

Single Audit Report

For the Fiscal Year Ended
September 30, 2010

CITY OF FORT WORTH, TEXAS

Elected Officials

2010 City Council

Mike Moncrief, Mayor

Kathleen Hicks
Salvador Espino
Danny Scarth
Joel Burns

Jungus Jordan
Carter Burdette
W.B. "Zim" Zimmerman
Frank Moss

City Manager

Dale A. Fisseler

Assistant City Manager

Karen L. Montgomery

Chief Financial Officer

Lena H. Ellis

Independent Auditors

Deloitte & Touche LLP

Prepared by the Financial Management Services Department

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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. Individual grants presented in the financial information section of this report are those which were considered by the auditors in performing their tests in conformity with Office of Management and Budget (OMB) Circular A-133 and the State of Texas Uniform Grant Management Standards.

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

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

REPORTS

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

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



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March 22, 2011

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, 2010 is submitted herewith.

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

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

INDEPENDENT AUDIT

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

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

FINANCIAL MANAGEMENT SERVICES DEPARTMENT

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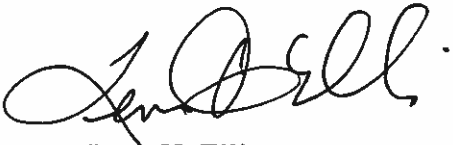
ACKNOWLEDGEMENTS

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 2010 ANNUAL AUDIT

This report has been prepared in connection with the fiscal year 2010 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 2010 annual audit included the requirements of the Single Audit Act Amendments of 1996, the Office of Management and Budget Circular A-133 entitled "Audits of States, Local Governments and Non-Profit Organizations" and the State of Texas Uniform Grant Management Standards. These regulations establish audit requirements for State and local governments, Indian tribal governments and non-profit organizations that receive Federal and State assistance. They provide for independent audits of the entire financial operations for the City, including compliance with certain provisions of Federal and State laws and regulations. These requirements were established to ensure that audits are made on an organization-wide basis, rather than on a grant-by-grant basis. Such audits are to determine whether:

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



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Fort Worth, Texas (the "City") as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 22, 2011. 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 Fund of the City of Fort Worth for the year ended September 30, 2010 (which comprises 99% of the net assets of the trust funds of the City), as described in our report on the City's financial statements. The financial statements of the Employees Retirement Fund of the City of Fort Worth were not audited in accordance with *Government Auditing Standards*. Other auditors audited the financial statements of the Villas of Eastwood Terrace LLC, a blended component unit of the City, for the year ended December 31, 2009, (which comprise approximately 1% of assets, fund balance and revenues of the non-major governmental funds of the City), as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or

detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 10-II.1 to be a material weakness.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 10-II.2 and 10-II.3 to be significant deficiencies.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated March 22, 2011.

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

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

Deloitte & Touche LLP

March 22, 2011

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL AND STATE AWARD PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND 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 could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2010. 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 10-III.2 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with the requirements regarding the Cash Management and Earmarking that are applicable to its Guinn School Program. As described in item 10-III.4 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with the requirements regarding Davis-Bacon Act that are applicable to its Highway Construction Program. As described in item 10-III.6 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with the requirements regarding Reporting that are applicable to its CSBG Program. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2010.

The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 10-III.1, 10-III.3, 10-III.7, 10-III.8, and 10-III.9.

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 to determine auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 10-III.1, 10-III.2, 10-III.4, 10-III.5, and 10-III.6 to be material weaknesses.

A significant deficiency *in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 10-III.3, 10-III.7, 10-III.8, and 10-III.9 to be significant deficiencies.

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

Schedule of Expenditures of Federal and State Awards

We have audited the basic financial statements of the City as of and for the year ended September 30, 2010 and have issued our report dated March 22, 2011, which included a reference to other auditors. Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State of Texas UGMS and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Deloitte & Touche LLP

March 22, 2011



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CITY OF FORT WORTH, TEXAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 YEAR ENDED SEPTEMBER 30, 2010

