the project costs, it was determined that Section 108 funds would not be used for the Health Department facility. Through the City's 2008 budget process, various departments were reorganized, which eliminated the Public Health Department in whole and transferred its various functions to other departments and/or agencies at Tarrant County.

The City will make an amendment to the Section 108 loan program previously amended and approved on January 28, 2005 to utilize the remaining Section 108

**CITY OF FORT WORTH
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER, 30, 2008**

funding similarly to how the existing EDI grant is designated to help small business development.

On March 5, 2008 the Mayor and City Council was informed of a substantial change amendment for the Section 108 Guaranteed Loan Funds which would include de-obligation of Section 108 funds previously allocated to the public facility project for the Public Health Department, now known as the Hazel Harvey Peace Center for Neighborhoods. The proposed amendment will include a revision stating that Section 108 funds are not being utilized for the new facility. HUD was notified on March 9, 2009 about the planned change of use for the health facility. The City is in process of amending the Section 108 application. There have not been any Section 108 funds expended on the Hazel Harvey Peace building (formerly Health Dept.). Federal funds expended at that location were CDBG dollars used in the acquisition of the property in 1999-2001. These funds will not have to be repaid since the functions/activities in the new building that were previously in the Health Department meet the national objective related to expending federal funds on a community facility.

4. Concur. The City agrees that the Section 108 Loan funds were used to furnish and equip the Shamblee Library including books, furniture, fixtures, network and telephone equipment and a video history of the library project. On December 19, 2006 M&C reference C-21911 approved \$871,000 expense for fixtures/furniture/equipment and other budget items for the project. The Section 108 is the loan guarantee provision of the Community Development Block Grant (CDBG) program. Fixtures, furnishings and other are generally ineligible except when necessary for use by a recipient or its subrecipients in the administration of activities assisted with CDBG funds (see OMB Circular A-21). Consequently, the use of Section 108 funds for the fixtures, furnishings and equipment are allowable expenses.

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

08-III.17 Significant Deficiency in Controls and Non-Compliance Finding: Children's Voices, Family Choices, Community Solutions Reporting

Concur. The recent audits of the City's books and the accompanying accrual of expenditures have occurred substantially later than the actual fiscal year end of the City. Once the year end closings and the audit cycle are on a normal basis, the accruals will be more timely and the reports to the grantor agencies will be more accurate. The City expects the year end close and the audit cycle to occur in a timely manner by December 2009.

Contact Person: Ken Stewart, Grant Accounting Supervisor, 817-392-8338

**CITY OF FORT WORTH
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER, 30, 2008**

08-III.18 Significant Deficiency in Controls and Non-Compliance Finding: Section 108 Equipment and Real Property Management

Concur. Effective June 2009, an equipment and fixed asset list for the Shamblee Library was prepared and will be added into the Fixed Asset Accounting System at the completion of the project. This project's inventory list will be included on the Fiscal Year 2009 city wide asset confirmation process and will continue to be reviewed on an annual basis.

Contact Person: Karen Van Leuvan, Administrative Assistant, 817-871-7719

08-III.19 Non-Compliance Finding: Community Development Block Grant Special Tests and Provisions

Concur. The city is in the process of making the required correction to the Citizen Participation Plan (CPP) for HUD's review and approval prior to publishing for public comments.

The City has utilized the current CPP since 2000, as it was an approved component of the 2000-2005 Consolidated Plan. Local HUD staff subsequently approved the plan in the 2005-2010 Consolidated Plan. The City will revise the CPP to reflect adequate notice including local newspaper advertising and announcement in libraries on the on City's website. Correction to the CPP will include encouragement of citizen's participation, development of the consolidated plan, amendments, public hearings, and complaints. The CPP will be revised to comply with the federal regulations CFR 91.105 (a) (3) and 91.105(j). The following items will be addressed in the City's CPP prior to publication for public comment and adoption by the City Council:

- The citizen participation plan must explain how it will be provided in a format accessible to persons with disabilities.
- The public comment period for the Consolidated Annual Performance Evaluation Report (CAPER) is inconsistently identified in Sections C and I. The correct minimum comment period is thirty (30) days. Citizens will be given a period of thirty (30) days prior to the submission of the Consolidated Plan and the Annual Action Plan reports to HUD.
- The City's Community Development Council (CDC) plays an important role in the development of priorities for the City's Consolidated Plan programs. The Community Development Council (CDC) will hold at least one evening public hearing during the thirty (30) day public comment period for the development of the Consolidated Plan and the Action Plan. Notice of the hearing will be posted on the agenda/public hearing bulletin board located outside of City Hall, 1000 Throckmorton Fort Worth, TX 76102 at least 72 hours prior to the actual

**CITY OF FORT WORTH
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER, 30, 2008**

hearings. In addition to the CDC public hearing, a public hearing will be held by City Council for the development of the Consolidated Plan and the Action Plan.

- Incorporated into the citizen participation plan, there will be at least one public hearing conducted before the Consolidated Plan and the Annual Action Plan are published for public comments as following: “The City will conduct at least one public hearing before the Consolidated Plan and Annual Action Plan is published. The public hearings may be held in conjunction with the Community Development Council or City Council evening meetings. All notices of hearings will be posted on the official bulletin board located outside of City Hall (Fort Worth Municipal Building), 1000 Throckmorton Fort Worth, TX 76102, and on the City of Fort Worth website at www.fortworthgov.org. Notice will be posted 72 hours prior to the actual hearing.”

