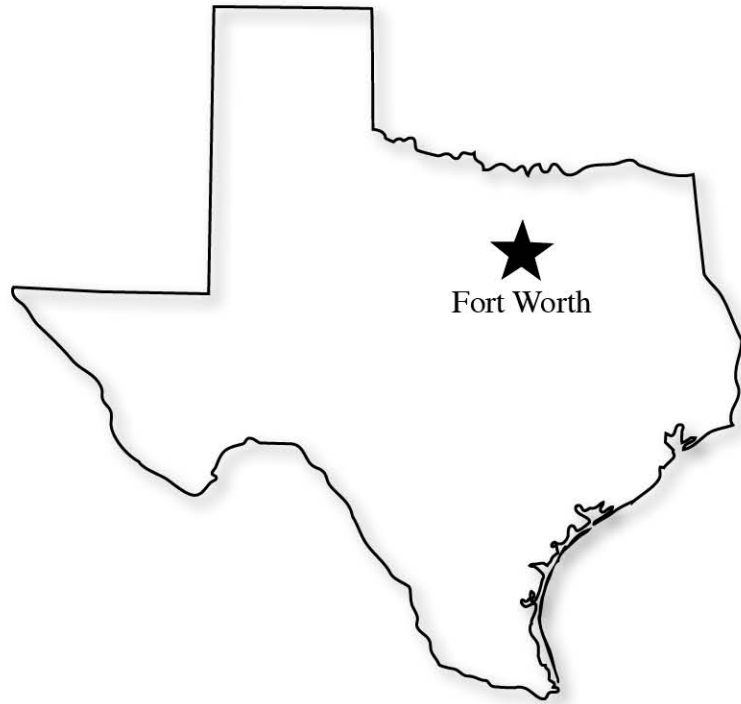




SINGLE AUDIT REPORT
For the Fiscal Year Ended
September 30, 2009
CITY of FORT WORTH, TEXAS





Cover Photograph: Omni Hotel in downtown Fort Worth.

Single Audit Report

For the Fiscal Year Ended
September 30, 2009

CITY OF FORT WORTH, TEXAS

Elected Officials

2009 City Council

Mike Moncrief, Mayor

Salvador Espino
Chuck Silcox
Danny Scarth
Frank Moss
Joel Burns

Jungus Jordan
Carter Burdette
Kathleen Hicks
W.B. 'Zim' Zimmerman

City Manager

Dale A. Fisseler, P.E.

Assistant City Manager

Karen L. Montgomery

Chief Financial Officer

Lena H. Ellis

Independent Auditors

Deloitte & Touche LLP

Prepared by the Financial Management Services Department

Introductory Section





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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.

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.



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March 23, 2010

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, 2009 is submitted herewith.

The report is published to provide the City Council, the various grant agencies, citizens and other interested persons, detailed information concerning Federal and State grant expenditures 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.

FINANCIAL MANAGEMENT SERVICES DEPARTMENT

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

ACKNOWLEDGEMENTS

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

Respectfully submitted,



Karen L. Montgomery
Assistant City Manager



Lena H. Ellis
Chief Financial Officer

OVERVIEW OF THE CITY'S FISCAL YEAR 2009 ANNUAL AUDIT

This report has been prepared in connection with the fiscal year 2009 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 2009 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 preparing financial statements in conformity with generally accepted accounting principles and managing Federal and State financial assistance programs in compliance with applicable laws and regulations; and
3. The organization has complied with laws and regulations that may have a material effect on its basic financial statements and on each major Federal and State assistance program.



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Independent Auditor's Opinion



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, 2009, which collectively comprise the City’s basic financial statements and have issued our report thereon dated March 23, 2010. 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, 2009 (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, 2008, (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 and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as item 09-II.1 in the accompanying schedule of findings and questioned costs to be a material weakness.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as items 09-II.2 to 09-II.5 in the accompanying schedule of findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 March 23, 2010.

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

March 23, 2010

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL AND STATE AWARD PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 and UGMS

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, 2009. 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 09-III.3 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 program. As described in item 09-III.6 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 Cluster. As described in item 09-III.8 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with the requirements regarding Cash Management and Earmarking that are applicable to its Guinn School Renovation Program. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended September 30, 2009. 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 09-III.1, 09-III.3, 09-III.4, 09-III.6, 09-III.7, 09-III.8, 09-III.9, and 09-III-10.

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 09-III.1, 09-III.2, 09-III.5, 09-III.6, 09-III.7, 09-III.8 and 09-III.9 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 09-III.6 and 09-III.8 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, 2009 and have issued our report dated March 23, 2010, 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

March 23, 2010



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Financial Section



**CITY OF FORT WORTH, TEXAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 YEAR ENDED SEPTEMBER 30, 2009**

GRANT AGENCY/PROJECT TITLE	FEDERAL CFDA NUMBER	COFW NUMBER	CONTRACT NUMBER	FY 2009 Expenditures	Pass Through Expenditures
U. S. DEPARTMENT OF AGRICULTURE					
Passed through Texas Health and Human Services Commission:					
Summer Food FY2009	10.559	204361	7543008 PGRM TX#202-10	\$ 479,993	
Total U. S. Department of Agriculture				479,993	
U. S. DEPARTMENT OF COMMERCE					
J. Guinn Elementary School Renovation	11.300	212964	08-01-04076	49,409	
Total U. S. Department of Commerce				49,409	
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Early Childhood Resource Center	93.647	416290	90XP0278/01	154,692	
Sub-Total for Program				154,692	
Children's Voices, Family Choices, Community Solutions	93.104	416786	5 U79 SMS4497-06	530,271	
Sub-Total for Program				530,271	
Passed through Texas Department of State Health Services-					
Centers for Disease Control and Prevention-Investigation & Technical Assistance					
Biochem Grant FY2006	93.283	301082	7560005286A2006	1,142	
Bioterrorism Grant FY2009	93.283	301294	2008-028050	44,142	
Sub-Total for Program				45,284	
Passed Through Texas Department of					
Housing and Community Affairs:					
Community Services Block Grant FY2008	93.569	200234	61080000199	650,436	
Community Services Block Grant FY2009	93.569	200326	61090000371	888,737	
Sub-Total for Program				1,539,173	
ARRA- Community Services Block Grant	93.710	200385	11090000548	18,248	
Sub-Total for Program				18,248	
TDHCA-Weatherization -LIHEAP	93.568	200347	810900000514	185,355	
Comprehensive Energy Assistance Program FY2008	93.568	200233	58080000149	260,537	
Fuel Assistance, Low-income	93.568	200256	818039	184,617	
Comprehensive Energy Assistance Program FY2009	93.568	200325	58090000411	4,707,075	
Sub-Total for Program				5,337,584	
Total U. S. Department of Health and Human Services				7,625,252	
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
HOME Program FY2000	14.239	206133	M-00-MC-48-0204	358,657	\$ 358,657
HOME Program FY2001	14.239	206698	M-01-MC-48-0024	120,783	120,783
HOME Program (PY2002-2003)	14.239	206772	M-02-MC-48-0204	304,563	304,563
HOME Program (PY2003-2004)	14.239	206846	M-03-MC-48-0204	293,592	
HOME Program (PY2004-2005)	14.239	206930	M-04-MC-48-0204	42,535	42,535
HOME Program (PY2005-2006)	14.239	206006	M-05-MC-48-0204	379,040	325,133
HOME Program (PY2007-2008)	14.239	206181	M-07-MC-48-0204	383,759	246,966
HOME Program (PY2008-2009)	14.239	206271	M-08-MC-48-0204	816,613	
HOME Program (PY2009-2010)	14.239	206351	M-09-MC-48-0204	136,496	
HOME Program (PY2006-2007)	14.239	206141	M-06-MC-48-0204	520,260	201,747
Housing Finance Corporation (Candletree Apts.)	14.239	R109	City Contract 27925	776,575	
Sub-Total for Program				4,132,873	1,600,384
CDBG-23rd -Year- 1997	14.218	206112	B-97-MC-48-0010	1,363	
CDBG-24th-Year- 1998	14.218	206122	B-98-MC-48-0010	4,017	
CDBG-25th-Year - 1999	14.218	206127	B-99-MC-48-0010	9,733	
CDBG-26th-Year - 2000	14.218	206132	B-00-MC-48-0010	43,681	
CDBG-27th-Year - 2001	14.218	206697	B-01-MC-48-0010	27,602	
CDBG 28th Year - 2002	14.218	206771	B-02-MC-48-0010	5,030	
CDBG-29th-Year - 2003	14.218	206845	B-03-MC-48-0010	224,292	224,292
CDBG-30th-Year - 2004	14.218	206929	B-04-MC-48-0010	286,889	
CDBG-31st-Year - 2005	14.218	206005	B-05-MC-48-0010	454,680	
CDBG-32nd-Year -2006	14.218	206140	B-06-MC-48-0010	281,815	
CDBG 33rd Year - 2007	14.218	206180	B-07-MC-48-0010	572,213	
CDBG 34th Year - 2008	14.218	206270	B-08-MC-48-0010	3,948,250	504,351
CDBG 35th Year - 2009	14.218	206350	B-09-MC-48-0010	897,235	
CDBG RLF	14.218	206066	Loan Receivable	83,146	
Neighborhood Stabilization Program	14.218	206323	B-08-MN-48-0004	766,234	
Sub-Total for Program				7,606,180	728,643
Section 108 Housing	14.248	R106	Note No. B-99-MC-48-0010	514,277	
Sub-Total for Program				514,277	