GRANT AGENCY/PROJECT TITLE	FEDERAL CFDA NUMBER	COFW NUMBER	CONTRACT NUMBER	FY 2010 Expenditures	Pass Through Expenditures
U. S. DEPARTMENT OF AGRICULTURE					
Passed through Texas Health and Human Services Commission:					
Summer Food FY2009	10.559	204361	CON 7543008 PGRM TX#202-10	\$ 247	
Summer Food FY2010	10.559	204449	CO# TX-220-1003 7543008	532,649	
Total U. S. Department of Agriculture				<u>532,896</u>	
U. S. DEPARTMENT OF COMMERCE					
J. Guinn Elementary School Renovation	11.300	212964	08-01-04076	57,876	
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Early Childhood Resource Center	93.647	416290	90XP0278/01	36,893	
Early Childhood Resource Center(Continuation)	93.647	416370	90XP0361/01	229,069	
Sub-total for Program				<u>265,962</u>	
Biochem Grant FY 06	93.283	301082	7560005286A2006	1,479	
2009 - 2010 BHEP	93.283	422420	CS39626	16,506	
2009 BHEP	93.283	442417	CS38822	23,189	
Sub-total for Program				<u>41,174</u>	
Passed Through Texas Department of Housing and Community Affairs:					
Community Services Block Grant FY2008	93.569	200234	61080000199	1,400	
Community Services Block Grant FY2009	93.569	200326	61090000371	543,987	
Community Services Block Grant FY2010	93.569	200433	61100000862	956,671	
Sub-total for Program				<u>1,502,058</u>	
ARRA- Community Services Block Grant-R	93.710	200385	11090000548	1,918,550	
Weatherization-LIHEAP	93.568	200347	810900000514	664,573	
Comprehensive Energy Assistance Program FY2009	93.568	200325	58090000411	622,975	
Comprehensive Energy Assistance Program FY2010	93.568	200432	58100000831	5,558,146	
TDHCA - Weatherization- LIHEAP	93.568	200450	81100000909	123,094	
Sub-total for Program				<u>6,968,788</u>	
Total U. S. Department of Health and Human Services				<u>10,696,532</u>	
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Direct Programs:					
HOME Program (PY 2002-2003)	14.239	206772	M-02-MC-48-0204	162,214	
HOME Program (PY 2003-2004)	14.239	206846	M-03-MC-48-0204	11,265	
HOME Program (PY 2004-2005)	14.239	206930	M-04-MC-48-0204	34,669	
HOME Program (PY 2005-2006)	14.239	206006	M-05-MC-48-0204	8,814	
HOME Program (PY 2006-2007)	14.239	206141	M-06-MC-48-0204	138,830	
HOME Program (FY2007-2008)	14.239	206181	M-07-MC-48-0204	381,968	
HOME Program (FY2008-2009)	14.239	206271	M-08-MC-48-0204	619,652	
HOME Program (PY 2009-2010)	14.239	206351	M-09-MC-48-0204	984,010	
HOME Program (PY 2010-2011)	14.239	206461	M-10-MC-48-0204	5,500	
American Dream Downpayment	14.239	206296	M-08-MC-48-0204	22,552	
Sub-total for Program				<u>2,369,474</u>	
CDBG-23rd Year (PY 1997-1998)	14.218	206112	B-97-MC-48-0010	12,031	
CDBG-24th Year (PY 1998-1999)	14.218	206122	B-98-MC-48-0010	152,528	
CDBG-26th Year (PY 2000-2001)	14.218	206132	B-00-MC-48-0010	32,724	
CDBG-27th Year (PY 2001-2002)	14.218	206697	B-01-MC-48-0010	251,430	
CDBG-28th Year (PY 2002-2003)	14.218	206771	B-02-MC-48-0010	(198,269)	
CDBG-29th Year (PY2003-2004)	14.218	206845	B-03-MC-48-0010	132,137	
CDBG-30th Year (PY2004-2005)	14.218	206929	B-04-MC-48-0010	381,704	
CDBG-31st Year (PY2005-2006)	14.218	206005	B-05-MC-48-0010	436,386	
CDBG-32nd Year (PY2006-2007)	14.218	206140	B-06-MC-48-0010	177,907	
CDBG-33rd Year (FY2007-2008)	14.218	206180	B-07-MC-48-0010	1,234,683	
CDBG-34th Year (FY 2008-2009)	14.218	206270	B-08-MC-48-0010	404,840	
CDBG-35th Year (PY 2009-2010)	14.218	206350	B-09-MC-48-0010	3,791,512	\$ 769,902
CDBG-36th Year (PY 2010-2011)	14.218	206460	B-10-MC-48-0010	1,340,138	
CDBG Revolving Loan Fund	14.218	206066	Loan Receivable	101,000	
HUD Restricted Cash Project	14.218	206360	M & C G-16867	9,600	
Neighborhood Stabilization Program	14.218	206323	B-08-MN-48-0004	3,097,726	
Sub-total for Program				<u>11,358,077</u>	<u>769,902</u>
Section 108 Housing	14.248	R106	Note No. B-99-MC-48-0010	4,918	
Emergency Shelter PY2001	14.231	206699	S-01-MC-48-0006	(31,577)	
Emergency Shelter Grant (PY 2006-2007)	14.231	206143	S-06-MC-48-0006	(2,533)	
Emergency Shelter Grant (PY 2008-2009)	14.231	206297	S-08-MC-48-0006	8,820	
Emergency Shelter Grant (PY 2009-2010)	14.231	206353	S-09-MC-48-0006	236,722	
Emergency Shelter Grant (PY 2010-2011)	14.231	206463	S-10-MC-48-0006	4,590	
Sub-total for Program				<u>216,022</u>	