The City will address these findings and revise its citizen participation plan to address the deficiencies identified by HUD, no later than June 30, 2009.

Contact person: Cynthia Garcia, Assistant Director, Housing & Economic Development, 817-392-8187

Status of Prior Year Findings





This page intentionally left blank.

**CITY OF FORT WORTH
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2008**

07-II.1 Material Weakness: Accounting for Capital Assets (updated from fiscal years 2004-2006)

Condition and Cause - Numerous difficulties were encountered over the past several years in accounting for the City's capital assets. While we noted strong progress in this area this year, the current accounting for fixed assets has the following remaining issues:

- The City's Fixed Asset Tracking System ("FATS") became unstable for continued use and all data was exported into an Excel database. While much simpler to use, this method does not have the typical automated controls that are built into most fixed asset modules of accounting systems. The year-end reconciliation process was manual and City staff failed to identify certain errors in the data in a timely manner.
- Some completed and in-use projects in both the General Governmental capital assets and the Water Department capital assets were improperly classified as construction-in-progress ("CIP"). The City does not have clearly written policies or consistently applied practices to determine the appropriate date to reclassify assets from CIP to completed assets. As a result, depreciation expense and accumulated depreciation for these assets were understated. Further, certain operational expenditures were improperly capitalized to CIP.
- We noted instances of payroll expenditures improperly capitalized into completed projects.
- There is inconsistency regarding the timing of when contributions from developers are added to City records and in the documentation required to support these assets.
- A periodic physical inventory of capital assets is not performed to ensure the accuracy of data in the City's fixed asset records.
- The City does not have consistent or documented policies regarding accounting for capital assets or the related reconciliation processes.
- The City does not maintain a complete detail of federally funded capital assets that is periodically compared to actual asset counts.

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

- Ensure that the City's capital asset system includes a comprehensive inventory of infrastructure assets including roads, bridges, sidewalks and alleyways, storm water drainage structures and retention facilities. Consider the implementation of a more sophisticated, automated system of accounting for capital assets. Such a system should contain all appropriate systemic controls to insure proper accounting and reconciliation of capital assets.
- Develop a City policy that defines when CIP projects are considered complete and should be transferred to completed assets. Develop a City policy that defines the date on which developer contributions should be added to capital assets. In addition develop other policies on accounting for capital assets in general and the

**CITY OF FORT WORTH
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2008**

- related reconciliation processes. Ensure that such policies are implemented and enforced.
- Implement controls over the application of overhead and direct labor charges to CIP projects and develop procedures that require the review and approval of these charges for accuracy and propriety.
 - Conduct an inventory of all City assets not less than biannually to ensure that the data in the system is accurate. The City should conduct such an inventory on all City departments. After the initial inventory is performed to ensure the integrity of the data, the City can then implement a policy to count the assets of each department on a rotation basis.
 - On an overall basis, improve communication between departments, install additional controls around the recording of capital asset additions and deletions, require timely and complete reconciliation of detailed capital asset records to the general ledger, provide additional training to capital asset accountants regarding the City's systems and the required accounting, require timely and rigorous review of the recordkeeping performed by capital asset accountants, and document all procedures to be followed in accounting for capital assets in a policies manual.

Current Status is summarized as follows:

The Fiscal Accountability Committee has drafted two forms to respond to the CIP issue; one for internal projects and one for external projects. The committee has also begun working on a citywide policy. To augment this effort, Financial Management Services has approached the City Manager's Office to gain approval and dedicate financial resources to contract with an external resource. This should expedite the work effort regarding policy development for capital assets, as well as other citywide accounting policies. An ERP (Enterprise Resource Planning) financial system solution is still being considered that will include a fixed asset tracking system.

07-II.2 Material Weakness: Year-End Accrual of Accounts Payable (updated from fiscal year 2006)

Condition – The City's process for accrual of accounts payable in the prior year was not sufficient and required follow-up work on the part of City staff. In the current year the City focused more attention on the process, yet it was still not refined into a process that produced fully accurate results.

Recommendation – Provide training and supervision to all personnel performing the identification process of year-end accounts payable. Institute additional quality control procedures to ensure the process is appropriately performed. Seek ways to automate or further refine the City's process for determining year-end accruals.

**CITY OF FORT WORTH
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2008**

Current Status is summarized as follows:

All invoices will be physically inspected to determine the correct fiscal year and the amount to be accrued. The accrual process will be addressed upon the implementation of a new financial system, which is scheduled for fiscal year 2012 or thereafter. Until that time, Financial Management Services staff, along with personnel in citywide departments will be trained to identify and capture invoice information for accrual purposes.

For FY2008 the Accounting Division of FMS worked more closely with the operating departments to identify which invoices should be accrued. We also lowered the accrual threshold for November and December invoices from \$25,000 to \$5,000.

07-II.3 Material Weakness: Financial Accounting and Reporting Process (updated from fiscal years 2004-2006)

Condition – Due to a number of issues, the City’s audited financial statements for fiscal years 2004, 2005 and 2006 were not issued until 22, 19 and 21 months after year end, respectively. The City’s 2007 audited financial statements were also delayed and were issued 16 months after year end. In previous fiscal years we noted several weaknesses in internal controls including errors in daily bookkeeping, improper or untimely reconciliation of subsidiary ledgers to the general ledger, lack of proper documentation of policies and procedures, and a lack of appropriately trained personnel. Improvement in the process has been made each year, but deficiencies remain. For the fiscal 2007 process, the City engaged an outside consultant to augment and manage the City staff in preparation of the City’s financial statements in accordance with Generally Accepted Accounting Principles. While improvement was made in the City’s overall year-end accounting process (including reconciliations of detailed ledgers to the general ledger), it was still not functioning appropriately during fiscal 2007, and we consider this to be a material weakness in internal controls that were in place during the year. In addition, the City was not in compliance with the filing deadlines stipulated in OMB Circular A-133 for the Single Audit report. This deadline is 9 months after the fiscal year end.

