



# Expending of Transportation Impact Fees Audit

June 13, 2025

## **Mayor**

Mattie Parker

## **City of Fort Worth Department of Internal Audit**

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Fort Worth, Texas 76102

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<sup>†</sup> Audit Committee Chair

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## **Audit Staff**

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**The Expending of Transportation Impact Fees Audit was conducted as part of the Department of Internal Audit's Fiscal Year 2024 Annual Audit Plan.**

### **Audit Objective**

The objective of this audit was to ensure that transportation impact fees were expended as required by City policy and applicable legislation.

### **Audit Scope**

Our audit included a review of transportation impact fees expended from October 1, 2022 through March 31, 2024. Activity beyond this period was reviewed as deemed necessary.

### **Opportunity for Improvement**

Establishing an impact fee aging and compliance process

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## **Executive Summary**

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As part of the Fiscal Year 2024 Annual Audit Plan, the Department of Internal Audit conducted an Expending of Transportation Impact Fees Audit. To achieve our audit objective, we reviewed processes and internal controls to determine whether transportation impact fees were spent in accordance with State of Texas legislation and City of Fort Worth (CFW) ordinances.

Based on our audit fieldwork, we concluded that:

- Transportation Impact Fees (TrIF) recorded within Accela (the City's permitting software) are reconciled to the general ledger;
- there is a process by which the Transportation and Public Works Department submits transportation impact fee applications to the Development Services Department, for capital projects to be completed with TrIF funds; and,
- TrIF were spent within the service areas from and for which the fees were collected.

We did, however, conclude there is no process to track aging and ensure compliance regarding the use or refunding of transportation impact fees within 10 years of collection. As a result, we concluded that \$2,021,053.50 in transportation impact fees, collected within and for three of 28 service areas, exceeded the 10-year spending requirement.

We also concluded that the CFW's TrIF ordinance includes a time limit as to when refund applications must be submitted to the City. However, that limitation is not specified within state legislation. Also, TrIF were erroneously used to pay for unallowable expenses (salaries and benefits) totaling \$6,954.69. The Transportation and Public Works Department promptly corrected the error upon being informed by Internal Audit. Neither of these issues were considered reportable findings.

Our audit finding regarding not spending TrIF within the 10-year spending requirement is discussed in further detail in the [Detailed Audit Finding](#) section of this report.

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## Background

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As stated in transportation impact fee studies/reports provided to the City of Fort Worth (CFW), impact fees are meant to recover the incremental cost of each new unit of development in terms of new infrastructure needs. In reference to transportation impact fees, the infrastructure need is increased capacity on arterial roadways.

Kimley-Horn and Associates, Inc. prepared the City's first Transportation Impact Fee Study in December 2007. The purpose of this (and subsequent) TrIF studies was to identify the fee per unit of new development necessary to fund transportation-related improvements in accordance with Chapter 395 of the Texas Local Government Code. The Texas Local Government Code establishes requirements as to how impact fees are used for water, wastewater, roadway, and drainage facilities. In 2008, the CFW began its TrIF program. Chapter 30, Article III of the City Ordinance regulates the assessments, collections, and usage of impact fees within the city.

Fort Worth is currently divided into 28 service areas. (See [Exhibits I and II](#)). Service areas are defined as areas within the city wherein impact fees for transportation improvements or transportation facility expansions may be collected. TrIF collected by the CFW are recorded (within the general ledger) by service area. TrIF are required, by law, to be used within 10 years and for projects in the same service area from which the fees were paid. Additionally, TrIF are required to be used on projects in the capital improvement plan. With a requirement that an advisory committee be established for oversight, the CFW's Capital Improvement Advisory Committee (CIAC), which is comprised of members of the City Plan Commission, serves in this role and in an advisory capacity.

TrIF are collected upon acceptance of a building permit for a new development, unless a different time is provided in capital improvement agreements. As of September 30, 2024, the City's TrIF program has collected over \$200M to construct capital transportation projects, such as arterials, intersections, and signals.