CITY OF FORT WORTH, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2010

GRANT AGENCY/PROJECT TITLE	FEDERAL CFDA NUMBER	COFW NUMBER	CONTRACT NUMBER	FY 2010 Expenditures	Pass Through Expenditures
Fair Housing Assistance Program FY2007-2008	14.401	206223	FF206K076002	16,650	
Fair Housing Assistance Program FY2008-2009	14.401	206316	FF-206-K-08-6002	72,218	
Fair Housing Assistance Program FY2009-2010	14.401	206408	FF-206-K-09-6002	320,067	
Sub-total for Program				<u>408,935</u>	
Comprehensive Housing Counseling	14.169	206288	HC-08-0898-071	685	
Comprehensive Housing Counseling	14.169	206382	HC-0821-043	43,586	
Sub-total for Program				<u>44,271</u>	
Oakland EDI FY2006	14.251	206111	B-06-SP-TX-1003	198,000	
ARRA- Community Development Block Grant-R	14.253	206377	B-09-MY-48-0010	398,607	
ARRA-Homeless Prevention & Rapid Rehousing Prog.	14.257	206359	S-09-MY-48-0006	974,464	961,678
Lead-based Paint Hazard Control Program	14.900	206029	TXLHB0305-05	257,935	
HOPWA GRANT (PY 2001)	14.241	206700	TXH01-F002	559	
HOPWA GRANT (PY 2004-2005)	14.241	206932	TXH04-F002	(5,847)	
HOPWA GRANT (PY 2007-2008)	14.241	206184	TXH07-F002	18,920	
HOPWA GRANT (PY 2008-2009)	14.241	206298	TX-H-08-F002	85,587	
HOPWA GRANT (PY 2009-2010)	14.241	206354	TXH09-F002	709,595	
HOPWA GRANT (PY 2010-2011)	14.241	206464	TXH10-F002	193,571	
Sub-total for Program				<u>1,002,385</u>	
Passed Through Tarrant County Emergency Shelter Grant- Tarrant County	14.241	422259	S-08-UC-48-0001	(234)	
Total U. S. Department of Housing and Urban Development				<u>17,232,854</u>	
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION					
Equal Employment Opportunity Commission FY2009	30.002	216394	7FPSLP0106	(50)	
Equal Employment Opportunity Commission FY2010	30.002	216466	EECN100090	41,485	
Total Equal Employment Opportunity Commission				<u>41,435</u>	
U. S. DEPARTMENT OF JUSTICE					
City of Fort Worth Crime Lab Enhancement and Training Project	16.742	453303	2008-CD-BX-0071	36,465	
Coverdale Crime Lab FT2009	16.742	453380	2009-cd-bx-0080	84,386	
Sub-total for Program				<u>120,851</u>	
Federal Asset Forfeiture Program	16.UNKNOWN	R107	UNKNOWN	866,642	
United States Marshals Service -MOU	16.CS39745	489434	CS39745	99,907	
Sub-total for Program				<u>966,549</u>	
Cold Case Detective & DNA Processing Grant	16.741	453252	2008-DN-BX-K130	138,250	
Passed through the North Central Texas Council of Governments Project Safe Neighborhood	16.609	203422	2009-GP-BX-0008	18,747	
Human Trafficking Law Enforcement	16.582	423107	2006-VT-BX-0003	143,451	
ARRA - FY2009 Recovery Act JAG	16.804	423365	2009-SB-B9-1479	862,884	659,336
Passed through Office of the Governor, Criminal Justice Division: ARRA - CJD Edward Byrne JAG	16.803	202410	SU-09-A10-22407-01	78,953	
Domestic Assault Response Team	16.588	202334	WF-09-V30-13414-12	56,242	
Domestic Assault Response Team	16.588	202456	WF-10-V30-13414-13	6,455	
ARRA - Family Advocacy Center	16.588	202443	EF-09-V30-22957-01	3,704	
Sub-total for Program				<u>66,401</u>	
Violence Against Women Grant	16.590	423166	2007-WE-AX-0004	33,717	
Tarrant County Area Justice Assistance Grant	16.738	423085	2006-DJ-BX-1180	91,502	
Gang Initiative	16.738	202332	DJ-07-A10-20903-01	115,688	
Tarrant County Justice Assistance Grant	16.738	423221	2007-DJ-BX-1199	190,457	74,818
Justice Assistance Grant FY2008	16.738	423304	2008-DJ-BX-0637	130,402	130,498
Justice Assistance Grant FY2009	16.738	423403	2009-DJ-BX-1379	70,429	70,760
Sub-total for Program				<u>598,478</u>	<u>276,076</u>