Recommendation - Invest in upgrading the financial accounting and reporting function for the City. This includes the following:

- Assessing the need of additional or better qualified and more highly trained personnel
- Cross-training personnel so that procedures are consistent
- Reorganizing duties and internal structure within the accounting function
- Revising the supervisory structure of the accounting functions
- Assessing and possibly upgrading the computer systems used in the accounting function
- Implementing supervisory reviews of processes and supervision of all accounting functions

**CITY OF FORT WORTH
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2008**

- Developing, documenting, and implementing policies and procedures and additional training on and communication of those policies and procedures
- Emphasizing to all departments the importance of frequent and full communication between other city departments and the Finance Department of any information that may impact the City's financial accounting and reporting.

Current Status is summarized as follows:

Management continues to focus on organizational improvement using the Maximus consultant's recommendations as a resource in considering strategic realignment of core functions in Financial Management Services (FMS). The Finance Director and the City Controller continue to review and revise the organizational and reporting structure to ensure the operational efficiency and effectiveness of the Accounting Division. This includes the functions of accounting and financial reporting. It should be noted that the Division has spent most of the last three years primarily focused on becoming current with the publication of the CAFRs and single audit reports.

Further, the City is analyzing the replacement of several legacy computer systems (including the financial management system and the fixed asset tracking system) with an integrated enterprise-wide management system. The City is currently in the beginning stages of implementing a Oracle/PeopleSoft solution as its Enterprise Resource Planning (ERP) solution for Human Resources and Payroll. The process to identify the appropriate solution for a financial systems should begin in the near future once the CAFR is current.

Regarding additional personnel, Council has committed to providing the appropriate level of personnel to ensure the success of FMS, as well as accounting and financial reporting operations throughout the City. As in fiscal year 2007 and 2008, the Council approved additional funding for contractual services. Council also approved ten (10) new authorized positions in Financial Management Services, resulting in an increase to the Financial Management Services budget.

As part of recent retreat for FMS management, a comprehensive turnaround management plan will be developed to address the improvement of financial accounting and reporting processes, material weaknesses related to recordkeeping and reconciliation functions, and policies and procedures development and documentation. Improvements that are addressed will be implemented throughout fiscal year 2009 and thereafter.

Also, see response to 07-II.1 above.

**CITY OF FORT WORTH
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2008**

07-II.4 Material Weakness: Cash Reconciliation and Reporting Process (updated from fiscal years 2004-2006)

Condition – Reconciliations of bank accounts to the City’s general ledger were not performed on a timely basis throughout the year. Timely reconciliations and timely research and resolution of reconciling items are important controls over cash and deposits. Additionally, certain cash account reconciliations are not maintained and monitored by the Finance Department.

Recommendation - Cash reconciliations should be prepared in a timely manner each month and all unreconciled differences should be immediately researched and resolved. Any bookkeeping errors that are identified should be researched, thoroughly reviewed, and immediately corrected. The source of any errors detected should be identified and additional controls put in place to prevent those errors from re-occurrence in the future. The reconciliation should be prepared by appropriately trained personnel and should be reviewed by knowledgeable supervisors. The reconciliation procedures should be thoroughly documented and continually reviewed to ensure that they remain appropriate as City finances and systems change over time. All cash accounts should be properly reported to and monitored by the Finance Department so that activity and balances are properly reflected in the City’s financial statements.

Current Status is summarized as follows:

Procedures have been implemented to help speed up the reconciliation process such as daily bookings that are made to reflect amounts moving between the main consolidated account and the ancillary zero balance accounts, staff reassignments, and increased oversight by accounting supervisors. In addition to the City’s bank reconciliations there are departmental clearing accounts that require monitoring and reconciling to detect and correct any problems in the main bank reconciliations. The City will also require that the Financial Management Services Department be alerted on the opening of all new accounts. Starting in Fiscal Year 2009, procedures have been implemented requiring the Water Department to prepare and provide the Financial Management Services Department a monthly reconciliation of credit card activity, which is then reviewed and ledger balances are adjusted as needed. In order to help solve the issue of timeliness of the reconciliation preparation, the City's Fiscal Year 2009 approved budget includes seven new personnel for its Accounting Division. Once hired and trained, these employees will give Financial Management Services additional resources for increased analytics and reconciliation while keeping current with transaction processing.

The FY2009 approved headcount have been hired, and training is in process.

**CITY OF FORT WORTH
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2008**

07-II.5 Material Weakness: Reporting Component Units (updated from fiscal year 2005 and 2006)

Condition - The City has not accurately reported some of the financial activities of component units. There is no consistent process in place to review activities of component units to determine whether their activities are properly accounted for in the City's general ledger.

Recommendation - The financial activities of these related entities should be monitored to insure that proper accounting for their financial activities are recorded in the City's financial statements.

Current Status is summarized as follows:

The work of identifying component units has been assigned to staff as a standard responsibility. The City is also in process of training alternate staff to fulfill this responsibility.

07-II.6 Significant Deficiency: Controls over Wire Transfers (updated from fiscal years 2005 and 2006)

Condition - We noted two instances in which approvals for wire transfers were not documented.