CITY OF FORT WORTH, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2009

GRANT AGENCY/PROJECT TITLE	FEDERAL CFDA NUMBER	COFW NUMBER	CONTRACT NUMBER	FY 2009 Expenditures	Pass Through Expenditures
Emergency Shelter Grant FY 2008	14.231	206183	S-07-MC-48-0006	\$ 437	
Emergency Shelter Grant FY 2009	14.231	206297	S-08-MC-48-0006	198,846	\$ 169,913
Emergency Shelter Grant FY 2010	14.231	206353	S-09-MC-48-0006	55,648	
Sub-Total for Program				<u>254,931</u>	<u>169,913</u>
Fair Housing Assistance Program FY2008	14.401	206223	FF-206-K-07-6002	150,475	
Fair Housing Assistance Program FY2009	14.401	206316	FF-206-K-08-6002	391,046	
Sub-Total for Program				<u>541,521</u>	
Comprehensive Housing Counseling	14.169	206288	HC-08-0898-071	56,381	
Sub-Total for Program				<u>56,381</u>	
Evans-Rosedale EDI Project	14.251	206855	B-98-ED-48-0017	(699)	
Lancaster Avenue of Light EDI	14.251	206164	B-05-SP-TX-0296	197,513	
Sub-Total for Program				<u>196,814</u>	
Lead-based Paint Hazard Control Program	14.900	206029	TXLHB0305-05	627,451	
Sub-Total for Program				<u>627,451</u>	
HOPWA GRANT PY 2007	14.241	206144	TX-H06-F002	6,597	
HOPWA GRANT PY 2008	14.241	206184	TX-H07-F002	8,201	
HOPWA GRANT PY 2009	14.241	206298	TX-H08-F002	566,436	560,651
HOPWA GRANT PY 2010	14.241	206354	TX-H09-F002	134,610	
Sub-Total for Program				<u>715,844</u>	<u>560,651</u>
Passed Through Tarrant County:					
Emergency Shelter Grant- Tarrant County	14.241	422259	S-08-UC-48-0001	4,618	
Sub-Total for Program				<u>4,618</u>	
Total U. S. Department of Housing and Urban Development				<u>14,650,890</u>	
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION					
EEOC - 2009	30.002	216394	7FSP0106	72,500	
Total Equal Employment Opportunity Commission				<u>72,500</u>	
U. S. DEPARTMENT OF JUSTICE					
Coverdell Forensic Science Impr. FY2007	16.742	453145	2006-DN-BX-0026	22,267	
City of Fort Worth Crime Laboratory Enhancement	16.742	453303	2008-CD-BX-0071	56,935	
Sub-Total for Program				<u>79,202</u>	
Cold Case Detective & DNA Processing Grant	16.741	453252	2008-DN-BX-K130	207,327	
Sub-Total for Program				<u>207,327</u>	
Human Trafficking Law Enforcement	16.582	423107	2006-VT-BX-0003	148,638	
Sub-Total for Program				<u>148,638</u>	
Passed through Office of the Governor, Criminal Justice Division:					
Domestic Assault Response Team	16.588	202260	WF-08-V30-13414-11	54,681	
Enhanced Domestic Assault Response Team	16.588	202261	WF-08-V30-13415-11	64,723	
Domestic Assault Response Team	16.588	202334	WF-09-V30-13414-12	3,590	
Sub-Total for Program				<u>122,994</u>	
Violence Against Women Grant	16.590	423166	2007-WE-AX-0004	409,260	
Sub-Total for Program				<u>409,260</u>	
Tarrant County Area Justice Assistance Grant	16.738	423010	2005-DJ-BX-0354	89,131	(296)
Tarrant County Area Justice Assistance Grant	16.738	423085	2006-DJ-BX-1180	234,701	128,061
Gang Initiative	16.738	202332	DJ-07-A10-20903-01	109,312	
Tarrant County Justice Assistance Grant	16.738	423221	2007-DJ-BX-1199	159,911	108,228
Sub-Total for Program				<u>593,055</u>	<u>235,993</u>
Passed through the North Texas Crime Commission:					
Six City Anti-Gang Initiative.: Gang Crime Reduction	16.744	462155	CO2006-MU-MU-0003	23,386	
Fugitive Apprehension Strike Team	16.744	462188	CO2006-MU-MU-0003	1,572	
Project Safe Neighborhood CDBG - NPD 2	16.744	462229	CO2007-PG-BX-0061	4,161	
Project Safe Neighborhood CDBG/Anti-Gang Initiative	16.744	462248	CO2007-GP-CX-0022	27,730	
Project Safe Neighborhood FY2009	16.744	462324	2005-GP-CX-0055	21,375	
Sub-Total for Program				<u>78,224</u>	