CITY OF FORT WORTH, TEXAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 YEAR ENDED SEPTEMBER 30, 2010

GRANT AGENCY/PROJECT TITLE	FEDERAL CFDA NUMBER	COFW NUMBER	CONTRACT NUMBER	FY 2010 Expenditures	Pass Through Expenditures
Passed through the North Texas Crime Commission					
Project Safe Neighborhood- Neighborhood Police District 2	16.744	462229	NTCC: CO2007-PG-BX-0061	(1,994)	
Project Safe Neighborhood-Anti-Gang Initiative	16.744	462248	NTCC: CO2007-GP-CX-0022	(92)	
Project Safe Neighborhood FY2009	16.744	462324	2005-GP-CX-0055	620	
6 City Anti-Gang Init.:Gang Crime Reduct	16.744	462155	NTCC: CO2006-MU-MU-0003	(417)	
Sub-total for Program				<u>(1,883)</u>	
Total U. S. Department of Justice				<u>3,026,398</u>	
U. S. DEPARTMENT OF TRANSPORTATION					
Alliance-Design/Construct Improvements	20.106	218186	3-48-0296-32-2007	146,595	
Alliance-Runway Extension-Phase VIII	20.106	218187	3-48-0296-33-2007	405,010	
Alliance-Runway Extension-Phase IX	20.106	218265	3-48-0296-34-2008	1,117,952	
Alliance Rehab Airfield Pavement Beacon	20.106	218266	3-48-0293-35-2008	206,638	
Alliance Noise Study, ARFF Vehicle	20.106	218317	3-48-0293-36-2008	66,647	
Alliance Runway/Taxiway Rehab and Phase 1 ARFF	20.106	218340	3-48-0296-38-2009	277,275	
Alliance ARFF Phase 2-Additional Shoulder Rehab	20.106	218389	3-48-0286-39-2009	500,404	
Alliance Runway Extension X	20.106	218339	3-48-0296-35-2009	103,739	
Alliance Runway Rehab & ARFF	20.106	218452	3-48-0296-41-2010	658	
Sub-total for Program				<u>2,824,918</u>	
Passed through Texas Department of Transportation:					
Spinks-Wildcat Way No. & Eastside T/W	20.106	302070	CSJ# 0602SPINK	(48,309)	
Meacham - Repair Runway 16/34	20.106	302185	7XXAV074 0702MEACH	1,779,488	
FWS Roadway/Taxiway Construction	20.106	302299	0702FWSPK	684,576	
Spinks - R.A.M.P.	20.106	302310	M902SPNKS	3,759	
Meacham - R.A.M.P.	20.106	302398	M002MECHM	50,000	
Spinks- R.A.M.P.	20.106	302399	M002SPNKS	8,047	
Alliance - R.A.M.P.	20.106	302400	M002ALNCE	18,778	
Spinks R.A.M.P. Setup	20.106	302493	CSJ M102SPMLS	825	
Spinks-Airfield Upgrades-Phase II	20.106	302001	0502SPINK	(27,423)	
Runway 16/34 Repair and Apron Expansion	20.106	302985	CSJ 0502 MEACH	52,579	
Sub-total for Program				<u>2,522,320</u>	
Motor Carrier Safety Assistance Program FY2010					
STEP - Impaired Driving Mobilization FY2010	20.600	302436	2010-FORTWORTH-STEPIDM-000	8,573	
STEP - Click It Or Ticket FY2010	20.600	302409	2010-FORTWORTH-CIOT-00002	2,702	
STEP- Commercial Motor Vehicle FY2010	20.600	302344	2010-FORTWORT-S-SYG-0123	19,864	
STEP- Comprehensive FY2010	20.600	302343	2010-FORTWORT-S-SYG-0062	127,884	
Sub-total for Program				<u>159,023</u>	
Traffic Signal System					
Signage and Information System	20.205	302296	95XXF6009	112,113	
Magnolia Village I Pedestrian/Street Improvement	20.205	302825	CSJ# 0902-48-508	(2,217)	
Trinity River Trail System	20.205	302054	CSJ# 0902-48-536	23,846	
South of Seventh Project	20.205	302878	CSJ# 0902-48-557&581	15,438	
Sycamore School Road Quiet Zone Project	20.205	302898	CSJ 0902-48-562	901,858	
Peach Street Railroad Safety Improvement Project	20.205	302156	0902-48-685	1,349	
Hemphill West Quiet Zone Project	20.205	302157	02-7XXF6018	45,840	
Magnolia Avenue Railroad Crossing Project	20.205	302158	TxDOT 0902-48-686	13,975	
Urban Village (Southeast Cluster)	20.205	302159	TxDOT 0902-48-687	3,414	
Urban Village (Southwest Cluster)	20.205	456168	TxDOT 0902-48-682	66,642	
Ninth Street Pedestrian & Streetscape Development	20.205	456169	TxDOT 0902-48-683	7,594	
Hulen Street from IH20 to Banwick and Overton Ridge	20.205	302891	CSJ 0902-48-495	309,262	
TXDOT - Traffic Signal System Expansion CMAQ5	20.205	C200	0902-48-907, 327	89	
W 7TH ST BRIDGE Construction	20.205	302314	CSJ# 0902-48-587 & 0902-48-588	304,915	
East Rosedale Street Construction	20.205	302268	0902-48-505	70,030	
Streetcar Planning and Design	20.205	C295	17201042	2,800,531	
Sub-total for Program				<u>492,541</u>	
				<u>5,167,220</u>	
Passed through Texas Parks and Wildlife					
Regional Park Grant	20.219	306836	53-00009	24	
Hyde Park	20.507	302393	29793-AI	332,091	
GIS-Manage Pipeline Systems	20.710	207378	DTPH56-09-G-PHPT01	25,000	
Total U.S. Department of Transportation				<u>11,049,070</u>	
ENVIRONMENTAL PROTECTION AGENCY					
Passed through Texas Water Development Board:					
Clean Water State Revolving Fund-tier 3	66.458	P254	CWSRTier III 2007	8,001,374	

CITY OF FORT WORTH, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2010

GRANT AGENCY/PROJECT TITLE	FEDERAL CFDA NUMBER	COFW NUMBER	CONTRACT NUMBER	FY 2010 Expenditures	Pass Through Expenditures
Drinking Water State Revolving Fund-tier 3	66.468	P262	Project -61152	503,299	
Drinking Water State Revolving Fund-tier 3	66.468	P255	DWSRF - 2007	19,032,737	
ARRA- 2009 SRF Reclaim Water	66.468	P256		8,964,338	
Sub-total for Program				<u>28,500,374</u>	
Passed through Texas Commission for Environmental Quality (TCEQ):					
PM 10 (EPA) Sect 105	66.001	412375	582-10-8641	64,437	
PM 10 (EPA) Sect 105	66.001	412121	582-11-8642	2,008	
Sub-total for Program				<u>66,445</u>	
Local Air Pollution Monitoring Sites-PM2.5 Monitoring	66.034	412120	582-7-72658	21,347	
(EPA) SECTION 105	66.605	412208	582-8-72685	(23)	
Total Environmental Protection Agency				<u>36,589,517</u>	
INSTITUTE OF MUSEUM SERVICES					
Passed through Texas State Library and Archives Commission:					
Interlibrary Loan FY2010	45.310	308364	771-10029	243,173	
Interlibrary Loan FY2011	45.310	308453	771-11038	18,644	
Total Institute of Museum Services				<u>261,817</u>	
DEPARTMENT OF HOMELAND SECURITY					
Passed through Texas Engineering Extension Service					
HSGP-SHSP FY2007	97.073	442281	07-GA-27000-03	235,177	
Passed through Texas Governor's Division of Emergency Management					
Texas Homeland Security FY2005-UASI	97.008	442172	06-SR-27000-01	94,008	
HSGP-UASI FY2007	97.008	442236	07-SR-27000-01	2,510,449	
HSGP-UASI	97.008	442329	08-SR 27000-01	1,328,603	
HSGP-UASI - LEAP FY2008	97.008	442330	08-SR 27000-01	543,718	
HSGP-UASI- LEAP FY2009	97.008	442427	09-SR 27000-03	62,908	
Sub-total for Program				<u>4,539,686</u>	
Texas Homeland Security FY 2005-MMRS	97.071	442173	2006 SR-27000-01	1,909	
HSGP-MMRS FY2007	97.071	442237	07 SR 27000-01	85,186	
HSGP-MMRS FT2008	97.071	442331	08-SR-27000-01	200,522	
Sub-total for Program				<u>287,617</u>	
HSGP-LETPP FY2006	97.074	442206	2006-GA-27000-02	7,606	
Emergency Management FY2010	97.042	450413	10TX-EMPG-0177	147,151	
Pass through Texas Commission on Environmental Quality					
BioWatch Monitoring Activities	97.091	412119	582-7-72674	(259)	
BioWatch Monitoring Activities	97.091	412374	582-10-8640	319,871	
Sub-total for Program				<u>319,612</u>	
Total Department of Homeland Security				<u>5,536,849</u>	
U. S. DEPARTMENT OF ENERGY					
ARRA-Energy Efficiency Community Block Grant	81.128	484371	DE-EE00000163	729,947	
Passed through Texas Department of Housing and Community Affairs:					
Systems Benefit Fund Program	81.042	200815	TDHCA: 301008	20,556	
Weatherization - Department of Energy (DOE)	81.042	200346	56090000515	59,522	
ARRA DOE Weatherization	81.042	200383	16090000664	2,735,004	
ARRA DOE Weatherization	81.042	200384	16090000705	1,945,712	
Sub-total for Program				<u>4,760,794</u>	
Total U. S. Department of Energy				<u>5,490,741</u>	
U. S. DEPARTMENT OF EDUCATION					
Passed through Texas Education Agency and Fort Worth ISD					
Fort Worth ISD 21st Century Learning Program	84.287	449977	City Contract 30851	(17,850)	
Fort Worth ISD 21st Century Learning Program	84.287	449407	City Contract 39597	116,777	
Total U.S. Department of Education				<u>98,927</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	16.CS39503	423424	CS39503	81,039	
INTERNAL REVENUE SERVICE					
Criminal Investigation	21.39463	478405	City Contract # 39463	26,615	
Total Federal direct and pass-through Awards				<u>\$ 90,722,566</u>	