Recommendation - Enforce City policy by requiring all wire transfers be appropriately approved and documented prior to issuance.

Current Status is summarized as follows:

A new wire transfer form was in fact implemented in October 2006, requiring supporting documentation and two signatures, and is still in use to-date with one modification. However, in Fiscal Year 2007, the form was not utilized correctly due to short staffing, resulting in situations in which wire transfers were not properly approved. To prevent continued issues with lack of approval, an additional signature line was added to the form in July 2008, which requires a sign-off by either the Director or an Assistant Director of Financial Management Services on all wires over \$25,000.

Currently, all corrections made above are still in place and functioning properly.

**CITY OF FORT WORTH
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2008**

07-II.7 Significant Deficiency: Computer System Access Controls (updated from fiscal year 2006)

Condition and Cause – The following deficiencies were noted during the review of General Computer Controls over the City’s financial system and the water billing system:

Policies and Procedures: Formal security policies, procedures and standards have not been updated by management. A draft report is currently under review, but has not been approved by City management as of the date of the audit.

Strong Password Enforcement: The City’s systems are not configured to force users to use a strong password across all the systems. Although the users are required to access the systems through Windows login that forces users to use relatively strong passwords (with the exception of complexity requirement), the password requirements for other systems that include MARS, BuySpeed, DataWarehouse, Sunguard etc., were noted to be generally weak.

User Access Reviews: User access to the IT systems and the data center is not reviewed on a periodic basis to identify and correct any inappropriate access.

User Access Termination: Based on limited testing, two instances of terminated employees with access to the IT systems were noted. It was also noted that the City considers it to be the responsibility of the department heads to log a helpdesk ticket when a user is terminated or transferred. In such instances, a control requiring periodic user access review would allow management to detect and correct any inappropriate access.

Configuration Reviews: The key configuration data sets and user roles are not reviewed on a periodic basis. This includes the appropriateness of access controls to datasets that are not protected by the security mechanisms (RACF protected dataset), direct access to data (direct database update access or command line access) and definition of key user roles within the applications.

Recommendation - The following should be considered:

- Formal security policies, procedures and standards should be implemented by management. Periodic reviews or monitoring controls should be established to ensure that the established policies are appropriately implemented on all the systems and remain pertinent.
- System access of all personnel and key security configuration should be reviewed on a regular basis to ensure it is appropriate at all times.

**CITY OF FORT WORTH
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2008**

- Appropriate security monitoring controls should be established and implemented based on a comprehensive security risk assessment.

Current Status is summarized as follows:

The City continuously reviews and updates system access controls. The Information Security Council has updated Administrative Regulation D-5 Information Technology Security establishing improved security processes and risk assessments. It will be published in quarter one Fiscal Year 2009. Additionally, a new Annual Report on Information Security is in review by the City's Information Security Council and planned to be published in February 2009. Although the existing system access controls are reasonable, the recommendations are reasonable.

By April 1, 2009, the City will update the plan for system and physical access created in response to the 2006 audit to include key security configuration reviews. That plan sufficiently addresses personnel system access.

By May 1, 2009, the City will develop a plan with milestones and funding strategy to complete a comprehensive Security Risk Assessment. Upon completion of that assessment a plan to select and implement appropriate security monitoring controls can be established.

Since this plan was drafted, the Annual Report on Information Security was approved by the City's Information Security Council and briefed to the Assistant City Managers and Department Heads. The updated Administrative Regulation D-5 is under final review by the City Manager's Office. We are on track for meeting the April 1st and May 1st commitments as outlined above.

07-II.8 Significant Deficiency: Accuracy of and Supporting Documentation for Journal Entries (updated from fiscal years 2005 and 2006)

Condition and Cause – In certain instances the supporting documentation required to be attached to journal entries was missing or incomplete. In addition, we noted several year-end closing journal entries that were duplicative or incorrectly prepared, requiring further adjustment.

Recommendation – Reinforce the need for careful review of each journal entry including a verification of complete documentation supporting each journal entry to be filed with the entry itself.

Current Status is summarized as follows:

Journal entries are no longer manually entered into the City's general ledger except on an exception basis. During Fiscal Year 2008, the City developed a journal entry creation

**CITY OF FORT WORTH
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2008**

program that interfaces to the ledger. Accountants now prepare their journal entries using this interface and submit the entries along with supporting documentation to the supervisor for review and approval. If approved, the supervisor selects the entry for electronic uploading to the general ledger. If not approved, the journal entry is returned to the accountant for correction. Only supervisory staff will have the ability to approve a journal entry for posting to the ledger.

The City has implemented the noted controls, and they are working as designed. The issue of lack of supporting documentation of supervisory review and approval has been remediated.

07-II.9 Significant Deficiency: Grant Management (updated from fiscal years 2005 and 2006)

Condition – In prior years, the City faced difficulty in accumulating the list of all grants for inclusion in the Schedule of Expenditure of Federal and State Awards used in the single audit. In 2006 and 2007, the City assigned one person to oversee this area and made progress, but still exhibited certain difficulties in preparing a complete schedule.

Recommendation - Develop standard policies for reporting grants. 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 grants are properly accounted for and complied with.