**CITY OF FORT WORTH, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2009**

GRANT AGENCY/PROJECT TITLE	FEDERAL CFDA NUMBER	COFW NUMBER	CONTRACT NUMBER	FY 2009 Expenditures	Pass Through Expenditures
Passed through the Near Southeast Community Development Corporation:					
Joint Law Enforcement Neighbor Cleanup	16.595	459280	CFW Co. 37331	\$ (245)	
Joint Code & Neighborhood Cleanup	16.595	459301	City Contract # 37823	6,834	
Sub-Total for Program				6,589	
Total U. S. Department of Justice				1,645,289	
U. S. DEPARTMENT OF TRANSPORTATION					
Alliance-Runway Extension	20.106	218035	3-48-0296-27-2005	24,183	
Alliance -POFZ Runway Precision Obstacle Free Zone	20.106	218087	3-48-0296-31-2006	21,631	
Alliance - ARFF Vehicle	20.106	218139	3-48-0296-29-2006	1	
Alliance - Design/Construct Improvements	20.106	218186	3-48-0296-32-2007	237,874	
Alliance - Runway Ext. - Ph VIII	20.106	218187	3-48-0296-33-2007	769,071	
Meacham - Phase IV-B	20.106	218974	3-48-0085-14-2005	527,016	
Alliance Rehab Airfield Pavement Beacon	20.106	218266	3-48-0293-35-2008	633,416	
AFW Noise Study, ARFF Vehicle	20.106	218317	3-48-0293-36-2008	138,240	
AFW Safety Management System Survey	20.106	218313	3-48-0296-37-2008	96,836	
AFW Run/Taxiway Rehab & Phase I ARFF	20.106	218340	3-48-0296-38-2009	24	
Sub-Total for Program				2,448,292	
Passed through Texas Department of Transportation:					
Spinks- Eastside Drainage Ditch	20.106	302753	0202FWSPK	(7,000)	
Spinks-Airfield Upgrades-Phase II	20.106	302001	0502SPINK	67,778 *	
Runway 16/34 Repair and Apron Expansion	20.106	302985	CSJ 0502 MEACH	176,769 *	
Spinks-Wildcat Way No. & Eastside T/W	20.106	302070	CSJ# 0602SPINK	7,781 *	
Meacham - Repair Runway 16/34	20.106	302185	7XXAV074 0702MEACH	5,434,479 *	
Spinks - R.A.M.P.	20.106	302214	M802SPNKS	(98)	
FWS Roadway/Taxiway Construction	20.106	302299	0702FWSPK	1,616,478 *	
Alliance-Routine Airport Maintenance Project (RAMP)	20.106	302309	M902ALNCE	49,716	
Spinks-Routine Airport Maintenance Project (RAMP)	20.106	302310	M902SPNKS	12,539	
Meacham - Routine Airport Maintenance Project (RAMP)	20.106	302311	M902MECHM	45,892	
Sub-Total for Program				7,404,334	
Comprehensive STEP FY2008	20.600	302175	588-EGF-6140	(540)	
STEP - Impaired Driving Mobility FY2008	20.600	302238	588XXF6030	759	
Comprehensive STEP FY2009	20.600	302284	2009-FORTWORT-S-SYG-0245	395,681	
STEP FY2009 Commercial Vehicles	20.600	302285	2009-FORTWORT-S-SYG-0277	57,054	
STEP - Impaired Driving Mobility FY2009	20.600	302322	2009-FORTWORTH-STEPIDM-000	49,154	
STEP - Click It Or Ticket	20.600	302356	2009-FORTWORTH-CIOT-00069	24,516	
Sub-Total for Program				526,624	
Traffic Signal System	20.205	302296	95XXF6009	113,029	
State Highway 121 Tollway	20.205	302943	CSJ# 0902-48-585	220,799	
Magnolia Village I Pedestrian/Street Improvement	20.205	302054	CSJ# 0902-48-536	21,284	
Trinity River Trail System	20.205	302878	CSJ# 0902-48-557&581	11,430	
Berry Street Construction	20.205	302879	CSJ# 0902-48-558, 490, 410	20,703	
South of Seventh Project	20.205	302898	CSJ 0902-48-562	138,315	
Sycamore School Road Quiet Zone Project	20.205	302156	0902-48-685	15,006	
Peach St Rr Safety Improvement Project	20.205	302157	02-7XXF6018	127,134	
Hemphill West Quiet Zone Project	20.205	302158	TxDOT 0902-48-686	124,673	
Magnolia Ave Rr Crossing Project	20.205	302159	TxDOT 0902-48-687	35,532	
Urban Village (Southeast Cluster)	20.205	456168	TxDOT 0902-48-682	113,243	
Urban Village (Southwest Cluster)	20.205	456169	TxDOT 0902-48-683	91,768	
Ninth St. Pedestrian & Streetscape Development	20.205	302891	CSJ 0902-48-495	514	
Hulen Street from IH20 to Banwick and Overton Ridge	20.205	C200	0902-48-907, 327	7,117	
Traffic Signal Expansion CMAQ5	20.205	302314	CSJ# 0902-48-587 & 0902-48-588	20,953	
East Rosedale Street Construction	20.205	C116	17201042	1,829,141 *	
Sub-Total for Program				2,890,641	
Passed through Texas Parks and Wildlife:					
Regional Park Grant	20.219	306836	53-00009	12,872	
Recreation Trail Program-Heritage Trace	20.219	306920	771-07042	(11,277)	
Sub-Total for Program				1,595	
Passed through North Central Texas Council of Governments:					
RTC - NCTCOG / Vehicle Purchases	20.205	203179	CSC# 35402	(15,888)	
Sub-Total for Program				(15,888)	
Total U.S. Department of Transportation				13,255,598	
* Includes expenditures processed by the Texas Department of Transportation					
ENVIRONMENTAL PROTECTION AGENCY					
Brownfields Study	66.818	214894	BF-97676101-0	23,363	
Sub-Total for Program				23,363	

**CITY OF FORT WORTH, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2009**

GRANT AGENCY/PROJECT TITLE	FEDERAL CFDA NUMBER	COFW NUMBER	CONTRACT NUMBER	FY 2009 Expenditures	Pass Through Expenditures
Passed through Texas Water Development Board:					
Clean Water State Revolving Fund-tier 3	66.458	P254	CWSRTier III 2007	\$ 1,114,469	
Sub-Total for Program				<u>1,114,469</u>	
Drinking Water State Revolving Fund-tier 3	66.468	P262	Project -61152	(25,687)	
Drinking Water State Revolving Fund-tier 3	66.468	P255	DWSRF - 2007	2,936,400	
Sub-Total for Program				<u>2,910,713</u>	
Passed through Texas Commission for Environmental Quality:					
PM 10 (EPA) Sect 105	66.001	412375	582-10-8641	5,566	
Sub-Total for Program				<u>5,566</u>	
Local Air Pollution Monitoring Sites-PM2.5 Monitoring	66.034	412120	582-7-72658	22,234	
Sub-Total for Program				<u>22,234</u>	
(EPA) SECTION 105	66.605	412208	582-8-72685	61,021	
Sub-Total for Program				<u>61,021</u>	
Total Environmental Protection Agency				<u>4,137,366</u>	
INSTITUTE OF MUSEUM SERVICES					
Passed through Texas State Library:					
Interlibrary Loan Service FY2009	45.310	308279	771-09020	281,241	
Interlibrary Loan Service FY2010	45.310	308364	771-10029	22,289	
Total Institute of Museum Services				<u>303,530</u>	
DEPARTMENT OF HOMELAND SECURITY					
Passed through Texas Engineering Extension Service:					
Homeland Security Grant Program-SHSP FY2007	97.073	442281	07-GA-27000-03	133,891	
Sub-Total for Program				<u>133,891</u>	
Passed through Texas Governor's Division of Emergency Management:					
Texas Homeland Security FY 2005-UASI	97.008	442172	06-SR-27000-01	547,462	
Texas Homeland Security FY 2006-UASI	97.008	442071	2005 HSGP-27000	21,978	
Texas Homeland Security FY 2007-UASI	97.008	442236	07-SR-27000-01	1,275,474	
HSGP-UASI	97.008	442329	08-SR 27000-01	30,031	
HSGP-UASI - LEAP FY2008	97.008	442330	08-SR 27000-01	5,590	
Sub-Total for Program				<u>1,880,535</u>	
Texas Homeland Security FY 2005-MMRS	97.071	442173	2006 SR-27000-01	96,311	
Texas Homeland Security FY 2007-MMRS	97.071	442237	07 SR 27000-01	147,090	
Texas Homeland Security FY 2008-MMRS	97.071	442331	08-SR-27000-01	1,369	
Sub-Total for Program				<u>244,770</u>	
Buffer Zone Protection Program	97.078	450163	2006-BZ-T6-0032	(1,971)	
Sub-Total for Program				<u>(1,971)</u>	
Emergency Management FY2009	97.042	450355	2009-EP-E9-0005	133,763	
Sub-Total for Program				<u>133,763</u>	
Assistance to Firefighters Grant	97.044	446282	EMW-2007-FO-30407	129,025	
Fire Prevention & Safety FY2007	97.044	446283	EMW-2007-FP-02033	42,380	
Sub-Total for Program				<u>171,405</u>	
Hurricane Gustav	97.036	446315	EM-3290-TX	(1,021)	
Hurricane Ike	97.036	446320	EM-3294-TX	4,654	
Sub-Total for Program				<u>3,633</u>	
Pass through Texas Commission on Environmental Quality:					
Bio-Watch Monitoring Activities	97.091	412119	582-7-72674	327,347	
Bio-Watch Monitoring Activities	97.091	412374	582-10-8640	26,774	
Sub-Total for Program				<u>354,121</u>	
Total Department of Homeland Security				<u>2,920,147</u>	
U. S. DEPARTMENT OF ENERGY					
Passed through Texas Department of Housing & Community Affairs:					
Systems Benefit Fund Program	81.042	200815	301008	17,952	
DOE Weatherization	81.042	200255	568039	142,116	
TDHCA - Weatherization - DOE	81.042	200346	56090000515	180,658	
Total U. S. Department of Energy				<u>340,726</u>	

