



Revenue Estimates Audit

March 1, 2024

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Mattie Parker

City of Fort Worth Department of Internal Audit

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Table of Contents

Background.....	1
Objective.....	2
Scope	2
Methodology.....	2
Audit Results – Diesel Sales Revenue Account	3
Audit Results – Traffic Fines Revenue Account	6
Acknowledgements	9
Diesel Fuel Sales Process Flowchart.....	Exhibit I
Municipal Court Traffic Citation Workflow.....	Exhibit II



Background

This Revenue Estimates Audit was performed in accordance with the approved schedule of engagements identified in the Department of Internal Audit's Fiscal Year 2024 Annual Audit Plan.

Revenue-generating departments and the City's Fort Worth Lab (FWLab), formerly known as the Planning and Data Analytics Department, are responsible for reasonably estimating revenue included in the City's annual budget. When estimating revenue, departments consider assumptions (e.g., historical trends, current and/or known upcoming projects/events, legislative and/or policy changes, etc.) that contribute to a reasonable revenue estimate. Additionally, FWLab management indicated that a schedule of fees (which includes both new and modified rates and charges) is submitted to the Mayor and City Council for approval and adoption each fiscal year.

As part of the annual budget process, the FWLab creates a target "base budget" for each department. The "base budget" is generally defined as the cost of providing the same service at the same service level, in the next fiscal year, and is based on numerous factors such as salary projections, annualizing prior-year commitments, removing one-time costs incurred in the previous year, etc.

The FWLab requires revenue-generating departments to provide an explanation when actual revenue accounts/line items vary from budgeted revenue by +/- 10% and exceeds \$10,000.00. Using this standard, Internal Audit considered revenue estimates reasonable if there was a 10% or less variance between City management's budgeted revenue and Internal Audit's revenue estimate.



Objective

The objective of this audit was to determine whether assumptions and budgeted revenue estimates are reasonable.

Scope

The scope of this audit included a review of FY2024 revenue estimates for the following two revenue accounts:

- Diesel Sales Revenue – Account #4402108
- Traffic Fines Revenue – Account #4511001

While these accounts are not major revenue sources for the City, we selected them based on anomalies observed when reviewing budgeted and actual revenue from FY2019 through FY2023. For example, FY2022 actual diesel sales revenue exceeded budgeted revenue by 57.1%, and budgeted traffic fines revenue remained the same in FY2022 and FY2023.

Methodology

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

- interviewed personnel from the FWLab, the Property Management Department (PMD), and the Municipal Court (MC);
- reviewed revenue estimate calculation methodologies used by the PMD and the MC;
- traced the PMD and the MC's FY2024 revenue estimates to supporting documentation;
- reviewed a listing of diesel-fueled assets;
- reviewed data supporting diesel fuel usage;
- reviewed the 2024 diesel fuel price forecast noted within industry publications;
- reviewed data supporting City of Fort Worth traffic fines cases;
- reviewed the MC fines schedule and other pertinent documents;
- reviewed documentation related to Fort Worth Police Department vacancies and hiring plans, for possible correlation with traffic citation levels;
- reviewed prior Internal Audit reports and recent news articles;
- formed assumptions and estimated revenue; and,
- compared Internal Audit's estimated revenue to PMD and MC's revenue estimates.

We conducted this performance audit in accordance with generally accepted government auditing standards, except for evaluating internal controls.¹ 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.

¹ Government auditing standards require audit organizations to report on internal control. Due to the nature of the audit, we did not consider internal controls to be significant to our audit objective.



Audit Results – Diesel Sales Revenue Account

Property Management Department (PMD) records indicated that the PMD supplies diesel fuel to over 1,200 City vehicles and equipment, through diesel fueling pumps at stations around the city, including pumps located at City fire stations. The PMD bills City departments for diesel usage at a price per gallon, which is calculated based on the average diesel price that the PMD paid vendors in the last 30 days. Diesel sales are recorded in the City's Diesel Sales Revenue Account #4402108.

The PMD also charges departments an overhead fee for each gallon of diesel sold. The overhead fee is calculated through a programmed algorithm within FASTER, a fleet management system the City uses to store fleet information. The overhead fee is recorded in City revenue account #4402117 and, per PMD, is used to cover maintenance and upkeep of the fuel system. The Department of Internal Audit did not review overhead fee revenue as a part of this audit.