Current Status is summarized as follows:

- Fiscal training was provided to the outside agencies (those funded in General Fund (Non-Departmental)) and Cultural & Tourism Fund) that receive funding from the City of Fort Worth. The training was done by the Texas Chapter of CPAs, Staff from both Financial Management Services (FMS) and the Budget Department also participated in this training.
- A procedure has been developed and is currently being implemented. Before the departments apply for federal or state financial assistance, a Mayor and Council Communication (M&C) must be approved by City Council. Accountants in the Accounting Division of FMS review all M&Cs before sending for Council's approval. Effective October 28, 2006, all accountants were instructed to screen and identify M&Cs that were grant related as well as any contracts of financial assistance. Additional procedures will be implemented to more carefully identify the source and proper classification of funds to determine the validity of including the award on the Schedule of Expenditures of Federal and State Awards. Specifically, the accountant will utilize the guidelines listed in Office of

**CITY OF FORT WORTH
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2008**

- Management and Budget Circular A-133, Subpart B, section 210 as a tool to determine the proper classification status of projects. If a determination still cannot be made by using these guidelines, the accountant will solicit additional information from the granting agency. At the time of the grant application, the City does not have an executed contract. Upon receipt of the contract, a final determination will be made to verify the proper classification of the project's grant/non-grant status. The fund to which the project is assigned is listed in the M&C, which is initialed by the accountant and the supervisor.
- Effective January 3, 2007, the Grant Accounting Supervisor began reviewing each City Council Meeting Agenda to identify all grant related agenda items on a weekly basis. A "tickler reminder" each Friday afternoon in the Supervisor's Outlook Calendar triggers an alert to examine the City Council Agenda. The supervisor will appoint a person to examine the Council Agenda in the event of the supervisor's absence.

The procedures described above have been implemented and are working as planned.

07-II.10 Significant Deficiency: Documentation of Policies and Procedures Related to Accounting and Reporting (updated from fiscal year 2006)

Condition – There is currently a general lack of documented policies and procedures related to accounting and reporting.

Recommendation – We recognize that the City is working on a project to provide appropriate documentation of all accounting and reporting policies and procedures. We recommend swift completion and implementation of this project. Consider a periodic update to the study to ensure that all policies and procedures remain appropriate in the changing municipal financial environment. Ensure that documented policies and procedures cover all aspects of the City's financial operations, including both manual and IT-driven procedures.

Current Status is summarized as follows:

Crowe Horwath LLP, an outside consultant, was hired to direct and augment staffing for producing the 2007 and 2008 CAFRs and Single Audit Reports. In addition, the City, with the assistance of the consultant, is to document processes and procedures relative to the reports noted above. Matrix Resources is the original consultant that has been working on all other policies and procedures within the Financial Management Services Department. They are about 50% to 60% complete with this documentation effort. A preliminary set of policies and procedures are anticipated by the end of Fiscal Year 2009. Review and enhancement of policies and procedures will be ongoing.

The corrective action is in process and on schedule for completion by the end of FY2009.

**CITY OF FORT WORTH
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2008**

07-II.11 Significant Deficiency - Change Management of Computer Controls (updated from fiscal year 2006)

Condition – The City has designed and implemented a Change Management Policy, but the current processes do not require that all changes are processed through the change management policy. Some of the specific cases noted were as follows:

Emergency Changes: The programmers are given access to make changes directly in the production environment using special access (emergency access) to correct problems that are to be fixed on an urgent basis. When programmers are given such access, the access is left open for a period of 24 hours during regular weekdays and possibly up to 48 hours or more on the weekends before the access is disabled. Any change made by the programmer using such special access is not logged and reviewed for appropriateness and it is possible for a programmer to make unauthorized changes using this special access privilege.

Migrating Changes: In the Water Services IT department, where there is not an adequate number of personnel, the Administrators implement changes in the production environment and also perform programming duties. In such cases, if unauthorized changes are made, they would not be detected by management.

Recommendation – Management should implement adequate preventive controls that restrict the same person or programmer from implementing a change to the system without adequate testing or approval. In cases where it is not feasible to have adequate segregation of IT functions, management should consider implementing monitoring controls, such as a review of the log of changes or a peer review of all changes performed.

Current Status is summarized as follows:

The City has reasonable and adequate change control procedures and continues to enhance them. There are several reports available to help identify unauthorized changes. Directors continue to emphasize the requirement to comply with the Change Management Policy.

By May 1, 2009, the City will develop a plan to review and recommend changes to the Change Management Policy to improve controls regarding Emergency Changes, Change Migration, and improve monitoring.

Since this plan was submitted, we have begun reviewing the actions necessary to improve controls. We are on track for meeting the May 1st commitment as outlined above.

**CITY OF FORT WORTH
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2008**

07-II.12 Significant Deficiency: Recording Debt Transactions

Condition and Cause – We noted numerous errors in the City’s initial accounting for the current year’s debt transactions. Although not material, these errors included inappropriate breakout and accounting for debt-associated costs, incomplete accounting for the current year’s defeasance transactions, and incomplete accounting for the current year’s new debt issuances. Certain information related to some transactions was not provided to the City’s Finance Department by other departments involved in the transactions.

Recommendation – Consider each debt transaction to be unique and focus attention on the specific details provided by the bond closing documents. Require all departments to fully inform the Finance Department of any activity related to debt during the year. Implement procedures that require appropriate review of all debt-related journal entries by someone with a strong understanding of the debt transactions and the related accounting requirements.

Current Status is summarized as follows:

The City recognizes the need and is committed to proper accounting for its debt and all other transactions. In fiscal year 2008, the City hired additional personnel with detailed experience in this area. Debt related transactions have been assigned to one employee whose training and work is managed and reviewed by a competent and experienced supervisor.

The City’s corrective action plan has been implemented.