**CITY OF FORT WORTH, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2009**

GRANT AGENCY/PROJECT TITLE	FEDERAL CFDA NUMBER	COFW NUMBER	CONTRACT NUMBER	FY 2009 Expenditures	Pass Through Expenditures
U. S. DEPARTMENT OF EDUCATION					
Passed through Texas Education Agency and the Fort Worth ISD:					
Fort Worth ISD 21st Century Learning Program	84.287	449977	City Contract 30851	\$ 68,267	
Sub-Total for Program				<u>68,267</u>	
Passed through Texas Education Agency:					
Diamond Hill Coalition FY2009	84.298	403306	086000297110001	18,198	\$ 18,198
Sub-Total for Program				<u>18,198</u>	<u>18,198</u>
Total U.S. Department of Education				<u>86,465</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	I5PNT501-CS #31555	66,812	
Total Executive Office of the President				<u>66,812</u>	
INTERNAL REVENUE SERVICE					
IRS - Criminal Investigation	21.xxx	478264	37071	11,459	
Total Internal Revenue Service				<u>11,459</u>	
Total Expenditures of Federal Awards				<u>\$ 45,645,436</u>	<u>\$ 3,313,782</u>
TEXAS STATE ATTORNEY GENERAL'S OFFICE					
Other Victim Assistance Grant	NONE	473205	12/12/96	\$ 43,069	
Other Victim Assistance Grant	NONE	473363	1015783	6,247	
Total Texas State Attorney General's Office				<u>49,316</u>	
OFFICE OF THE GOVERNOR, CRIMINAL JUSTICE DIVISION					
Cold Case FY2009	NONE	202262	SF-09-A10-17221-05	68,967	
Cold Case Investigation	NONE	202336	SF-10-A10-17221-06	6,654	
Total Office of the Governor, Criminal Justice Division				<u>75,621</u>	
TEXAS DEPARTMENT OF TRANSPORTATION					
Hulen Street from IH20 to Banwick and Overton Ridge	NONE	C200	0902-48-907, 327	429	
Traffic Signal Expansion CMAQ5	NONE	302314	0902-48-587 & 0902-48-588	2,821	
Passed through the North Central Texas Council of Governments:					
Tarrant Regional Auto Crimes	NONE	422278	AGREEMENT	133,664	
Total Texas Department of Transportation				<u>136,914</u>	
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY					
Air Pollution Control Service-06-07	NONE	412040	582-6-74392	223,857	
Ozone Monitoring Station	NONE	412207	582-8-72691	49,588	
Mow Down Air Pollution	NONE	412222	2007-011	41,550	
Passed through the NORTH CENTRAL TEXAS COUNCIL OF GOVERNMENTS:					
Air Pollution Compliance Monitoring	NONE	412381	582-10-9025	21,542	
Total Texas Commission on Environmental Quality				<u>336,537</u>	
TEXAS CONTROLLER OF PUBLIC ACCOUNTS					
Tobacco Compliance Grant-FY2009	NONE	443308	Letter of Agreement	30,000	
Passed through the UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER:					
Guinn School Renovaton	NONE	452046	32474	448,723	
Guinn School Renovaton	NONE	452293	37010	299,440	
Total Texas Comptroller of Public Accounts				<u>778,163</u>	
TEXAS STATE LIBRARY AND ARCHIVES COMMISSION					
Loan Star Library FY2009	NONE	308345	442-09179	144,376	
Total Texas State Library and Archives Commission				<u>144,376</u>	
Total Expenditures of State Awards				<u>\$ 1,520,927</u>	
Total Expenditures of Federal and State Awards				<u>\$ 47,166,363</u>	<u>\$ 3,313,782</u>



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**CITY OF FORT WORTH
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2009**

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, 2009.

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.

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, 2009 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, costs associated with potential HUD audit findings are estimated to be \$691,000 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.

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

CITY OF FORT WORTH
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2009

\$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. In fiscal year 2009 the City of Fort Worth received \$33,083 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, 2009:

- Mercado Project, Commitment No. B-97-MC-48-0010 \$ 1,855,000
- Mercado Project-due within one year 265,000
- Mercado Project-Total \$2,120,000

- Evans Avenue and Rosedale Street Business and Cultural District Project, Commitment No. B-99-MC-48-0010 \$ 5,610,000
- Evans Avenue and Rosedale Street –due within one year 417,000
- Evans Avenue and Rosedale Street-Total \$6,027,000

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, 2009 the outstanding loan balances were:

- TWDB Series 2005 \$ 6,130,000
- TWDB Series 2005-due within one year 355,000
- Series 2005-Total \$6,485,000

- TWDB Series 2005A \$ 9,570,000
- TWDB Series 2005-due within one year 500,000
- Series 2005A-Total \$10,070,000

- TWDB Series 2007A \$30,610,000
- TWDB Series 2007A-due within one year 1,490,000
- Series 2007A-Total \$32,100,000

CITY OF FORT WORTH
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2009

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, 2009 the outstanding loan balance was:

• TWDB Series 2005B	\$53,190,000	
• TWDB Series 2005 B-due within one year	<u>2,910,000</u>	
Series 2005 B-total		<u>\$56,100,000</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.



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Independent Auditor's Findings





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CITY OF FORT WORTH, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS SEPTEMBER 30, 2009

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:

- Section 108 Housing, which is qualified for Allowable Costs
- Highway Planning and Construction Cluster, which is qualified for Davis-Bacon Act
- Guinn School Renovation Program, which is qualified for Cash Management and Earmarking

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
20.106	Airport Improvement Program
20.205 / 20.219	Highway Planning and Construction Cluster
66.458	Clean Water State Revolving Funds
66.468	Drinking Water State Revolving Funds
93.568	Comprehensive Energy Assistance Program
93.569 / 93.710	Community Services Block Grant Cluster

State:

Air Pollution Control Services
Guinn School Renovation
Hulen Street from IH20 to Barwick and Overton Bridge
TXDOT – Traffic Signal System Expansion

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

Federal: \$1,300,000

State: \$300,000

Auditee qualified as low-risk auditee? No

Part II—Findings Related to the Financial Statements

09-II.1 Material Weakness: Accounting for Capital Assets (updated from fiscal years 2004-2008)

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 and 2009, we did not note the level of errors that were noted in previous years related to capital assets. Audit adjustments for fiscal 2008 and 2009 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 formal written capital asset 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.
- A lack of proper communication between the Financial Management Services Department and other City departments regarding Construction-in-Progress (“CIP”), resulting in improper classification of certain projects within CIP.
- A loss of data from the previous fixed asset system that contributed to improper amounts in disposals of replaced water pipe.

Context – Capital assets represent the City’s single largest asset. As of September 30, 2009, 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 regarding capital asset transactions between the various departments and the Financial Management Services Department.

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

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

- Implement a more sophisticated system of accounting for capital assets. Such a system should contain automated controls to ensure proper accounting and reconciliation of capital assets. However, consider the importance of fully integrating an electronic capital asset system with the City’s general ledger system and plan appropriate timing for the implementation of any new capital asset system relative to the City’s overall ERP implementation time-table.
- 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 consistent policies on accounting for capital assets in general and the related reconciliation processes. Ensure that such policies are implemented and enforced.
- 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.
- On an overall basis, improve communication between the operating departments and the Financial Management Services Department related to capital assets.

Views of Responsible Officials – See Corrective Action Plan.

09-II.2 Significant Deficiency: Accounting for Contractual Arrangements in a Decentralized Environment (updated from two related Material Weakness in fiscal year 2008)

Criteria – Proper and timely accounting for all contractual arrangements is important to a proper presentation of the business operations of the City within the financial statements.

Condition – During fiscal 2009 the Financial Management Services Department (“FMS”) was informed that in a previous year, the City had entered in to a lease purchase obligation that placed approximately \$9 million into trust for the purchase of certain equipment. However, the transaction was not recorded in the City’s financial statements. Upon discovery of the account, FMS personnel researched the issue and recorded an adjustment to the City’s accounting records.

Context – The total amount of the funds in this case was approximately \$9 million.

Cause – There appears to be incomplete communication between various departments and the Financial Management Services Department. Currently, the accounting function is decentralized throughout the City with certain financial operations being handled by individuals within the operating departments rather than by Financial Management Services Department personnel.