PMD Methodology

In February 2023, the PMD estimated FY2024 diesel sales revenue based on the following methodology:

- calculated total gallons of diesel sold to City departments in FY2022, including gallons sold at fuel stations and Water Department-only fuel tanks;
- selected the four most recent months to calculate a price per gallon average;
 - \$ 3.875 October 2022 Average Charge to Departments
 - \$ 3.936 November 2022 Average Charge to Departments
 - \$ 3.775 December 2022 Average Charge to Departments
 - \$ 3.461 January 2023 Average Charge to Departments
- multiplied the total gallons of diesel sold to the City departments in FY2022 (1,107,576) by the calculated average price per gallon (\$3.762).

Internal Audit Assumptions

- The number of City fueling stations will remain constant in FY2024.
- The PMD's management of diesel inventory will not change. Based on interviews with PMD management, the PMD monitors diesel fuel inventory levels daily, orders as needed, and generally keeps tanks at 50% to 60% capacity.
- Fuel prices will have seasonal fluctuations (e.g., summer prices are typically higher).
- The types and quantity of fleet assets purchased and retired may affect diesel fuel usage.
- The number of vehicles and equipment that consume diesel in FY2024 will remain within 10% of the FY2023 fleet. This assumption was based on the following.
 - From a fleet report that included assets in service as of October 12, 2023, Internal Audit calculated a five-year average of 85 newly-acquired vehicles/equipment, per year. Newly-acquired vehicles/equipment can be expected to have improved fuel efficiency.



Internal Audit Methodology

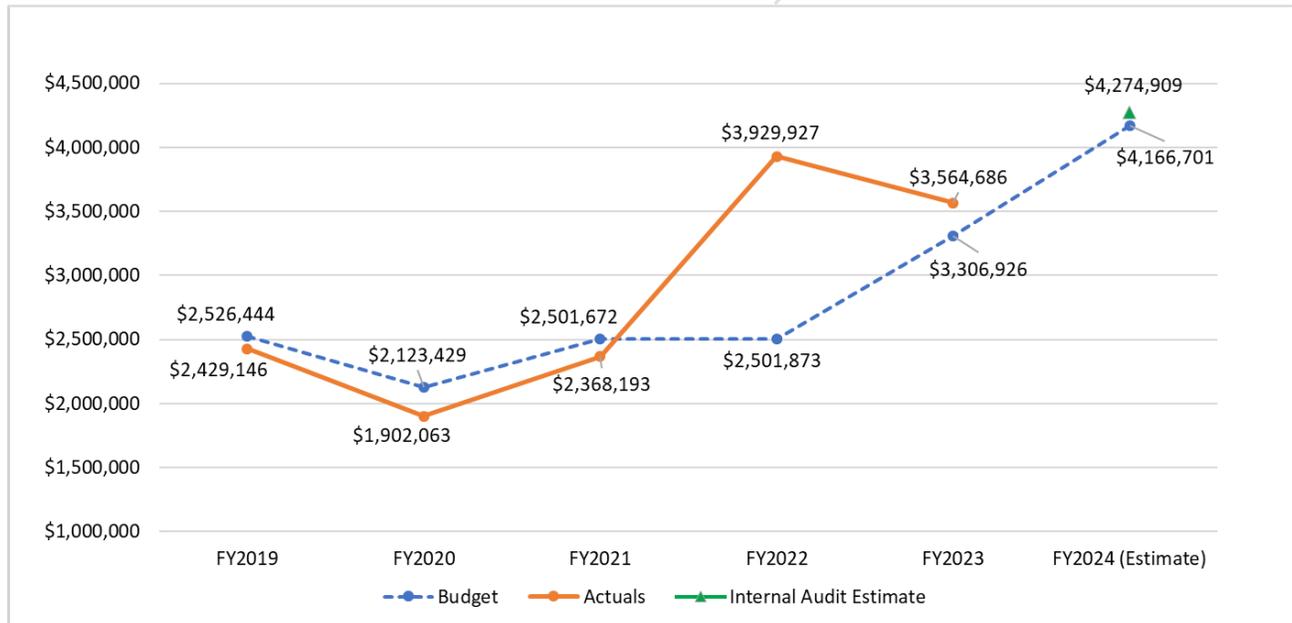
To estimate FY2024 Diesel Sales Revenue, Internal Audit:

- reviewed industry periodicals for events that could impact fuel prices;
- trended budgeted and actual diesel sales revenue, from FY2019 through FY2023;
- estimated the price per gallon of diesel fuel, using a rolling average from the price per gallon charged to departments in the previous rolling year (March 2022 – February 2023);
- estimated the gallons of diesel fuel expected to be sold to departments, using the total gallons sold within a rolling year (March 2022 – February 2023), with a 1% decrease. The 1% decrease was based on anticipated fuel efficiency from new vehicle purchases; and,
- reviewed documents supporting policy changes that could have affected fuel pricing or usage.