07-II.13 Significant Deficiency: Court System Accounts Receivable and Escrow Liabilities (updated from fiscal year 2006)

Condition – Based upon a review by internal audit, certain deficiencies were noted in the calculation and recording of court costs payable to the state of Texas. In addition, an estimate of the accrual of accounts receivable for fines and fees assessed but not yet collected is not recorded by the City.

Recommendation – Continue and complete the review of the system implementation to ensure that it is appropriately installed and operating effectively. Consider utilizing all aspects of the system to enable the City to estimate uncollected fines and fees that might be recorded as accounts receivable at year end and to estimate an appropriate allowance for doubtful accounts.

Current Status is summarized as follows:

The department has completed 100% of the following steps and delivered the updated account reconciliation through Fiscal Year 2008 to accounting and the external auditors.

**CITY OF FORT WORTH
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2008**

1. Cleanup of the account codes and distribution rules.
2. Redistribution of payments to correct accounts.
3. Recalculation of State Court Costs Quarterly Reports
4. Recommendations provided to accounting for adjustments to correct the general ledger account balances.

07-II.14 Material Non-Compliance Finding: Timely Filing of Single Audit Reports

Condition – The City’s single audit reports were not completed within the time required.

Recommendation – Implement procedures to create an environment in which the year-end CAFR and audit process may be completed on a timely basis.

Current Status is summarized as follows:

The City has engaged the services of an external consultant to augment staffing needs and manage the 2007 and 2008 audits and CAFR/Single Audit process. The addition of this consultant to our team will get the City current on the CAFR and Single Audit for Fiscal Year 2008-2009. Training and process documentation provided by the consultant will enable City staff to perform these functions on a go-forward basis and meet established deadlines. Further, added personnel due to Council approved authorized positions will be allocated to help in timely accounting and financial reporting, including the filing of the Single Audit Report.

The City’s corrective action plan has been implemented. The City expects to be current on the Single Audit Report as of June 30, 2009.

07-II.15 Material Non-Compliance Finding: Deposit Collateralization

Condition – The City has a collateralization agreement with its primary depository institution, but does not have such agreements at other financial institution in which the City maintains accounts. At the end of fiscal 2007, the collateralization was not sufficient to cover the City’s deposit balance.

Recommendation – Institute better monitoring procedures to anticipate when deposit fluctuations may require additional collateralization. If deposits at financial institutions other than the primary depository are expected to be in excess of FDIC coverage, obtain collateralization agreements for those accounts.

**CITY OF FORT WORTH
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2008**

Current Status is summarized as follows:

The City's Treasury Division will develop control procedures, working with the appropriate City departments, to ensure that monies held on deposit are fully protected at all times.

The Treasury department is currently in a data gathering mode regarding this action plan and does not foresee any issue with meeting the stated deadline of June 30, 2009.

***07-III.1 Material Weakness in Controls and Material Non-Compliance Finding:
Homeland Security Equipment and Real Property Management***

Condition – Equipment purchased with Federal funds was not specifically identified and tracked.

Recommendation - Review all equipment purchases to ensure that they are properly recorded and specifically identified and tracked.

Current Status is summarized as follows:

Beginning with the 2006 Homeland Security Grant Program, each department is asked to identify the specific account numbers needed for the items they will be purchasing so that equipment can be tracked and identified more efficiently in the financial system. All equipment is assigned to a department that maintains a record of where the equipment is physically located. In addition, we have begun a process to capture and link all financial and transaction documents associated with a given purchase in a single electronic file to ease auditing and tracking efforts. We will share this information with the Finance Department as required to improve our overall grants and financial management process. Anticipated completion date is by the end of Fiscal Year 2009.

Corrective actions mentioned above have been put in place. Grant staff is making use of Finance Chart of Accounts to assign purchases to correct accounts, including capital asset purchases

07-III.2 Significant Control Deficiency and Non-Compliance Finding: Homeland Security/Community Development Block Grant/ Airport Improvement Program/ Highway Planning and Construction Suspension and Debarment

Condition – There was no documentation in vendor files indicating that the City verified that vendors were not suspended or debarred.

**CITY OF FORT WORTH
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2008**

Recommendation - Review all vendors to ensure that they are not suspended or debarred and document the procedure and the conclusion in the vendor files.

Current Status is summarized as follows:

Vendor assignment for purchases of \$25,000 or larger generally are made through the Purchasing Department via the department making the purchase request. Effective January 15, 2009, when purchases are authorized for items over \$25,000, the Homeland Security Grants Office will request verification of vendor status from the purchasing department prior to authorizing final purchase approval and will retain a copy of the vendor status from the Excluded Parties List System to document vendor's current status.

This process is 80% complete. Purchasing has been made aware of this issue. Grants procedures are being modified to collect information as required.

***07-III.3 Material Weakness in Controls and Material Non-Compliance Finding:
Homeland Security Reporting***

Condition – Submitted reports were past due and incomplete, and reports were not reviewed prior to submission.

Recommendation - Review and submit complete reports in a timely manner.

Current Status is summarized as follows:

All reports are reviewed prior to submission. A reminder is in place on MS Outlook to remind staff when reports are due.

07-III.4 Non-Compliance Finding: Community Development Block Grant Earmarking

Condition and Context – In its annual report to HUD (CO4PR26) for the twelve months ended May 31, 2007, line 36 indicates that the percent of funds obligated for public service activities was 17.29%. The City provided an explanation for the variance from the 15% maximum in the report to HUD.

Recommendation - City personnel should request HUD's position on the cap variance to ensure timely resolution of any action that HUD requires.