Effect – Improper or untimely recording of contracts and transactions that occur within the various departments of the City could cause the City’s financial statements to be misstated.

Recommendation – Implement a formal communication process between all other departments and the Financial Management Services Department to properly report on a timely basis all new contractual arrangements that occur throughout the year. Consider consolidation of all financial operations within the Financial Management Services Department so that all contracts and other special transactions are accounted for in a proper and timely manner.

Views of Responsible Officials – See Corrective Action Plan.

09-II.3 Significant Deficiency: Documentation of Policies and Procedures Related to Accounting and Financial Reporting (updated from fiscal years 2006-2008)

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 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 City’s accounting and financial 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, 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, and that adherence to these policies and procedures is monitored.

Views of Responsible Officials – See Corrective Action Plan.

09-II.4 Significant Deficiency: Computer System Access Controls (updated from fiscal years 2006-2008)

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

Condition and Cause – 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 IT system users are required to use multiple levels of authentication to access the financial systems and the network level passwords are relatively strong. However some of the internal IT systems were noted to lack the functionality to enforce strong passwords and in some systems the configurations can be improved to force the users to use a strong password.

User Access Privilege Reviews: As of September 30, 2009, the City does not have a comprehensive user access privilege review in place for all layers of the IT environment. The City has implemented and completed a process to review the Active Directory users on an annual basis in October and November 2009. Although this process was performed at the network level, it did not cover the access privilege reviews on the application, database and operating system layers.

User Access Termination: Based on limited testing, three instances of terminated employees accounts or unnecessary accounts 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 password configuration, access control configurations, 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: Noted a number of instances of excessive administrator privileges to various IT systems.

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

Effect- Unauthorized access to an entity’s information systems can potentially 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.
- User access privileges of all user accounts at the application, database, operating system, networks and key security configuration should be reviewed on a regular basis to ensure it is appropriate at all times.
- User access monitoring controls should be established and implemented based on the assessed risk.

Views of Responsible Officials – See Corrective Action Plan.

09-II.5 Significant Deficiency: Change Management of Computer Controls (updated from fiscal years 2006-2008)

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 through the change management policy. Some of the specific cases noted were as follows:

Change Management: 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. Management has implemented additional control to remove the emergency access after 4 hours to limit the time available for a programmer to access the production system. When programmers are given such access, the programmer is required to submit a log of actions performed while using that account. The log could be modified by the programmer and it is possible for a programmer to make unauthorized changes using this special access privilege. In addition, when changes are required for reports, the change tickets are not opened for all changes.

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 may not be detected by management.

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 – Any potential 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.

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

09-III.1 Significant Deficiency in Internal Controls and Non-Compliance Finding: Airport Improvement Program – Allowable Costs

Program – CFDA 20.106, Airport Improvement Program, from the Department of Transportation, 2009

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 – In some instances of costs charged to the grant, invoices from contractors did not contain the level of detail consistent with the original approved contract. Professional service contractors billed on a percentage of completion method and did not provide a basis for the percentage. The approved contracts included employee classifications and hourly rates, which were either not provided in the invoice detail or were different from the employee classifications and hourly rates in the contractor’s invoices.

Questioned Costs – Cannot be determined, if any.

Context - 18 of the 67 transactions tested were payments to two professional service contractors that did not have adequate supporting documentation attached to their invoices. The invoices appeared to support the costs, but did not have the additional documentation required by their contract with the City.

Cause - Invoices were approved without referring to the approved contracts and the basis for compensation to the contractors. Management of the City’s Aviation Department indicated that they have requested adequate supporting documentation for invoices from these contractors but have not received it.

Effect – Without vendor documentation consistent with original contracts, the City cannot verify that these charges fairly represent the work performed by the vendor.

Recommendation – City personnel who review and approve invoices for payment should 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. Payments should not be made and reimbursement should not be requested from the grant agency until adequate supporting documentation is provided.

Views of Responsible Officials – See Corrective Action Plan

09-III.2 Significant Deficiency in Internal Controls: Airport Improvement Program – Special Tests Related to Revenue Diversion

Program – CFDA 20.106, Airport Improvement Program, from the Department of Transportation, 2009

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 and operates the Alliance, Meacham and Spinks airports which generate fees and revenues from airport operations.

Cause - The Aviation and Finance 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 – Lack of a formal policy could lead to revenue being diverted inappropriately by someone unaware of the requirements.

Recommendation – The City should adopt a formal policy on the use of airport revenues consistent with FAA requirements.

Views of Responsible Officials – See Corrective Action Plan

09-III.3 Material Non-Compliance Finding: Section 108 Housing - Allowable Costs

Program – CFDA 14.248 Section 108 Housing from the Department of Housing and Urban Development (“HUD”), 2009

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 –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. According to City personnel, these costs were approved as allowable costs by HUD prior to expenditure, but no documentation of this approval could be located.

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. A total of \$73,415 of such expenses mainly related to purchases of books was coded to the grant during the fiscal year ended September 30, 2009.

Cause - 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

09-III.4 Non-Compliance Finding: Comprehensive Energy Assistance Program - Eligibility

Program – CFDA 93.568 Comprehensive Energy Assistance Program from the Department of Health and Human Services, 2009

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

Condition – Grant management was unable to provide applicant files that included required eligibility support for certain applicants to the Comprehensive Energy Assistance Program.

Questioned Costs – \$3,326.

Context – 6 out of 52 files were missing completed Priority Rating sheets, eligibility documents required for retention by the contract with TDHCA.

Cause - Applicant files are processed and retained at nine decentralized locations throughout Tarrant County. Supervisors have not been fully trained on the grant documentation requirements.

Effect – Lack of proper documentation of applicant file documents 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 – Improve training of supervisors involved in the review process to assure they understand the required, proper documentation is retained in applicant files.

Views of Responsible Officials – See Corrective Action Plan

09-III.5 Significant Deficiency in Internal Controls: Guinn School Renovation – Allowable Costs and Davis-Bacon

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

Criteria – The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Grant expenditures should be reviewed by an individual knowledgeable of the grant agreement to ensure that costs are allowable and incurred within the appropriate period. Lastly, management should review certified payrolls received from vendors to ensure that the vendor pays prevailing wage rates in accordance with the Davis-Bacon Act.

Condition – There are no formal review processes in place to ensure compliance with the requirements outlined in the grant agreement. There was no documentation to indicate that management consistently performed a review of certified payrolls for compliance with Davis-Bacon. Further, 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.

Questioned Costs – None.

Context – All 12 charges selected to test for management review of invoices were reviewed by someone who was not knowledgeable of the grant requirements. All 5 certified payrolls selected to test for management review of wage rates did not have evidence of review by grant management.

Cause - The acting grant manager has little experience in grant compliance requirements and was recently appointed as acting grant manager for this grant without receiving grant-specific training.

Effect – Lack of an effective review process could lead to unallowable or inappropriate expenditures being paid out of grant funds.

Recommendation – Ensure that grant managers receive adequate compliance training. New grant managers should be educated on the grant agreements, the history of the grant, and the current status of grant-funded projects. Control procedures should be documented and retained as evidence of the procedure.

Views of Responsible Officials – See Corrective Action Plan

09-III.6 Material Weakness in Internal Controls and Material Non-Compliance Finding: Highway Planning and Construction Cluster – Davis-Bacon

Program – CFDA 20.205 / 20.219 Highway Planning and Construction Cluster from the Department of Transportation, 2009

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

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

Questioned Costs – None.

Context – Compliance reviews were not implemented on one contract that has been in place for three years and on another that is new in the current fiscal year.

Cause - Program management staff members were not aware in prior years that the Davis-Bacon compliance requirement applies to federal grants passed through from the Texas Department of Transportation.

Effect – Certified payrolls were not obtained from construction contractors, as required to comply with the Davis-Bacon Act. As a result, it is not possible to determine whether contractors and/or subcontractors paid their employees below the minimum levels set by the Davis-Bacon Act.

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

Views of Responsible Officials – See Corrective Action Plan

09-III.7 Significant Deficiency in Internal Controls and Non-Compliance Finding: Airport Improvement Program – Procurement, Suspension and Debarment

Program – CFDA 20.106 Airport Improvement Grant from the Department of Transportation, 2009

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

Condition – We noted certain contracts that lacked the required evidence of contractor insurance.