CONCLUSION

Internal Audit concluded that the City’s estimated FY2024 *diesel sales revenue* is reasonable. The PMD’s estimated FY2024 diesel sales revenue is \$4,166,701. Internal Audit’s FY2024 estimate is \$4,274,909, a difference of \$108,208 or -2.60%.

**Diesel Sales Revenue
Budget-to-Actual Comparison
FY2019 through FY2023 (with FY2024 Estimate)**



Source: PeopleSoft



FY2024 Diesel Sales Revenue Estimate Comparison

Department	Price Per Gallon	Total Gallons	FY2024 Revenue Estimate
Property Management	\$3.762	1,107,576	\$4,166,701
Internal Audit	\$3.884	1,100,646	\$4,274,909
Variance	(\$0.122)	6,930	(\$108,208)
Variance (%)			-2.60%

Source: Auditor-Generated



Audit Results – Traffic Fines Revenue Account

Fort Worth Municipal Court (MC) traffic fines revenue is comprised of fees collected from traffic citations issued primarily by the Fort Worth Police Department (FWPD). In addition, a small portion of MC traffic fines revenue is derived from traffic citations issued by police officers who work for colleges and Fort Worth’s hospital district. The MC does not accept traffic citation filings from the Texas Department of Public Safety.

FWPD staff imports electronically-issued traffic citations into the City’s case management system (CourtView), then delivers paper citations to the MC. Meanwhile, third-party agencies (e.g., colleges) deliver paper citations to the MC for subsequent manual entry into CourtView. When a traffic citation (which may contain multiple infractions for moving or non-moving violations) is entered into CourtView, each infraction on the citation is assigned an independent court case. Municipal Court Judges assign fees to each case, based on fine ranges established by Texas law. However, not all cases result in revenue. For instance, some cases are dismissed or resolved through community service or jail time.

Cases that result in revenue are resolved as full payment, through payment plans, referrals to collection agencies, or through the City’s Warrant Forgiveness Program for Class C misdemeanors. MC management stated that, as required by state law, the MC continues to provide opportunities for Time Payment Plans and other non-payment options for constituents who are unable to pay their fines in full at the time of adjudication. Fine payment portions and intervals are at the judge’s discretion.

Deferred disposition (often referred to as probation) is an option where a defendant may request to have a citation dismissed by pleading “no contest” or “guilty”, but paying court costs. If assessed, the defendant is to pay a special expense fee not to exceed the maximum amount of the fine. Legislative action, effective January 1, 2020, redefined the deferred disposition special expense fee to a deferred disposition fine. This new classification allowed the MC to recognize any amount paid on the deferred disposition fine as revenue, immediately upon receipt, instead of recording it in a liability account. Therefore, in FY2021, the City combined the Deferred Disposition Fee Revenue Account #4411006 with the Traffic Fines Revenue Account #4511001.

Municipal Court’s Methodology

Part I: Traffic Fines

- Calculated the percentage change in actual revenue recorded from year-to-year for a period of nine years (FY2014 through FY2022);
- Calculated the average percentage change for five years (FY2018 through FY2022), which resulted in decreased revenue of 3.64% (rounded);
- Deducted 3.64% (rounded) from FY2022 actual revenue; and,
- Added a 10% increase (based on the increase in the number of cases filed in FY2023), resulting in projected traffic fines revenue of \$3,282,743 (rounded).

Part II: Deferred Disposition Fee

- Estimated FY2024 deferred disposition fee revenue by applying a 5-year average change (-38%) to the FY2022 actual revenue of \$5,706 (rounded); and,
- Applied the same 10% increase as noted for traffic fines revenue, which resulted in projected deferred disposition fee revenue of \$3,897 (rounded).



MC Estimate

- Added estimated deferred disposition revenue (\$3,897) to traffic fines revenue (\$3,282,743), resulting in estimated FY2024 Traffic Fines Revenue of \$3,286,640.