CITY OF FORT WORTH, TEXAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 YEAR ENDED SEPTEMBER 30, 2010

GRANT AGENCY/PROJECT TITLE	<i>FEDERAL CFDA NUMBER</i>	<i>COFW NUMBER</i>	<i>CONTRACT NUMBER</i>	<i>FY 2010 Expenditures</i>	Pass Through Expenditures
TEXAS STATE ATTORNEY GENERAL'S OFFICE Other Victim Assistance Grant		473363	1015783	47,293	
OFFICE OF THE GOVERNOR, CRIMINAL JUSTICE DIVISION Cold Case Investigation		202336	SF-10-A10-17221-06	71,979	
TEXAS DEPARTMENT OF TRANSPORTATION Hulen Street from IH20 to Banwick and Overton Ridge TXDOT - Traffic Signal System Expansion CMAQ5 Total Texas Department of Transportation		C200 302314	0902-48-907, 327 0902-48-587 & 0902-48-588	5 41,046 <u>41,051</u>	
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY Air Pollution Control Service-06-07 Ozone Monitoring Station Mow Down Air Pollution		412040 412207 412372	582-6-74392 582-8-72691 2007-011	(267) 48,365 17,972	
Passed through the North Central Texas Council of Governments Air Pollution Compliance Monitoring Total Texas Commission on Environmental Quality		412381	582-10-9025	251,047 <u>317,117</u>	
TEXAS COMPTROLLER OF PUBLIC ACCOUNTS Tobacco Compliance Grant-2009 Tobacco Compliance Grant-2009		443402 443486	39363 40789	27,677 995	
Passed through the University of North Texas Health Science Center Guinn School Renovation Guinn School Renovation Total Texas Comptroller of Public Accounts		452046 452437	CSC #32474 CS39724	1,151,938 3,773 <u>1,184,383</u>	
TEXAS STATE LIBRARY AND ARCHIVES COMMISSION Loan Star Library -Comprehensive Plan Total State Awards		308411	TSLAC # 442-10372	183,336 <u>\$ 1,845,159</u>	
Total Expenditures of State and Federal Awards				<u>\$ 92,567,725</u>	



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CITY OF FORT WORTH
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2010

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, 2010.

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

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

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

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

3. COMMITMENTS AND CONTINGENCIES

The City participates in several federal and state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. Therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required, and the collectability of any related receivable at September 30, 2010 may be impaired. Accruals have been recorded in the financial statements for grant contingencies that in the opinion of management are probable and can be reasonably estimated.

4. OUTSTANDING LOAN BALANCES

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

CITY OF FORT WORTH
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2010

Economic Development Corporation (FWEDC), a nonprofit organization, to administer the program. The FWEDC is not a component unit of the City. Until fiscal year 2005, the principal and interest payments received from loans have been recycled back into the program by the FWEDC to produce additional loans. In fiscal year 2010 the City of Fort Worth received \$32,621 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, 2010:

• Mercado Project, Commitment No. B-97-MC-48-0010	\$ 1,590,000
• Mercado Project-due within one year	<u>265,000</u>
• Mercado Project-Total	<u>\$ 1,855,000</u>
• Evans Avenue and Rosedale Street Business and Cultural District Project, Commitment No. B-99-MC-48-0010	\$ 5,171,000
• Evans Avenue and Rosedale Street –due within one year	<u>439,000</u>
• Evans Avenue and Rosedale Street-Total	<u>\$ 5,610,000</u>

The City of Fort Worth has an outstanding loan payable under the Clean Water State Revolving Fund from the Texas Water Development Board, as a pass through agency for the Environmental Protection Agency (CFDA 66.458). As of September 30, 2010 the outstanding loan balances were:

• TWDB Series 2005	\$ 5,770,000
• TWDB Series 2005-due within one year	<u>360,000</u>
• Series 2005-Total	<u>\$ 6,130,000</u>
• TWDB Series 2005A	\$ 9,055,000
• TWDB Series 2005-due within one year	<u>515,000</u>
• Series 2005A-Total	<u>\$ 9,570,000</u>
• TWDB Series 2007A	\$ 29,095,000
• TWDB Series 2007A-due within one year	<u>1,515,000</u>
• Series 2007A-Total	<u>\$ 30,610,000</u>