- The Development Services Department is responsible for managing the City's TrIF program.
- The Transportation and Public Works Department, upon project eligibility approval, utilizes TrIF for City roadway improvement projects.



## Objective

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The objective of this audit was to ensure that transportation impact fees were expended as required by City policy and applicable legislation.

## Scope

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Our audit included a review of transportation impact fees expended from October 1, 2022 through March 31, 2024. Activity beyond this period was reviewed as deemed necessary.

## Methodology

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

- interviewed staff within the Development Services Department, Financial Management Services Department, Transportation and Public Works Department, and the City Attorney's Office;
- reconciled transportation impact fee revenue captured within the Accela permitting software, the PeopleSoft Financial software, and Capital Improvement Advisory Committee (CIAC) reports;
- flowcharted the transportation impact fee process;
- compared the City Ordinance, regulating transportation impact fees, to State of Texas legislation;
- sampled expenses to verify compliance to State of Texas legislation and City Ordinance; and,
- evaluated internal controls related to the transportation impact fee process.

We conducted this performance audit in accordance with generally accepted government auditing standards, except for peer review<sup>1</sup>. 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.

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<sup>1</sup> Government auditing standards require audit organizations to undergo an external peer review every three years. A peer review was due in June 2024, but is not planned until FY2025, for the three-year period ending December 31, 2023.

## Audit Results

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Internal Audit concluded that an overall process for the expending of transportation impact fees exists. The Development Services Department's process includes items such as:

- departmental review of transportation impact fee applications;
- semi-annual financial reports created for the CIAC;
- monthly reconciliation from Accela to the general ledger of TrIF collected; and,
- detailed standard operating procedures that reference a philosophy of using first-in, first-out as the accounting basis for expenses.

Through the review of journal entries and related testing, Internal Audit determined that funding was spent in accordance with service area requirements stated in Texas Local Government Code 395.024 (a) and CFW Ordinance 30-157 (a). We also determined that funded projects met Capital Improvement Plan requirements per Texas Local Government Code 395.024 (c) and CFW Ordinance 30-157 (a).

Internal Audit also verified the CIAC was established in accordance with Texas Local Government Code 395.050, that quarterly meetings were conducted for the purposes of reporting the progress of projects, and that semi-annual financial reports were provided during CIAC meetings.

Texas Local Government Code 395.025 (c) and CFW Ordinance 30-158 (c) require the CFW to spend transportation impact fees within 10 years of payment collection. Internal Audit determined that TrIF collected for projects in three service areas have gone beyond the 10-year requirement, in the amount of \$2,021,053.50. Based on our testing, we determined there is no process in place to track the aging and compliance of using TrIF within the 10-year requirement. Reports provided to the CIAC included appropriated funds versus actual service area project expenses.

TrIF not expended within the 10-year requirement must be refunded as defined in Chapter 395 of the Texas Local Government Code. During our review of the Texas Local Government Code, we noted that TrIF could be used to process expenses such as bond issuance costs and debt interest payments. However, based on our review of the general ledger and discussions with Financial Management Services Department staff, the CFW did not take advantage of paying eligible, bond-related costs with TrIF.

- In reference to TrIF refunds, we determined that refund requirements in the City's Ordinance differed from those in the Texas Local Government Code. The CFW specifies a 60-day period in which applications for refunds may be requested, while the Texas Local Government Code contains no such restriction.
  - Section 395.025 (c) of the Texas Local Government Code states "The political subdivision shall refund any impact fee or part of it that is not spent as authorized by this chapter within 10 years after the date of payment". The Texas Local Government Code neither imposes or references a refund filing deadline(s).
  - Section 30-193(a) of the City Ordinance states that upon application, collected TrIF not expended with the service area within 10 years from the days of payment shall be refunded to the record owner of the property for which the impact fee was paid (or refunded to a governmental entity if the fee was paid by another governmental entity). This section of the City ordinance also states that the application for refund must be submitted within 60 days after the expiration of the ten-year



period. As previously stated, the Texas Local Government Code does not specify a timeframe in which requests for TrIF refunds can be made.