Internal Audit observed a consistent variance between budgeted and actual traffic fines revenues from FY2020 through FY2023, with budget exceeding actual. Based on conversations with MC management, FY2019 revenues were used as a baseline when estimating FY2020, FY2021, and FY2022 budgets. However, for FY2023, MC staff indicated they were advised by the Planning and Data Analytics Department (now referred to as the FWLab) to use the previous year's budget, given the uncertainty brought by the COVID-19 pandemic. For FY2024, the MC indicated that a new baseline was created.

Internal Audit Assumptions

- The City will continue to use the same process for collecting traffic fines revenue.
- Municipal Court fees will remain consistent with prior years.
- Payment plans will continue to be an option.
- The City will continue to work with a collection agency.
- The City will continue to offer the Warrant Forgiveness Program, which can result in reduced fines and fees.
- The number of closed cases for outstanding Class C misdemeanors will remain constant.
- Cases may take months and years to close.
- FWPD staffing will not cause a material change in FY2024 traffic fines revenue.

Internal Audit Methodologies

To estimate FY2024 Traffic Fines Revenue, Internal Audit:

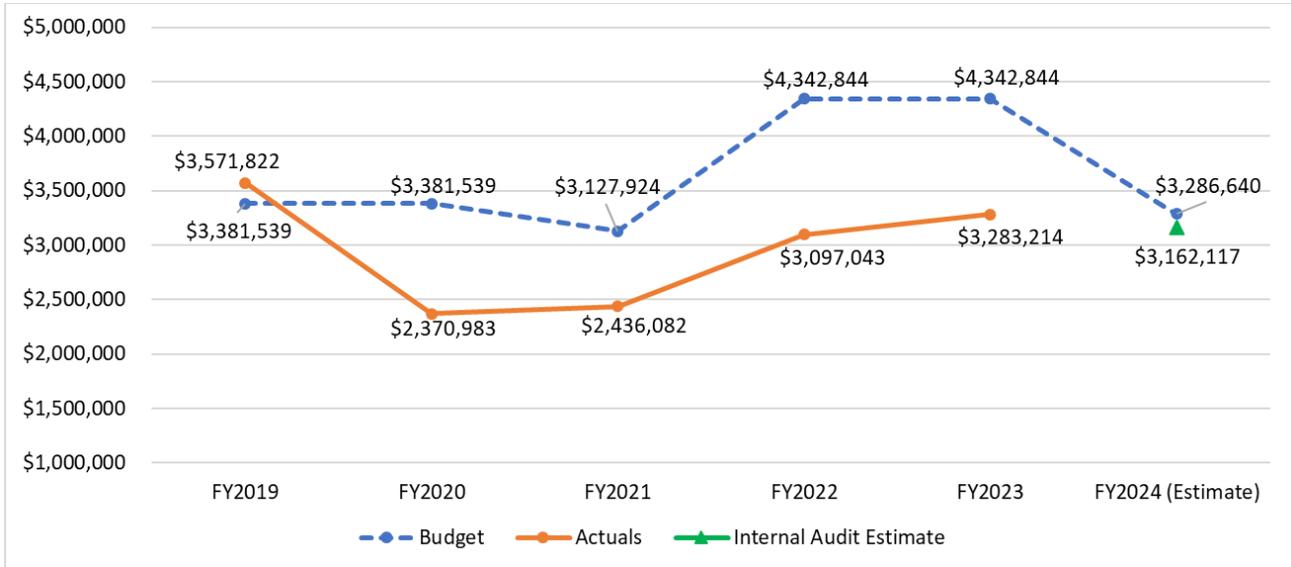
- obtained budget and actual traffic fines revenue for the periods FY2019 through FY2023, and performed trending analysis;
- obtained CourtView data for traffic fines revenue;
- calculated a two-year rolling average of actual traffic fines revenue for the period March 2021 through February 2023;
- calculated a three-year rolling average increase of 5.15%, based on traffic fines revenue for the period March 2020 through February 2023; and,
- calculated a two-year average of deferred disposition revenue for FY2022 and FY2023, totaling \$3,487.27.

CONCLUSION

Internal Audit concluded that the City's estimated FY2024 *traffic fines revenue* is reasonable. The MC's estimated FY2024 traffic fines revenue is \$3,286,640.00. Internal Audit's FY2024 revenue estimate is \$3,162,117.00, a difference of \$124,523.00 or 3.79%.