The City of Fort Worth has an outstanding loan payable under the Drinking Water State Revolving Loan Fund from the Texas Water Development Board, as a pass through agency for the Environmental Protection Agency (CFDA 66.468). As of September 30, 2010 the outstanding loan balance was:

• TWDB Series 2005B	\$ 50,220,000
• TWDB Series 2005 B-due within one year	<u>2,970,000</u>
• Series 2005 B-total	<u>\$ 53,190,000</u>
• TWDB Series 2009 ARRA	\$ 6,760,000
• TWDB Series 2009 ARRA-due within one year	<u>810,000</u>
• Series 2009 ARRA- total	<u>\$ 7,570,000</u>

CITY OF FORT WORTH
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2010

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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**CITY OF FORT WORTH, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2010**

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:

- State program Guinn School, which is qualified for Cash Management and Earmarking
- 20.205/ 20.219 Highway Planning Construction Cluster, which is qualified for Davis-Bacon
- 93.569/ 93.710 CSBG, which is qualified for Reporting

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

CITY OF FORT WORTH, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2010

Identification of major programs:

Federal:

14.218/ 14.253	Community Development Block Grant (including ARRA)
14.257	ARRA HPRP
20.205/ 20.219	Highway Construction Program
66.468	Drinking Water State Revolving Funds
81.042	ARRA Doe Weatherization
81.128	ARRA EECBG
93.569 / 93.710	Community Services Block Grant Cluster (including ARRA)

State:

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: \$2,600,000

State: \$300,000

Auditee qualified as low-risk auditee? No

CITY OF FORT WORTH, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2010

Part II—Findings Related to the Financial Statements

10.II.1 Material Weakness: Accounting for Capital Assets (updated from fiscal years 2004-2009)

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

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

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

Context – Capital assets represent the City’s single largest asset. As of September 30, 2010, the City has approximately \$3.8 billion in net book value of capital assets and 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 application of the proper procedures to account for transactions or purchases. Formal procedures are not in place to establish timely communication regarding capital asset transactions between the various departments and the Financial Management Services Department.

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

CITY OF FORT WORTH, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2010

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

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

Views of Responsible Officials – See Corrective Action Plan.

10.II.2 Significant Deficiency: Grant Management

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

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

Context – For the year ended September 30, 2010, the City managed more than 335 different Federal, State and local grant projects. The funding methods and provisions for these grant awards vary, requiring the Financial Management Services Department to evaluate proper accounting and reporting for each grant award.

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

CITY OF FORT WORTH, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2010

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

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

Views of Responsible Officials – See Corrective Action Plan.

10.II.3 Significant Deficiency: Computer System Access Controls (updated from fiscal years 2006-2009)

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

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

- A shared administrator account (QSECOFR) exists on AS400 (SunGard) with privileged access through the ALLOBJ authority granted to this account. The password for this account is stored in a folder to which non-IT administrators (1 administrative assistant and 10 IT programmers in the water department) have access.
- On the Mainframe, there are 21 accounts (including legacy accounts) that cannot be traced to individuals who have administrative access to the MARS application.
- On the Mainframe hosting MARS and Genesys applications, a code compliance employee and a security group member formerly in the operations group have inappropriate access to production datasets.
- On the Court View application 27 users have inappropriate administrative access through the roles granted to them. However we also noted that the roles were cleaned up after year end as part of the SQL upgrade and the users no longer have this access.

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:

- Privileged access should be restricted to authorized administrators. Inappropriate users’ access, including that for programmers, should be removed.

CITY OF FORT WORTH, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2010

- 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.

Views of Responsible Officials – See Corrective Action Plan.

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

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

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

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

Questioned Costs – Based upon an internal investigation conducted by the Fort Worth police department and in conjunction with the Department of Transportation, \$231,365 of costs were deemed to be disallowed.

Context – 9 police officers were investigated and found to have inappropriately charged hours to the grant.

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

Effect – Without proper hours spent, the purpose of the grant could not be fully achieved and grant payments were made for hours not actually worked.

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

Views of Responsible Officials – See Corrective Action Plan

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

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

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 monitor compliance with spending earmarks and obtain a timely extension from the granting agency 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 requires that the entire grant award be incurred during the same State fiscal year that the funding was received.

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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 – As of the end of the period of availability for both the 2006 and 2008 grant years, \$487,257 was unexpended and unencumbered. The total amount of unspent, unencumbered funds remaining as of September 30, 2010 is \$463,742. Of this total, the 2006 award (project #450246) has \$17,627 that is earmarked for program services and \$43,945 that is earmarked for renovation costs. \$402,170 is earmarked for renovation costs for the 2008 award (project #452293). This finding is repeated from the previous year.

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

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 the extension, and thus could potentially be required to be refunded to the granting agency.

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

Views of Responsible Officials – See Corrective Action Plan

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

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

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.

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Questioned Costs – \$23,515

Context – The underlying obligation for work performed on two of three contracts tested was not incurred within the appropriate period of availability. This finding is repeated from the previous year.

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

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

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

Views of Responsible Officials – See Corrective Action Plan

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

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

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

Questioned Costs – None.

