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Jeanette Martinez, District 11<sup>††</sup>

<sup>†</sup> Audit Committee Chair

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**INTERNAL AUDIT REPORT**

**Departmental Level Grants  
Management Audit**

October 5, 2023

**Audit Staff**

David A. Medrano  
City Auditor

10-05-2023

Date

Brian Burkland  
Assistant City Auditor

10-05-2023

Date

Tom Wilson  
Interim Audit Manager

10-5-2023

Date

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Leona High-Lasker  
Sr Auditor

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Date

Rejina Shrestha  
Auditor

10-5-2023

Date





***This Departmental Level Grants Management Audit was performed in accordance with the approved schedule of engagements identified in the Department of Internal Audit Fiscal Year 2023 Annual Audit Plan.***

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## Executive Summary

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As part of the Fiscal Year 2023 Annual Audit Plan, the Department of Internal Audit conducted this Department Level Grants Management Audit. Administration of grants within the City of Fort Worth (CoFW) is the responsibility of both the Financial Management Services (FMS) Grant Accounting group and CoFW departments that are awarded grants.

Internal Audit staff reviewed the internal controls and related processes to determine whether they are sufficient to minimize risks associated with the management of grants within the CoFW. Our testing identified internal control weaknesses in the recovery of indirect costs and with the verification and reconciliation of reimbursement claims.

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

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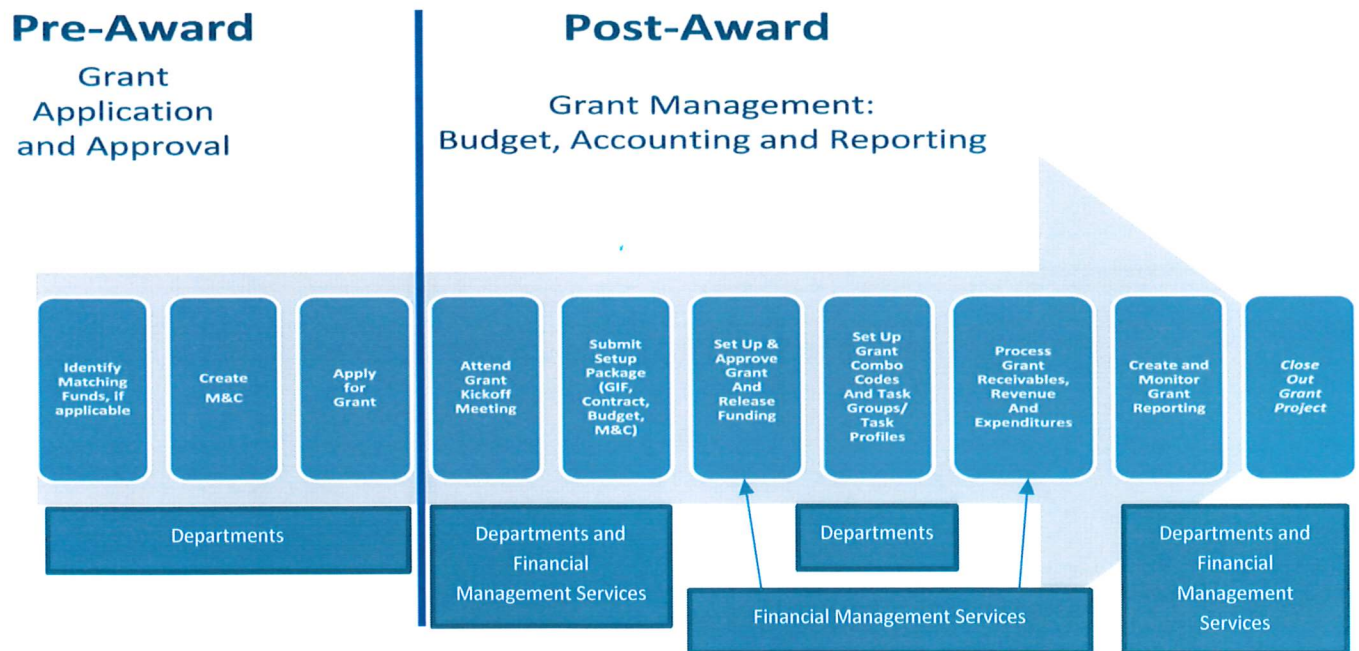
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## Background

The City of Fort Worth (CoFW) uses the PeopleSoft Financial Supply Chain Management software to facilitate, manage, and track documentation for the City’s grants process. The CoFW Financial Management Services (FMS) Department provides guidance and limited oversight of grant activity via their Department of Finance Grants Management Policy. The policy defines the application, approval, set up, management, accounting, and reporting of grant activity performed by the City.

Grant activities are decentralized within each CoFW department that applies for and is awarded federal, state, and foundation grants-in-aid funding. A Grants Reference Library, administered by the FMS Department, provides departments with links to City policies, procedures, forms, job aids, and indirect cost studies for their use in managing grants.

The overall process for grant management, as performed in the City of Fort Worth, is as follows:





## Objectives

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The objectives of this audit were to:

- Evaluate the effectiveness and efficiency of departmental grants
- Evaluate compliance with grant requirements

## Scope

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The audit scope included the review of internal controls for the period between October 1, 2020 and September 30, 2022. Activity beyond this period was reviewed, as deemed necessary.

Grants that were part of the FY2021 and FY2022 Single Audit review by external auditors, as well as Aviation Department grants, were not included in our testing.