**Traffic Fines Revenue
Budget-to-Actual Comparison
FY2019 through FY2023 (with FY2024 Estimate)**



Source: PeopleSoft

FY2024 Traffic Fines Revenue Estimate Comparison

Department	FY2024 Estimate
Municipal Court	\$3,286,640.00
Internal Audit	\$3,162,117.00
Variance (\$)	\$124,523.00
Variance (%)	3.79%

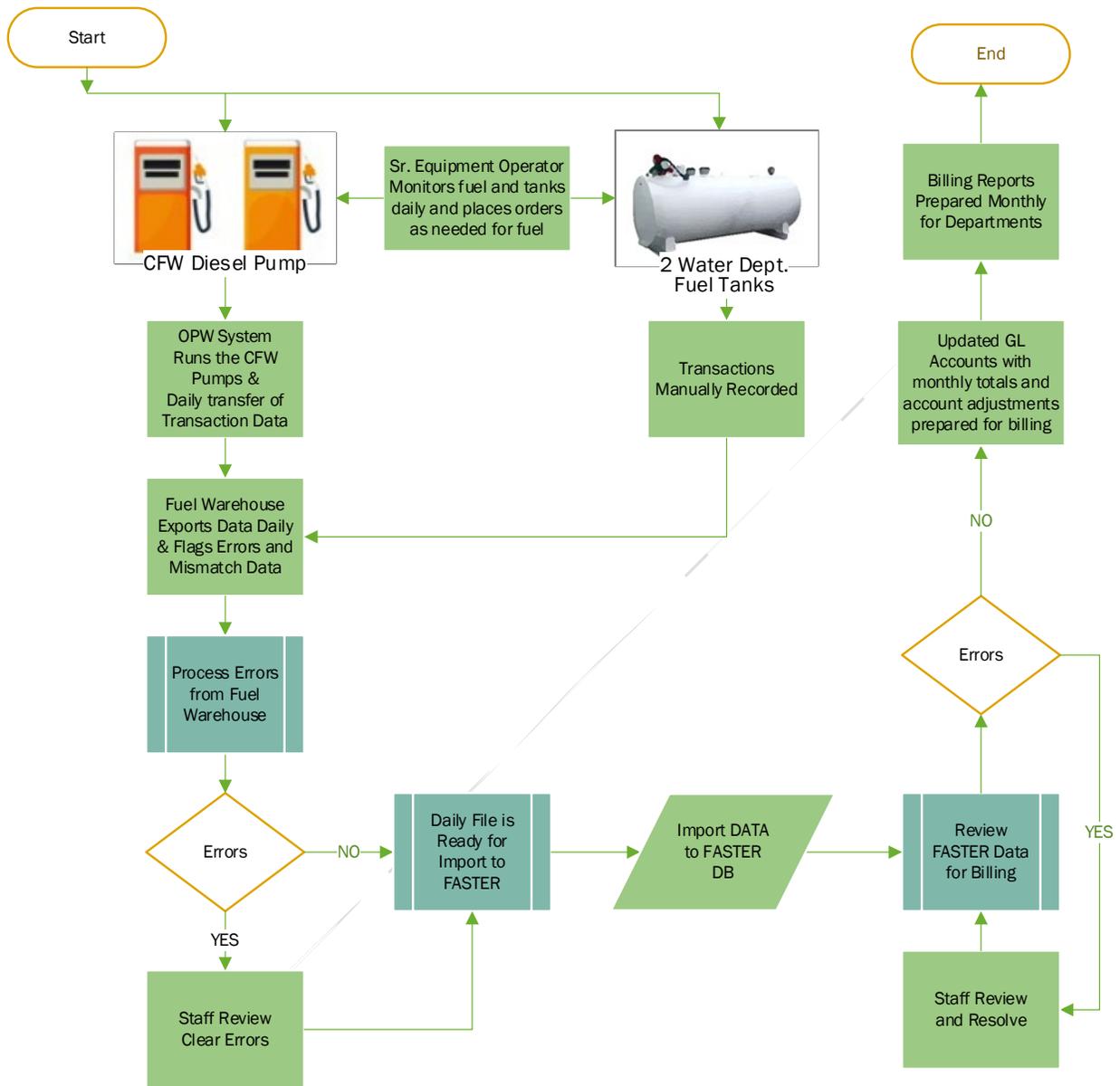
Source: Auditor-Generated



Acknowledgements

The Department of Internal Audit would like to thank the FWLab, the Property Management Department, and the Municipal Court for their cooperation and assistance during this audit.