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

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

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

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

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

Criteria – OMB Circular A-87 states that for a cost to be allowable under Federal awards, costs must be net of all applicable credits and be adequately documented. CSBG funds may be used for any programs, services or other activities related to achieving the broad goals of the CSBG programs, such as reducing poverty, revitalizing low-income communities, and assisting low-income individuals and families. Funds may be used to:

- Promote economic self-sufficiency, employment, education and literacy, housing and civic participation.
- Support community youth development programs.
- Fill gaps in services through information dissemination, referrals, and case management.
- Provide emergency assistance through grants and loans, and provision of supplies, services and food stuffs.
- Secure more active involvement of the private sector, faith-based institutions, neighborhood-based organizations, and charitable groups.
- Plan, coordinate, and develop linkages among public (Federal, States and local), private, and non-profit resources, including religious organizations, to improve their combined effectiveness in ameliorating poverty (42 USC 9901, 42 USC 9908(b), and 42 USC 9920(a); 45 CFR section 1050.3(a)(1)).

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

Questioned Costs – None.

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

Effect – Improperly supported charges may require refund to the grantor.

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

Views of Responsible Officials – See Corrective Action Plan

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

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

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

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

Questioned Costs – None

Context – As of December 2010, the March 2010 Performance and Expenditure reports were the most recent reports to be submitted. 6 of the 6 non-ARRA expenditures and performance reports that were tested were submitted between 6 and 8 months following the reporting period. 3 out of 3 non-ARRA expenditures reports that were tested lacked sufficient support for amounts reported. 2 out of 3 ARRA expenditures reports that were tested lacked sufficient support for amounts reported. 2 out of 3 ARRA performance reports that were tested lacked sufficient support for amounts reported.

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

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

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

Views of Responsible Officials – See Corrective Action Plan

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

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

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

Questioned Costs – None

Context – 1 out of 10 Community Development Block Grants contracts selected for testing lacked the appropriate documentation of contractor insurance.

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

Effect – Control weaknesses around the procurement process increase the likelihood of noncompliance. Failure to comply with requirements for procurement when using grant funds may result in disallowance of costs submitted for reimbursement. In addition, the City’s exposure to unanticipated liability is increased.

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

Views of Responsible Officials – See Corrective Action Plan

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

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

Criteria – According to the OMB Circular A-133 Compliance Supplement, when CDBG funds or CDGB-R funds are used for rehabilitation, the grantee must ensure that the work is properly completed (24 CFR section 570.506). HUD regulations require that there is evidence that the required work was completed satisfactorily before approving the associated expenditures for payment.

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

Questioned Costs – \$26,665

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

Effect – The lack of a final inspection prevented the assessment of allowability of costs.

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

Views of Responsible Officials – See Corrective Action Plan

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

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

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

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

Questioned Costs – None

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

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

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

Views of Responsible Officials – See Corrective Action Plan



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Findings Related to the Financial Statements

10.II.1 Material Weakness: Accounting for Capital Assets (updated from fiscal years 2004-2009)

Concur. During each fiscal year, City departments will receive all capital asset listings pertaining to their department regardless of type of capital asset (i.e. improvements, buildings, infrastructure, etc.) from the Financial Management Services Department (FMS) Accounting Division. This interim year verification will help ensure that each department's capital assets are consistent with calculated depreciation, yearly additions and deletions as maintained by FMS.

FMS will require each department to compare its information – resolving any differences with Accounting's records. This process will allow for a common information stream and consistent records for internal and external users.

Additionally, the FMS is continuing to work with both City departments and an outside consultant to identify and document processes and procedures related to construction-in-progress and capital asset tracking. These efforts should result in improved identification, accounting, and reporting of the City's capital assets. This includes:

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

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 improvements 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, monitor 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 2013.

Contact Person: Mary Morgan, City Controller, 817-392-2318

10.II.2 Significant Deficiency: Grant Management

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

- Going forward, the City will record new grants in specific funds designated for grant funding.
- FMS will provide additional grant management training to both grant management personnel and grant accountants to improve their skills, understanding of grant requirements, and increase communication between grant management personnel and grant accounting.

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- As grant awards vary and therefore, the accounting requirements vary, FMS will review and strengthen the current grant accounting procedures so that grants are accounted for based on the specific requirements of each grant award.

Contact Person: Mary Morgan, City Controller, 817-392-2318

10.II.3 Significant Deficiency: Computer System Access Controls (updated from fiscal years 2006-2009)

Concur. Per Administrative Regulation D-5, dated February 8, 2010, Information Technology Security requires both restricted access to privileged accounts and periodic reviews of user access privileges.

With regard to the specific observations:

- Water Department - Shared administrator account on AS400. Water IT is currently working to resolve this issue of appropriate staff access to the password folder with resolution date by April 15, 2011.
- Financial Management Services Department – Mainframe accounts not traceable within MARS. In FY 2010, FSA implemented a new automated security job which notifies administration of employee terminations. A similar automated job will be implemented by June 1, 2011 for MARS. The unknown logons on this list will be removed with the new job.
- IT Solutions Department – Mainframe inappropriate access. Mainframe security access will be reviewed to ensure privileged access is limited appropriately and that the proper procedures for access are being followed. Estimated to be complete by September 30, 2011.
- Municipal Courts Department – Inappropriate administrative access. Those users are the upper management, supervisors, IT staff, CJS users. This issue has been addressed with the new profiles built in the Security project that NashWest is implementing. Estimated to be complete by September 30, 2011.

Findings and Questioned Costs Related to Federal and State Awards

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

Concur. The department has already completed the process to implement the corrective action. New standard operating procedures, SOP STEP grant, dated January 13, 2011, for traffic enforcement grants have been developed and are in the process of being implemented. The Traffic Division is currently using the SOP guidelines to monitor a separate Motor Carrier grant. Training has already been given to officers and supervisors working other grant funded overtime.

Contact Person: Monique Moore, Assistant Director of the Police Department, 817-392-4221

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

Concur. Written documentation providing for the use of the remaining funds is being obtained from UNTHSC. Receipt of this documentatin is expected to be received this spring.