The Department of Internal Audit consulted with the City Attorney's Office regarding Texas Local Government code 395.025, and the impact of CFW ordinance 30-193(a). Based on Internal Audit's consultation with City Attorney's Office staff, it was determined that if the CFW were to enforce the provisions of the ordinance, such enforcement would be successfully overturned in court by property owners seeking a refund, as Texas Local Government code 395.025 supersedes the City's ordinance.

It should be noted that other Texas cities also included the 60-day requirement within their city ordinances.

- Lastly, we also identified one instance where TrIF were used to pay for unallowable expenses. Internal Audit conducted a systematic review of over 1,000 TrIF-related journal entries to determine their purpose. Our review consisted of a query to identify key words (e.g., "admin", "salaries", "benefits", etc.) used within journal entry documentation. Of the journal entries reviewed, we identified only one exception. This exception journal entry documented the City's use of TrIF to pay \$6,954.69 in salaries and benefits. Since salaries and benefits are considered administrative and operating costs, the \$6,954.69 was unallowable. Upon being notified of the exception, the Transportation and Public Works Department acknowledged the journal posting as an error, and made a subsequent correcting journal entry. Section 395.013(5) of the Texas Local Government Code and City of Fort Worth ordinance 30-157 (b) (5) prohibit the adoption or use of collected TrIF to pay for administrative and operating costs.

City ordinance verbiage regarding refunding of TrIF was not considered a reportable finding, but was discussed with management for follow-up. Additionally, since the ineligible expense of \$6,954.69 was considered an isolated incident and since management promptly corrected the error, this issue is not included as a detailed audit finding.



## Overall Risk Evaluation

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High	Medium	Low
<a href="#"><u>Transportation impact fees not spent within the 10-year spending requirement</u></a>		





## Detailed Audit Finding

### 1. Collected transportation impact fees were not spent within the 10-year spending requirement.

Texas Local Government Code 395.025 (c) requires refunding of TrIF not spent within 10 years after the date of payment collection. As noted in the following table, we identified over \$2M in transportation impact fees (collected in three service areas) that had not been spent or refunded within 10 years after collection.

Funds Not Expended Within the 10-Year Requirement				
Service Area	TrIF Revenue End of CY2024	Total Expenses	Expired Amount	Encumbered Amount As of 6/29/2021
N	\$1,054,365.88	\$250,550.15	\$803,815.73	-
AA	\$701,601.71	\$50,550.15	\$651,051.56	\$1,030,309.61
Z	\$2,621,215.99	\$2,055,029.78	\$566,186.21	-
<b>Totals</b>	<b>\$4,377,183.58</b>	<b>\$2,356,130.08</b>	<b>\$2,021,053.50</b>	<b>\$1,030,309.61</b>

Source: PeopleSoft Financial Software

Although Development Services Department staff considered appropriated funds as being “spent”, Internal Audit considered funds that left the City’s bank account as being “spent.” Based on the Development Services Department’s interpretation, semi-annual financial reporting (to CIAC) of inception-to-date revenue and expenditures (by service area) consisted of appropriated, versus actual expenditure amounts. In addition, there was no process in place to track TrIF activity for compliance with the 10-year spending requirement. The lack of a tracking process impacts the City’s efforts in determining to whom the funds should be refunded.

Texas Local Government Code 395.012 lists costs eligible to be paid with TrIF. However, we concluded the City had not allocated TrIF to pay for eligible costs (e.g., bond costs and interest). Through discussions with the City Attorney’s Office, it was determined that costs allowed under the Texas Local Government Code 395 and charged to a different funding source, within the ten-year period, could be made whole using transportation impact fees.

**Recommendation 1A:** *The Transportation and Public Works Director, in cooperation with the Chief Financial Officer, should determine the feasibility of using transportation impact fees to pay for allowable/eligible project costs in accordance with Texas Local Government Code (e.g., retroactive expenses and expenses going forward), and make any appropriate adjustments, as allowed.*

**Auditee’s Response:** Transportation & Public Works, Development Services, and Financial Management Services concurs with the recommendation.