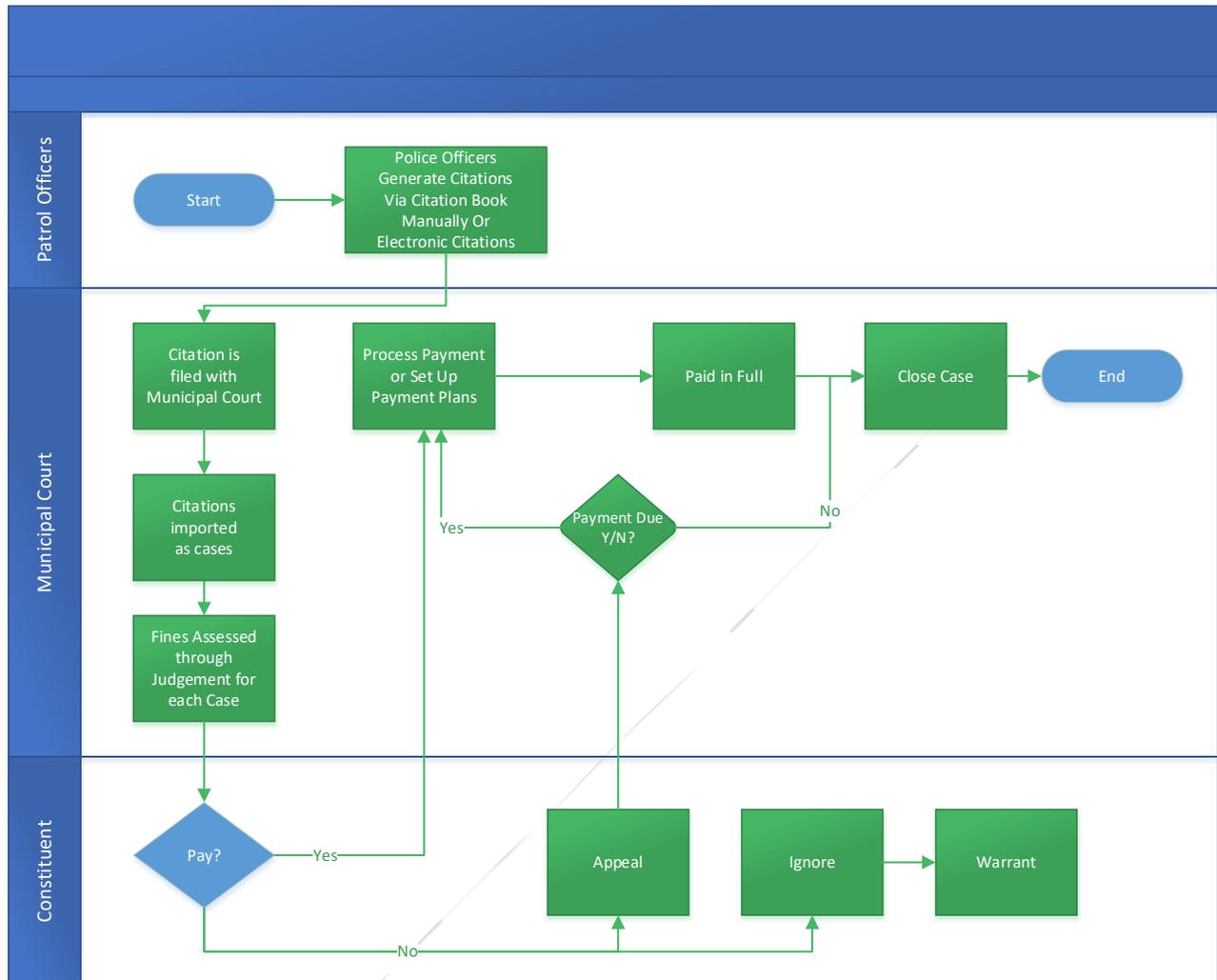
EXHIBIT I - Diesel Fuel Sales Process Flowchart



Source: Auditor-Generated



EXHIBIT II - Municipal Court Traffic Citation Workflow



Source: Auditor-Generated