Questioned Costs – None.

Context – 5 out of 8 Aviation department contracts selected for testing lacked the appropriate documentation of contractor insurance.

Cause - Requirements related to procurement and suspension and debarment are complicated and can be difficult to monitor without adequate training. The control over Alliance Airport contracts is administered by the Aviation Department rather than by the City's procurement department.

Effect – Control weaknesses around the procurement process increase the likelihood of noncompliance. 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 regulations to ensure that procurement practices are in compliance with the applicable regulations. Increase training on procurement regulations and procedures for all individuals involved in the procurement process.

Views of Responsible Officials – See Corrective Action Plan

09-III.8 Material Weakness in Internal Controls and Material Non-Compliance Finding: Guinn School Renovation – Cash Management and Earmarking

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

Criteria – Procedures for minimizing the time elapsing between the transfer of funds from the granting agency and disbursements by grantees must be followed whenever advance payment procedures are used. Budget to actual expenditures should be reviewed by management on a regular basis to track unliquidated balances to enable management to track compliance with spending earmarks and obtain a timely extension if unliquidated

balances will not be spent or otherwise obligated within the appropriate period. The grant agreement between the University of North Texas Health Science Center and the City of Fort Worth require that the entire grant award be incurred during the same State fiscal year that the funding was received.

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

Questioned Costs – None.

Context – The total amount of unspent, unencumbered funds remaining at the end of the appropriate period is \$487,257 between the 2006 and 2008 grant years. The 2006 award (project #450246) had \$17,626 earmarked for program services and \$67,457 earmarked for renovation costs. The 2008 award (project #452293) had \$402,174 earmarked for renovation costs.

Cause - There was turnover in grant management, and the new grant manager did not receive proper training before taking over all responsibilities for the grant. Consequently, grant management was unaware of the cash management requirements related to the advanced funds and the impact of unspent funding on the earmarking requirements.

Effect – The funds that were not incurred by the end of the State fiscal year are no longer available to the City unless the granting agency approves an extension.

Recommendation – Refund unspent amounts back to the granting agency or seek an extension. In addition, provide training for new grant managers to ensure that they retain evidence of control procedures and are familiar with the compliance requirements related to cash management.

Views of Responsible Officials – See Corrective Action Plan

09-III.9 Significant Deficiency in Internal Control and Non-Compliance Finding: Guinn School Renovation – Period of Availability

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

Criteria – The Uniform Grant Management Standards Subpart C, Section 22 states that a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted. The grant agreement between UNTHSC and the City of Fort Worth states funds must be obligated within the State fiscal year that the funding is awarded, and carryover is not permitted. OMB Circular A-110 defines an obligation as the amounts of orders placed, contracts and grants awarded, services received and similar transactions during a given period that require payment by the recipient during the same or a future period. Budget to actual expenditures should be reviewed by management on a regular basis to track unliquidated balances to enable management to monitor compliance with spending requirements and obtain a timely extension if unliquidated balances will not be spent or otherwise obligated within the appropriate period.

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

Questioned Costs – \$19,888

Context – The underlying obligation for work performed on one out of four contracts tested was not incurred within the appropriate period of availability.

Cause - There was turnover in grant management, and the new grant manager did not receive proper training before taking over all responsibilities for the grant. Consequently, grant management was unaware of the requirements related to period of availability.

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

Recommendation – Provide training for new grant managers to ensure that they retain evidence of control procedures and are familiar with the compliance requirements related to period of availability. All costs charged to the grant should be reviewed by an individual knowledgeable of period of availability requirements to ensure that the costs are appropriate.

Views of Responsible Officials – See Corrective Action Plan

09-III.10 Non-Compliance Finding: Community Development Block Grant – Cash Management

Program – CFDA 14.218 Community Development Block Grant from the Department of Housing and Urban Development, 2009

Criteria – Reimbursement grants provide for funding after an allowable expenditure has been incurred.

Condition – The City requested reimbursement for a piece of equipment before it was actually received. As of the date of this report, the equipment has still not been received and the City is in dispute with the vendor. However, HUD has already reimbursed the City for this purchase.

Questioned Costs – \$13,535

Context – The City purchased a lead paint analyzer and paid for the purchase without verifying receipt of the equipment itself.

Cause – The City failed to verify receipt of the equipment prior to payment and prior to the filing of the reimbursement request.

Effect – Although allowable, the equipment was never received and the reimbursement request was filed prior to receipt.

Recommendation – Insure that receipts of all purchases are verified prior to payment. Follow up on any discrepancy in a timely manner to avoid disputes with vendors.

Views of Responsible Officials – See Corrective Action Plan



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Corrective Action Plan



**CITY OF FORT WORTH
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER, 30, 2009**

Findings Related to the Financial Statements

09-II.1 Material Weakness: Accounting for Capital Assets (updated from fiscal years 2004-2008)

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 Year 2012.

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

**CITY OF FORT WORTH
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER, 30, 2009**

09-II.2 Significant Deficiency: Accounting for Contractual Arrangements in a Decentralized Environment (updated from two related Material Weakness in fiscal year 2008)

Concur. Controls over capturing, recording, and reporting of all financial transactions are of the utmost importance to the City. Financial Management Services (FMS) has established the Fiscal Accountability Committee (FAC) as a means to promote more effective communications throughout the City regarding fiscal matters. FMS has also employed an outside consultant to assist in developing fiscal related policies (Finance Directives), which should help with consistency and serve as guidelines to departments for proper accounting and financial reporting. This includes better communication between FMS and other departments.

The City is also in the process of implementing an Enterprise Resource Planning system. As part of phase II of this implementation, the City is completing a re-organization to properly align City resources with business objectives. This process has prompted discussions with the City Manager's Office regarding centralization of fiscal services. This concept is slated to be discussed during the upcoming budget preparation sessions. In addition, a Request for Proposal is currently being prepared for consulting services to assist the City in determining the best model for providing citywide fiscal services. This action is anticipated to be completed by Fiscal Year 2012.

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

09-II.3 Significant Deficiency: Documentation of Policies and Procedures Related to Accounting and Financial Reporting (updated from fiscal years 2006-2008)

Concur. The City recognizes the need for policies and procedures that address all aspects of its financial management, accounting and reporting responsibilities. Management has engaged external assistance in developing and implementing financial policy directives and procedures for the City. The scope of work for this project included developing and documenting the directives, training City staff, and aligning departmental procedures with new and revised policy directives. 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

09-II.4 Significant Deficiency: Computer System Access Controls (updated from fiscal years 2006-2008)

Concur. The City continuously reviews and updates system access controls. Over the past year the Security Policy has been published, passwords have been strengthened in the Windows and Mainframe environments, and user access reviews have been initiated in the Windows environment. Corrective Action Plan milestones for items identified in this deficiency include:

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February 8, 2010 - City Manager approved the City's formal security policy, Administrative Regulation D-5: Information Technology Security which establishes improved security processes and risk assessments.

March 15, 2010 – Affected Departments notified of Computer System Access Controls deficiencies that they need to address and are required to create a Remediation Plan in accordance with the City's Administrative Regulation D-5, Information Security Technology and the System Access Review Procedure. To ensure correction of this deficiency, Department's Remediation Plan will include completing two reviews of user access and key security configurations in Fiscal Year 2010.

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

09-II.5 Significant Deficiency: Change Management of Computer Controls (updated from fiscal years 2006-2008)

Concur. The City has reasonable and adequate change control procedures and continues to enhance them. The Change Management Policy was updated to improve controls regarding Emergency Changes, Change Migration, and improve monitoring.

Corrective Action Plan milestones for items identified in this deficiency include:

March 15, 2010 – Affected Departments notified of Change Management of Computer Controls deficiencies that they need to address and are required to create a Remediation Plan in accordance with the City's Administrative Regulation D-5, Information Security Technology and IT Solutions facilitated Change Management Policy.

April 15, 2010 – Affected Departments submit Remediation Plan to IT Security Manager for approval.

June 1, 2010 – Remediation actions complete.