Current Status is summarized as follows:

The Housing and Economic Development Department is continuing to verify the grant source for all revenue as it is coded for recording in the general ledger. The verification continues to be performed by the loan servicing program manager and confirmed and reconciled by the Senior Accountant.

**CITY OF FORT WORTH
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2008**

07-III.5 Significant Control Deficiency: Air Pollution Control Services Allowable Costs

Condition and Context – Although no questioned costs were noted in our testing, based upon our inquiries grant management personnel were unaware of which costs were specifically allowable or unallowable.

Current Status is summarized as follows:

As of March 24, 2009, the Program Manager has been made aware of the need for the corrective action. No progress has been made on the compilation of the data resources. Grant charges are currently being limited to personnel costs including benefits, information technology costs, vehicle charges and necessary office supplies. A mileage log has been created and is in use to track vehicle usage and to ensure the vehicles are used for and charged to the correct grant. Effective March 28, 2009, the Assistant Director will work with Program Manager and Supervisor to compile the necessary documents. Reference documents were gathered and accessible for staff by May 1, 2009.

07-III.6 Material Weakness in Controls and Material Non-Compliance Finding: Airport Improvement Program Davis-Bacon Act

Condition and Context – Compliance with Davis-Bacon requirements was not monitored for construction projects funded with federal grants passed through the Texas Department of Transportation (“TxDOT”).

Recommendation - City Aviation Department staff should communicate with program managers that oversee or coordinate projects for TxDOT pass-through grants to make sure compliance with all requirements are met.

Current Status is summarized as follows:

All opened grants have been checked to ensure that any contracts that require Davis Bacon monitoring had the necessary certified payroll.

07-III.7 Significant Control Deficiency and Non-Compliance Finding: Community Development Block Grant Subrecipient Monitoring

**CITY OF FORT WORTH
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2008**

Condition and Context –The following subrecipient files did not include the independent compliance audit reports at the time of our review: Cook Children’s Hospital, YWCA, Meals on Wheels, Boys and Girls Clubs and Mental Health Association. At our request, the City’s internal audit department obtained the A-133 audit reports.

Recommendation - The Internal Audit Department or grants department should request A-133 audit reports annually for all subrecipients of CDBG funds. All subrecipients should be reviewed annually for financial compliance with the contracts and CDBG requirements.

Current Status is summarized as follows:

Housing & Economic Development (HED) Contract Compliance staff has started their review of each agency binder to verify that Exhibit D (Independent Audit Requirement) has been signed. The Compliance staff has also contacted agencies for copies of their independent single audit.

07-III.8 Significant Control Deficiency and Non-Compliance Finding: Homeland Security Procurement

Condition – The City changed the vendor for two vehicle purchases from an out-of-state vendor to an in-state vendor to comply with a Texas State Law (Texas Local Government Code Sec. 2155.444) that requires goods to be purchased within Texas if the cost and quality are equal.

Recommendation - Identify purchases funded by federal grants, and ensure that these purchases are not subject to geographical preferences.

Current Status is summarized as follows:

Upon further review of this finding's condition, we conclude that the condition was not properly stated. The change in vendor was due to the need to obtain title for the vehicle purchased from an in-state dealer in accordance with Section 5.04 of the Texas Motor Vehicle Code (TMVC). Without such a change it would have been impossible for the City to take delivery of the vehicle. The vehicle was not selected solely based on geographic location as the most cost-effective selection was made. Procurement actions will continue to follow appropriate rules, regulations and laws. Similar circumstances should not occur in the current year due to clarification of processes.

07-III.9 Significant Control Deficiency and Non-Compliance Finding: Highway Planning and Construction Allowable Costs

**CITY OF FORT WORTH
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2008**

Condition and Context – The City issued duplicate wire transfers to a contractor on March 9, 2007 and March 28, 2007 for \$56,626 for an installment of approved moving expenses.

Recommendation - Treasury staff should only process wire requests with original signatures and/or verify that the approved M&C has not been exceeded before processing a wire transfer.

Current Status is summarized as follows:

As of January 15, 2009, Treasury staff now requires original signatures for wire authorizations, which will resolve this issue. The Supervisors' responsible for approval will not authorize payment until proper documentation is attached, which will help prevent duplicate payments.

This process is fully implemented.

07-III.10 Significant Control Deficiency and Non-Compliance Finding: Airport Improvement Program Allowable Costs

Condition and Context -

1. We noted 6 out of 75 Airport Improvement Program invoices selected for testing, totaling \$9,893, without adequate supporting documentation.
2. As a result of moving a major road to accommodate construction at Alliance Airport, telecommunication cables had to be moved and the City was required to pay this cost to the various companies who controlled these cables. Each company required an advance payment for the relocation of their cable lines which the City paid in order to complete the relocation, but the contract with each company stipulated that there would be an accounting of the actual costs upon completion of the work and any additional amounts would be billed or there would be a refund if actual costs were below the advanced amount. Four telecommunications companies were paid advances totaling \$558,113 from February to April 2007. Through early January 2009, only one of the four companies had provided a settle up of final actual costs (representing 27% of the total costs). To date, the other companies have not submitted their accounting of the actual costs for the relocation project. From the current documentation it is not possible to determine whether any of these costs are not allowable under the grant requirements.

Recommendation – Verify that grant expenses are allowable and are adequately documented according to the grant agreement or request an amendment, in order to maintain compliance with the grant terms.