## Methodology

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

- interviewed personnel from the Financial Management Services (FMS) and Transportation & Public Works (TPW) departments;
- reviewed CoFW Grants policies and procedures;
- reviewed general ledger postings;
- reviewed grant management industry standards and best practices;
- reviewed CoFW FY2021 and FY2022 Single Audit reports;
- reviewed revenue, expenditures and reimbursements of tested grants to determine the adequacy of the allowable expenditures and reimbursement claims;
- analyzed and identified applicable grant award budget submissions;
- obtained Electronic Receipt Distribution Document (eRDD) deposits and revenue collected transaction amounts;
- evaluated internal controls related to handling and administrative activities for the grant's management processing.

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



## Audit Results

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

## Overall Risk Evaluation

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| High | Medium  | Low |
|------|---|-----|
|      | Indirect costs for some grants were not fully recovered   |     |
|      | Claims for reimbursements were not being verified and reconciled, as required by CoFW policies, for some grant projects |     |

## Detailed Audit Findings

### 1. Indirect costs for some grants were not fully recovered.

The CoFW Grants Management Policy states that, for the management of a grant program, any eligible indirect costs shall be calculated and included in each grant application, and shall be specified in the Mayor and Council Communication (M&C) seeking approval to proceed with a grant application or award.

In a sample of ten (10) grant projects reviewed, Internal Audit identified seven (7) grant projects where indirect cost recovery was either not allowed or was waived, and three (3) grant projects where the recovery of indirect costs was allowed. Of those three (3) grant projects, Internal Audit determined that the indirect costs for one (1) grant project were not fully recovered as allowed by the CoFW Grants Management Policy, and as was communicated in the grant's corresponding M&C. Interviews with FMS personnel determined that staff and responsibility transitions in both FMS and the affected grant-administrating department led to the lack of proper recording of the affected grant's indirect costs.

Indirect costs are reimbursement of operational expenditures that the granting agency expressly allows within the award for facilities and/or administrative costs such as buildings, maintenance expenses, utilities, accounting personnel salaries/payroll, etc. The lack of recovery of the indirect costs, in whole or in part, places a burden on the City's general fund. Monies used from the general fund to account for a grant's unrecovered indirect costs could adversely affect other City programs and priorities that rely on the general fund.

**Recommendation 1:** *The Chief Financial Officer should ensure that the indirect costs for all grants are fully recovered, in accordance with City policy and as communicated to the Mayor and Council, and that all related journal entries are completed based on the agreed-upon amount prior to closing the grant.*

**Auditee's Response:** Concur. FMS Grant Accounting will create a master listing of awards allowing indirect cost reimbursement and compare to recorded amounts during the fiscal year, enabling a high-level review to ensure indirect cost is calculated at the frequency defined in the award agreements. Indirect Cost will be reviewed during the project closeout to ensure all allowable indirect cost has been recorded, and the FMS Grant Accountant will be required to attest that payments for allowable costs have been received on the Grant Closeout Checklist prior to submitting the project for closure.

**Target Implementation Date:** December 31, 2023

**Responsibility:** Bianca Lord, Financial Reporting Coordinator  
Catherine (Kate) Perry, Financial Services Manager

**Applicable Department Head:** Reginald Zeno, Chief Financial Officer



**2. Claims for reimbursements were not being verified and reconciled, as required by CoFW policies, for some grant projects.**

The CoFW Grant Management Policy states that the FMS Grant Accounting division is responsible for recording any financial journal entries to recognize the revenue and create a receivable, monitoring bank account activity, creating any Electronic Receipt Distribution (eRDD) entries to reflect any amounts received via bank account deposits from the Automated Clearing House (ACH), and reconciling receivables and payments received. Additionally, according to the CoFW Grant Management Policy, the administering departments and/or FMS Grant Accounting are responsible for submitting all financial reports required by grantor agencies, as determined and documented in the Grant Kick-off Meeting, and FMS Grant Accounting shall ensure that the final reimbursement has been received.

In a sample of 35 reimbursement-funded grant projects reviewed, Internal Audit identified one (1) grant project where the total expenditure drawdown requests were not verified to the revenue collected. Follow-up communications revealed that, for the identified grant project, neither the administering department nor the FMS Grant Accounting group were reconciling reimbursements whenever any reimbursement claims (revenue) were received, as required by CoFW internal operating procedures.

Verification and reconciliation of the monies received and expended as part of any financial transaction, including those for grant projects, help to ensure the revenues and expenditures are allowable and appropriately recorded. The lack of such efforts increases the risk that revenues and expenditures for a grant project could be misstated, thereby decreasing the accuracy of both a grant project's budget and the City's overall budget.

**Recommendation 2:** *The Chief Financial Officer should ensure that the grant administering departments perform reconciliations of their grants in accordance to established City policies for grant management.*

**Auditee's Response:** Concur. The Grants Management Policy states, "The Administering Department and FMS Grant Accounting will, at a minimum, review and analyze grant financials monthly." Reminders will be added to the PeopleSoft grant project definition pages which will prompt both the FMS Grant Accountant and the Administering Department that a reconciliation is due. FMS will communicate with the administering department, including the applicable Director and Assistant City Manager if timely reconciliations are not performed. Documentation of the review/reconciliation will be attached as evidence the requirement has been fulfilled.

**Target Implementation Date:** March 31, 2024

**Responsibility:** Bianca Lord, Financial Reporting Coordinator  
Catherine (Kate) Perry, Financial Services Manager

**Applicable Department Head:** Reginald Zeno, Chief Financial Officer