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

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

Concur. Written documentation providing for the use of the remaining funds is being obtained from UNTHSC. Receipt of this documentatin is expected to be received this spring.

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

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

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

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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 the Contracted Prevailing Wage Rates. Each Department shall maintain the Certified Payroll Reports with the project files.
6. Each contractor shall preserve his weekly payroll records for a period of three years from date of completion of the contract. Such records shall be made available at all times for inspection by the contracting department.

Training on Davis-Bacon Act requirements and inclusion of the Davis-Bacon clause in future contracts will commence 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. Program Management in all City Departments will be given detailed training on these requirements as well as other requirements under the Act.

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

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

Concur. The City shall obtain supporting documentation for all invoices before submitting payment and perform proper review and reconciliation of all grant expenditures. Discrepancies shall be identified and reported to management and resolved before requests for reimbursements are submitted to TDHCA. After the double invoice error by the contract vendor in August of 2010, the City strengthened controls to ensure that this problem would not occur again.

Contact Person: Gail Duncan, Senior Administrative Assistant Parks and Community Services, 817-392-5730

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

Concur. During program year 2009, the City was still on a cost reimbursement basis with the Texas Department of Housing and Community Affairs (TDHCA) due to the City's delayed submittal of single audit reports for the previous years. On June 19, 2009, TDHCA removed the City from the cost reimbursement method of payment. At this time the reports were months behind because of the time it took for TDHCA to review the general ledgers and accompanying supporting documentation. Monthly performance and financial reports cannot be entered into the reimbursement online system unless the previous month is approved by TDHCA.

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As of this date February 23, 2011, the August 2010 CSBG reports were entered on January 25, 2011 and approved by TDHCA on February 16, 2011.

The City shall ensure that performance and expenditure reports will be available to enter in accordance with contract terms; however, receipt of reimbursements will be based on the approval actions by TDHCA.

Contact Person: Gail Duncan, Senior Administrative Assistant Parks and Community Services, 817-392-5730

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

Concur. The department shall develop by May 15, 2011 a master contractor file and checklist identifying the documents required by compliance regulations. The contractor files shall include the contractor's current insurance certificate identifying the City as additional insured, their application and other pertinent company information. The staff shall complete a compliance review, updating the contractor's file as their insurance certificate expires.

The department shall develop by June 1, 2011, a written policy of the requirements for developing and maintaining this master contractor file. This policy shall include a training schedule of procurement class the staff will attend that the City offers relating to home improvement procurements or general procurement practices.

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

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

Concur. The existing practice is that a final inspection form be included in the project file before releasing the payment to the contractor. This form documents the final inspection is complete, the work is acceptable, and ready for payment processing. The three items identified below shall strengthen this standing policy and ensure the files are compliant;

1. The City revised the table of contents for each file to include an additional section for the final inspection form.
2. By May 1, 2011, the City shall develop a written policy identifying the requirement to complete and include the final inspection form in the file prior to processing a payment;
3. By May 15, 2011, the City shall develop a check and balance system, which includes requiring a final review by an independent staff member to confirm the file is complete and ready to process the payment.

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

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

Concur. The City acknowledges the contract's requirements for submitting reports on time. For reports submitted in the future the City will work expeditiously to submit the report on or prior to the scheduled due date. The City program staff has diligently communicated with the Department's assigned program officer to develop a

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resolution plan when submitting a report late. These reports were late due to the electronic contract systems error or human errors, which are now corrected, eliminating the possibility of submitting future reports late.

Contact Person: Blake Kornegay, Housing Program Manager Housing & Economic Development , 817-392-7369

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STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
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09-II.1 Material Weakness: Accounting for Capital Assets (updated from fiscal years 2004-2008)

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.

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.

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 Federallyfunded assets.
- On an overall basis, improve communication between the operating departments and the Financial Management Services Department related to capital assets.

Current Status of Corrective Action Plan:

Repeated. The implementation of the Corrective Action Plan is on track, see Current Year Finding (10.II.1)

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STATUS OF PRIOR YEAR SINGLE AUDIT FINDINGS
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***09-II.2 Significant Deficiency: Accounting for Contractual Arrangements in a Decentralized Environment
(updated from two related Material Weakness in fiscal year 2008)***

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.

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.

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.

Current Status of Corrective Action Plan:

Corrected

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

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.

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, and that adherence to these policies and procedures is monitored.

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Current Status of Corrective Action Plan:

Corrected

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

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.

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.

Current Status of Corrective Action Plan:

Repeated, see Current Year Finding and Corrective Action Plan (10.II.3).

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

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.

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.

Current Status of Corrective Action Plan:

Corrected

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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

Condition – There was insufficient review and monitoring of costs charged to the grant and inconsistent comparison of invoiced amounts to approved contracts. Invoices from contractors were not reviewed to ensure they contained the 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.

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.

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.

Current Status of Corrective Action Plan:

Corrected

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

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

Current Status of Corrective Action Plan:

Corrected

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

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.

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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.

Cause - 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:

Corrected

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

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

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.

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

Current Status of Corrective Action Plan:

Corrected

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

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.

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.

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.

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Current Status of Corrective Action Plan:

Corrected

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

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

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.

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

Current Status of Corrective Action Plan:

Repeated, see Current Year Finding and Corrective Action Plan (10.III.4).

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

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

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.

Current Status of Corrective Action Plan:

Corrected

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

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.

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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.

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.

Current Status of Corrective Action Plan:

Repeated, see Current Year Finding and Corrective Action Plan (10.III.2).

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

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

Cause - 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.

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.

Current Status of Corrective Action Plan:

Repeated, see Current Year Finding and Corrective Action Plan (10.III.3).

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

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.

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

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.

Current Status of Corrective Action Plan:

Corrected

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.