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

Findings and Questioned Costs Related to Federal and State Awards

***09-III.1 Significant Deficiency in Internal Controls and Non-Compliance Finding:
Airport Improvement Program – Allowable Costs***

Concur. The percentage of completion-based progress payments was not consistent with the specified terms in the original contract. However, the Aviation Department finds that our current method of contracting is consistent with FAA Advisory Circular 150/500-14D and industry practices and provides "adequate documentation" and that sufficient review and monitoring of costs charged to the grant occurred. Invoices are paid based on a percentage of work completed. This work is verified by Airport Management or other

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appropriate staff knowledgeable with the project. The cost estimate details found in Attachment B of the contract are used in negotiating the contract and to determine that the costs are allowable, reasonable, and applicable to the project. It also determines the fixed lump sum payment amount. However, although the costs were adequately documented we concur that there was inconsistency between the contract schedule of work and the progress payments.

The Aviation Department has determined that the invoicing methods were not clearly identified in certain contracts. In the future, the Aviation Department will amend contracts to provide sufficient information related to payments and to ensure that contract language is consistent with the method of invoicing. The anticipated date for completion of this corrective action is May 2010.

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

09-III.2 Significant Deficiency in Internal Controls: Airport Improvement Program – Special Tests Related to Revenue Diversion

Concur. The City of Fort Worth's Financial Management Policy Statement should address the use of airport revenues.

The Aviation Department is working with the Financial Management Services Department on formalizing a policy on the use of airport revenues. The anticipated date for completion of this Corrective Action is April 2010.

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

09-III.3 Material Non-Compliance Finding: Section 108 Housing - Allowable Costs

Concur. The City will have discussions with HUD on the allowability of the costs incurred under these Section 108 projects and obtain clarification from HUD personnel on whether the above conditions relate to inappropriate expenditures and document the resolution of these matters. The anticipated date for completion is May 14, 2010.

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

09-III.4 Non-Compliance Finding: Comprehensive Energy Assistance Program – Eligibility

Concur – The City will evaluate records management procedures and will develop training for supervisors to ensure they understand the contractual and statutory requirements for documentation. This training was held in January, 2010 and is followed by additional training quarterly.

Contact Person: Sonia Singleton, Assistant Director of Parks and Community Services, 817-392-5774

09-III.5 Significant Deficiency in Internal Controls: Guinn School Renovation – Allowable Costs and Davis-Bacon

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Concur. The City will ensure that grant managers receive adequate compliance training. New grant managers will be educated on the grant agreements, the history of the grant, and the current status of grant-funded projects. Control procedures will be documented and retained as evidence of the procedure. The anticipated date for completion is May 14, 2010.

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

***09-III.6 Material Weakness in Internal Controls and Material Non-Compliance
Finding: Highway Planning and Construction – Davis-Bacon***

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 \$2,000.00 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 (29CFR, Subtitle A) during the preceding weekly payroll period. (Form WH348 or form WH347 should be used.) Records to be maintained by the 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.

5. Each City Contracting Department shall receive the Weekly Certified Payroll Reports and review them to determine the contractors continuing compliance with

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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 contacts will commence immediately.

The corrective Action Plan has been communicated to all effected Program Management staff. We will communicate the Action plan again and stress the importance of strict compliance. Detailed training on the Davis-Bacon Act will be provided as necessary.

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

***09-III.7 Significant Deficiency in Internal Controls and Non-Compliance Finding:
Airport Improvement Program – Procurement, Suspension and Debarment***

Concur. The Aviation Department has requested insurance documentation from all vendors. The Aviation Department will ensure that insurance documentation is requested at the time the contract is executed and maintained in department files.

The Aviation Department will also ensure that vendors are checked for suspension and debarment prior to the award of a contract. This process will be done before the Mayor and Council Communication is routed recommending a contract to be awarded.

This corrective action has been implemented.

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

***09-III.8 Material Weakness in Internal Controls and Material Non-Compliance
Finding: Guinn School Renovation – Cash Management and Earmarking***

Concur. The City will seek an extension from the granting agency. In addition, the City will provide training for new grant managers to ensure that they retain evidence of control procedures and are familiar with the compliance requirements related to cash management. The anticipated date for completion is May 14, 2010.

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

***09-III.9 Significant Deficiency in Internal Control and Non-Compliance Finding:
Guinn School Renovation – Period of Availability***

Concur. All costs charged to the grant should be reviewed by an individual knowledgeable of period of availability requirements to ensure that the costs are appropriate. The anticipated date for completion is May 14, 2010.

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

**CITY OF FORT WORTH
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09-III.10 Non-Compliance Finding: Community Development Block Grant – Cash Management

Concur. The City will ensure that receipts of all purchases are verified prior to payment. Follow up on any discrepancy in a timely manner to avoid disputes with vendors. In addition, the amount has been moved from the original draw voucher to another activity with eligible reimbursements in the amount of \$13,535 to avoid re-payment to HUD. This procedure will be implemented by March 12, 2010.

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

Status of Prior Year Findings





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**CITY OF FORT WORTH
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
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08-II.1 Material Weakness: Accounting for Capital Assets (updated from fiscal years 2004-2007)

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 Finance 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 Finance Department accountants related to capital assets.

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 Finance Department.

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

- Implement a more sophisticated system of accounting for capital assets. Such a system should contain automated controls to 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.

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- 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 and finance departments related to capital assets.

Current Status of Corrective Action Plan:

The implementation of the Corrective Action Plan is on track. See Current Year finding.

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

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.

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 Finance 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.

Current Status of Corrective Action Plan: Corrected.

08-II.3 Material Weakness: Cash Management Controls

Condition – In December 2007 the City issued certain water bonds, but the City’s finance 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.

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

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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.

Current Status of Corrective Action Plan: Corrected.

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

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.

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.

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

Current Status of Corrective Action Plan: Completed.

1. Training was implemented on July 8th and July 22nd (please see 08-III.15 response). In addition, grant personnel and fiscal administrators have viewed the six “webinars” dealing with the ARRA reporting requirements.
2. The examination of upcoming M&C’s is on-going and currently being implemented. When the supervisor feels that an M&C is not written correctly, management is notified. It then becomes a management decision how to handle the issue.
3. The City’s outside consultant prepared a combination SEFA preparation/grant binder set of procedures that is currently being implemented. Because of the diversity of grant programs, not all binders can be standardized. However, this is being implemented to the greatest extent possible. It is an on-going task that will be implemented as each new grant is set up in MARS.

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

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

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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.

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.

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.

Current Status of Corrective Action Plan:

The implementation of the above policies and procedures are currently on track. See Current Year Finding.

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

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.

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.

Recommendation – Work to resolve any remaining issues with the state auditors and make any necessary

Current Status of Corrective Action Plan: Corrected.

All distribution and calculation errors were resolved through the reconciliation project and completed by February 28, 2009. The state audit of all fees and fines collected by the City of Fort Worth was completed by September 30, 2009.

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

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 finance group personnel have administrative privileges on the Buy-Speed database that may not be needed.

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.

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- Appropriate security monitoring controls should be established and implemented based on the City's comprehensive security risk assessment.

Current Status of Corrective Action Plan:

The City Manager identified changes in the updated Administrative Regulation D-5 Information technology Security in July 2009.

The annual computer system access review was initiated on August 12, 2009 was complete by October 1, 2009.

The Decision Package to fund a comprehensive Security Risk Assessment was included in the City Manager's proposed budget to Council.

See Current Year finding.

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

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.

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,

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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 of Corrective Action Plan:

The updated Change Management Policy is operating as designed and no further updates with regard to this finding are planned at this time.

Additional monitoring options are still scheduled to be investigated by March 2010.

See Current Year Finding.

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

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.

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.

Current Status of Corrective Action Plan: Corrected.

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

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

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

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.

Current Status of Corrective Action Plan: Corrected.

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

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.

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

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

Current Status of Corrective Action Plan: Corrected.

Agreements between the City of Fort Worth with sub-recipients for use of federal Economic Development Initiative grants now contain language requiring a Single Audit if the sub-recipient is receives more than \$500,000 in federal funding.

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

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.

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.

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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.

Current Status of Corrective Action Plan: Corrected.