**CITY OF FORT WORTH
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2008**

Current Status is summarized as follows:

Aviation staff will follow up with utility companies for a final accounting of money advanced for work to be performed on these projects and any future projects that require advance payment. The City is in the process of improving the “Green Sheet” or Project Completion form. This form will now be utilized for all projects and will ensure that once a project is complete, that the proper process will be followed to ensure that project closeout is done in a timely manner and with the appropriate documentation received.

City staff has contracted the companies for a final invoice. City staff has implemented the procedure of not approving invoices for payment without the proper documentation.

07-III.11 Significant Control Deficiency and Non-Compliance Finding: HOME Subrecipient Monitoring

Condition and Cause – We noted instances in which subrecipient files did not contain appropriate documentation of audits performed in accordance with OMB Circular A-133 or documentation that such audits were not required. We also noted missing documentation of appropriate monitoring procedures by the City.

Recommendation – Perform annual performance and financial reviews of these entities and require the entities to submit the monthly reports. If monthly reports are not considered necessary, then the contract language should be amended accordingly and documentation should be included in the City’s files.

Current Status is summarized as follows:

The Contract Compliance staff annual monitoring schedule includes all active HOME contracts as well as all HOME-funded affordable housing projects for which continuing monitoring requirements apply during the period of affordability established by HUD regulations. The Compliance staff will also review monthly reports received for HOME activities according to specifications in the contract. Also see response to 07-III.7.

07-III.12 Material Weakness in Controls and Material Non-Compliance Finding: Regional Outreach for Recycling Reporting

Condition – Quarterly reports were submitted past the due date established in the grant agreement.

**CITY OF FORT WORTH
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2008**

Recommendation – Develop a plan to produce the information in a manner that will allow timely reporting

Current Status is summarized as follows:

Staff will work with the North Central Texas Council of Governments on all future grant applications to attempt to negotiate additional time to submit quarterly reports over and above the 5 days after the end of the quarter, however, no new grants from this agency have been awarded to the City.

07-III.13 Significant Control Deficiency and Non-Compliance Finding: Highway Planning and Construction Allowable Costs

Condition and Context – The City hired a land contractor to provide project management services for the SH 121 Highway project on March 5, 2002.

1. Two invoices out of 75 selected for testing were paid without adequate supporting documentation.
2. The contract with the land contractor states they will use a 3.04 multiplier to their hourly labor rates to bill the City for its services. Invoices for 6 out of 6 months selected for testing included a total amount of \$39,809 attributable to the 3.04 multiplier.

Recommendation – Only invoices with adequate support and documentation should be processed for payment. If there is missing information, City staff should request the information and inform the contractor that payment will be delayed until the information is provided. In addition, only reasonable costs should be reimbursed with federal funds. Any costs that are unusual should be supported with documentation to support the conclusion that these costs are reasonable.

Current Status is summarized as follows:

The City will verify that documentation has been received before payment is issued. The City will develop a formal policy defining any rate multipliers used. The anticipated completion date of this is September 30, 2009.

This process is being developed as part of the City's Integrated Program Management process. The anticipated completion date is still correct.

07-III.14 Significant Control Deficiency and Non-Compliance Finding: CDBG Equipment and Real Property Management

**CITY OF FORT WORTH
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2008**

Condition – Equipment purchased with Federal funds was not specifically identified and tracked.

Recommendation - Review all equipment purchases to ensure that they are properly recorded and specifically identified and tracked.

Current Status is summarized as follows:

Departments that expend grant funds on construction and equipment are reminded by grants program staff and grants accounting staff to charge their expenses appropriately to the correct grant account at the time the expense is incurred. Documentation and account coding for grant-funded construction costs and equipment purchase costs incurred in the Housing & Economic Development (HED) continue to be regularly reviewed by the Department's Senior Accountants at the time the expense is paid. At the time that grant funds are drawn from HUD, regardless of the department incurring the expense, the accuracy of the account coding is once again identified and verified by accountants in both the HED Department and in the Financial Management Services Department.

***07-III.15 Material Weakness in Controls and Material Non-Compliance Finding:
Highway Planning and Construction Davis-Bacon Act***

Condition and Context – Compliance with Davis-Bacon requirements was not monitored for construction projects funded with federal grants passed through the Texas Department of Transportation (“TxDOT”).

Recommendation - City Aviation Department staff should communicate with program managers that oversee or coordinate projects for TxDOT pass-through grants to make sure compliance with all requirements are met.

Current Status is summarized as follows:

All opened grants have been checked to ensure that any contracts that require Davis Bacon monitoring had the necessary certified payroll.

***07-III.16 Significant Control Deficiency and Non-Compliance Finding: Highway
Planning and Construction Program Income***

**CITY OF FORT WORTH
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2008**

Condition and Context – Rental income of \$26,766 was received during the project but documentation could not be provided for the basis for the income (rental agreements) or whether such income was used solely within the project.

Recommendation – Retain documentation of all rental agreements and maintain further documentation that such income is used solely within the project for which the federal funds were designed.

Current Status is summarized as follows:

The City will implement a written policy for the use of rental income generated from a federal grant program. The policy will require the documentation for the basis of the income and that the income must be used within that project. The City will require project files to include support showing how any income generated was used.

This process will not be completed by March 31, 2009. The anticipated delivery date for this process is September 30, 2009.

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.



SINGLE AUDIT REPORT
CITY of FORT WORTH
FINANCIAL MANAGEMENT SERVICES DEPARTMENT
1000 THROCKMORTON STREET
FORT WORTH, TEXAS 76102
www.fortworthgov.org