Grants management has now included language in budget planning documents provided to each department that plans to travel using grant funds that they must follow local travel regulations. Grants management has also reviewed the GSA travel regulations with staff to ensure the office provides the correct guidance to departments on travel using Federal dollars.

We are discussing additional administrative measures to ensure compliance with City and Federal regulations. These will be reviewed for possible inclusion in a memorandum to City agencies awarded funds under the Homeland Security Grants Program governing travel.

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

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

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.

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.

Current Status of Corrective Action Plan: Corrected.

All reports to the State Administrative Agency now require two signatures to ensure reports are complete and accurate. Signed reports are saved to the network.

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

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

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.

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.

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Current Status of Corrective Action Plan: Corrected.

Point 1 – The contract was ratified by City Council on July 28, 2009 by M&C C-23686.

Point 2 – The Purchasing Division continues to check all vendors for debarment or suspension using the federal Excluded Parties List System (EPLS) prior to issuing M&Cs and purchase orders.

Point 3 – The change to AR C-9 occurred in March of 2009 not 2008. We have implemented the rule that all grant-funded purchases vendors must be checked by the credit card users for debarment or suspension in the EPLS system before charges are made. Credit card users are attaching screen shots of their findings to the documentation as well as entering in the PaymentNet System that they checked and the findings.

The Purchasing Division has begun monitoring credit card purchases for annual expenditures exceeding \$25,000. The Purchasing Division is working on implementing annual agreements with Home Depot and American Airlines, identified as two vendors whose annual expenditures exceed \$25,000.

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

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

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.

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.

Current Status of Corrective Action Plan: Corrected.

The Housing and Economic Development Department has modified its current communication methods to ensure that departments using CDBG funds in excess of \$2,000 for construction projects are following Davis Bacon requirements when subcontracting for construction activities that trigger Davis Bacon. More specifically, the requirements of Davis Bacon will be included in the Inter-Departmental Letters of Agreement to ensure that requirements of Davis Bacon are being met. As grant funds are awarded to projects with shared construction responsibilities, screenings for Davis Bacon applicability are assessed and the Housing and Economic Development Department staff maintains a monitoring schedule for affected projects.

In addition, Housing and Economic Development staff has requested that as a measure of notifying affected contractors, the following language be included in all City construction bid packages and agreements, “*All construction contracts utilizing federal funds are subject to the requirements of Davis Bacon statutes and wage determination requirements.*”

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

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.

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

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.

Current Status of Corrective Action Plan:

Aviation continues to follow the procedures which state that we will not pay invoices that are not listed in the grant’s scope of services. If necessary, the scope of the grant has been amended. However, see the Current Year Finding.

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

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.

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

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.

Current Status of Corrective Action Plan: Corrected.

The scope of grants is being reviewed prior to approving invoices. When necessary, the scope of the grant has been amended.

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

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

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

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.

Current Status of Corrective Action Plan: Corrected.

1. Grant Managers are currently reviewing OMB Circulars A-87, A-102, and A-133 and should be complete by September 30, 2009. A training session focusing on specific areas of the circulars regarding internal controls and compliance issues will be conducted prior to the review end date;
2. The Texas Department of Housing and Community Affairs (TDHCA) have not yet responded to our request for training. Most TDHCA staff is currently conducting monitoring reviews with other grantees. The department hopes to receive a definitive date by December 31, 2009;
3. The time and attendance reports are reviewed by the District Superintendent and the Assistant Director. The Fiscal Coordinator works closely with Grant Managers and the District Superintendent to communicate to the center coordinators and caseworkers on how to charge hours to the correct grant;
4. The Fiscal Coordinator reconciles grant expenditures after the Finance Department closes activity for each month. Costs that are found ineligible are being transferred to the correct fund and account;
5. The Fiscal Coordinator provides monthly budget/expenditure status reports to Grant Coordinators. Meetings are held periodically to discuss the need to stay within expenditure ratios to ensure compliance;
6. An expenditure adjustment will be posted in August 2009; and
7. Staff is currently being trained on reconciliation and filing of documents according to grant and center numbers instead of vendor. Files should be completely transitioned to the new system by September 30, 2009.

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

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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.

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

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.

Current Status of Corrective Action Plan:

On June 1, 2009 a file transfer policy titled “Department Policy: Community Action Partners File Transfers” was implemented to track client documents when being transferred between sites to ensure that staff is aware of the file’s location at all times and that documents are reviewed and maintained by the sending and receiving end. The department also created a checklist entitled “Case Review Form” to assist the caseworkers in making sure all documents are in the file. However, see Current Year Finding.

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

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

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.

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.

Current Status of Corrective Action Plan:

The Davis-Bacon Act specific requirements, when contracts receive Federal funding either directly or indirectly, have been identified and documented in the referenced “Corrective Action Plan.” The requirements and procedures in the plan have been reviewed by the City’s Law Department. All City Program managers that oversee or coordinate projects for TxDOT pass through grants or otherwise receive federal funding will be informed about the Davis-Bacon compliance requirements and how they are to be documented. Any additional explanation or training on the Act that may be necessary will be provided by the City staff including the Law Department. However, see Current Year Finding.

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

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

Cause - The Aviation and Finance 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.

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

Current Status of Corrective Action Plan:

The Aviation department is in the process of drafting the written policy regarding the use of Airport revenue generated by airports owned by the City. The policy should be complete by September 30, 2009. However, see Current Year Finding.

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

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,.

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.

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.

Current Status of Corrective Action Plan:

The Aviation did follow up with Alliance Air Services regarding this finding. Aviation has developed procedures to assist Alliance Air Services regarding our procurement requirements. Effective date: August 20, 2009. However, see Current Year Finding.

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

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.

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

Current Status of Corrective Action Plan:

The policy is still being developed. The policy has been referred to Andy Anderson, Assistant Director of TPW. The Real Property Program is in this work group. However, the specific project in question closed out in Fiscal Year 2009 and had only \$300 of program income in the year.

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

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.

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

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

Current Status of Corrective Action Plan: Corrected.

Two workshops were conducted on July 8th and July 22nd to inform grant administrators of the need to adhere to guidelines presented in OMB Circulars A-102, A-87 and A-133, and the Davis-Bacon requirements. The emphasis of the discussion was on proper documentation, with specific discussion on addressing recurring audit findings. The July 22nd workshop was presented by Internal Audit. It emphasized Internal Audit's role in ensuring compliance with regulations, including the upcoming ARRA reporting.

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

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.

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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.

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.

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.

Current Status of Corrective Action Plan:

1. There has been no progress in jobs creation attributable to the Mercado. Discussions between City staff and HUD personnel regarding this issue are ongoing.
2. The \$1.5 million is currently available for the low interest and /or forgivable loans to small businesses. Progress is underway on Phase I which will enable Phase II and the loan program to begin.
3. Discussions with HUD have been held regarding amendment requirements for the Section 108 loan program. City staff is currently working on the amendment.
4. City staff has discussed the fixtures/furniture/equipment expenditures with HUD personnel and they have accepted these expenditures as acceptable.

However, see Current Year Finding.

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

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.

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.

**CITY OF FORT WORTH
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2009**

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.

Current Status of Corrective Action Plan: Corrected.

The City is now on a normal closing schedule for the Fiscal Year. Accounts Payable accrual procedures have not been implemented yet because the fiscal year has not closed as of this response. However, we anticipate that accruals will post in a timely manner and be reflected on quarterly reports due to granting agencies.

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

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.

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

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.

Current Status of Corrective Action Plan: Corrected.

Detailed inventory of all E. M. Shamblee equipment will be reviewed on the FY 2009 Library asset confirmation and reviewed on an annual basis. All equipment purchased for this facility will have detailed listing on the asset report.

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

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.

**CITY OF FORT WORTH
STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2009**

- 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.

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

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

Current Status of Corrective Action Plan: Corrected.

The City of Fort Worth has submitted a revised Citizen Participation Plan. In August, HUD informed the city that its revised plan was approved so long as the city makes the suggested changes. The city has agreed to make the changes requested by HUD. Once revised, the city will publish the plan as required by law. The publication will occur mid September. Once published, the plan will be submitted to City Council for adoption. This will occur in October, 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
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