Since the transportation impact fee program began in 2008, the policy has been to treat encumbered transportation impact fee funds as legally obligated expenditures, essentially considering them as spent. In light of the new interpretation, the Transportation & Public Works and Development Services departments agree with the finding’s intent to optimize the expenditure of the funds and the recommendation.



The transportation impact fee expenditure audit identified areas where the departments could improve the process for leveraging transportation impact fee dollars. For example, when the internal audit team identified a potential short fall in the 10-year expenditure of the impact fee funds, the departments worked together to understand and to remedy the short fall with the aim to eliminate the exposure. The activity revealed that due to there being two accounts for the transportation impact fee funds, modern funds were used ahead of legacy funds in some capital projects. In other cases, transportation impact fee funds were not leveraged to the fullest extent permitted by State Law and the Transportation Impact Fee Study. In addition, other types of project funds had been prioritized ahead of transportation impact fee dollars due to the City's *Capital Expenditures and Improvement Policy*. Addressing these conditions within capital projects via journal entries has substantially eliminated the amounts shown in the finding's table. The remaining exposure that was unable to be remedied by these actions will be addressed via an M&C due to appear on the City Council agenda on June 24, 2025, and subsequent journal entries.

To improve the process of expending transporting impact fee funds in future, Transportation and Public Works and Development Services will work with Financial Management Services to amend the financial management policy statement that identifies the order of fund expenditures, *Capital Expenditures and Improvement Policy*. The amendment will include impact fee funds as Priority One funds to further remove barriers to the expenditure of the funds. Policy updates are due to go to City Council in August.

The Transportation & Public Works Director and the Development Services Department Director will also work with the Chief Financial Officer to determine the feasibility of using transportation impact fees to pay for allowable/eligible project costs, including bond principal and interest, in accordance with Texas Local Government Code. If the process is found to be feasible, the Financial Management Services Department shall create a Standard Operating Procedure (SOP) to formalize and document the process. The SOP will be completed by December 31, 2025.

**Target Implementation Date:** December 31, 2025

**Responsibility:** Patricia Wadsack and Monty Hall (Transportation and Public Works Department)  
Jennifer Roberts and Rebecca Owen (Development Services Department)  
Catherine Perry and Alex Laufer (Financial Management Services Department)

**Applicable Department Heads:** Lauren Prieur (Transportation and Public Works Department)  
D. J. Harrell (Development Services Department)  
Reginald Zeno (Financial Management Services Department)

**Applicable Assistant City Manager:** Jesica McEachern

**Recommendation 1B:** *The Development Services Director should ensure a formal process is developed and implemented to track the aging of transportation impact fees collected by the City of Fort Worth.*

**Auditee's Response:** Development Services concurs with the recommendation. Development Services shall develop a formal process to track the aging of transportation impact fees collected by the City of Fort Worth. The SOP will be completed and the process implemented by December 31, 2025.

**Target Implementation Date:** December 31, 2025

**Responsibility:** Jennifer Roberts and Rebecca Owen (Development Services Department)



**Applicable Department Head:** D. J. Harrell, Development Services Director

**Applicable Assistant City Manager:** Jesica McEachern

**Recommendation 1C:** *The Development Services Director should ensure that reports provided to the Capital Improvement Advisory Committee are modified to include appropriated, encumbered, and expended/spent transportation impact fees.*

**Auditee's Response:** Development Services concurs with the recommendation. Development Services will continue to reflect the appropriated and encumbered funds in the Capital Improvement Advisory Committee semi-annual report. The expended/spent funds will be added to the semi-annual report by December 31, 2025.

**Target Implementation Date:** December 31, 2025

**Responsibility:** Jennifer Roberts and Rebecca Owen (Development Services Department)

**Applicable Department Head:** D. J. Harrell, Development Services Director

**Applicable Assistant City Manager:** Jesica McEachern



## Acknowledgements

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The Department of Internal Audit would like to thank the Development Services Department, Financial Management Services Department, Transportation and Public Works Department, and the City Attorney's Office for their cooperation and assistance during this audit.

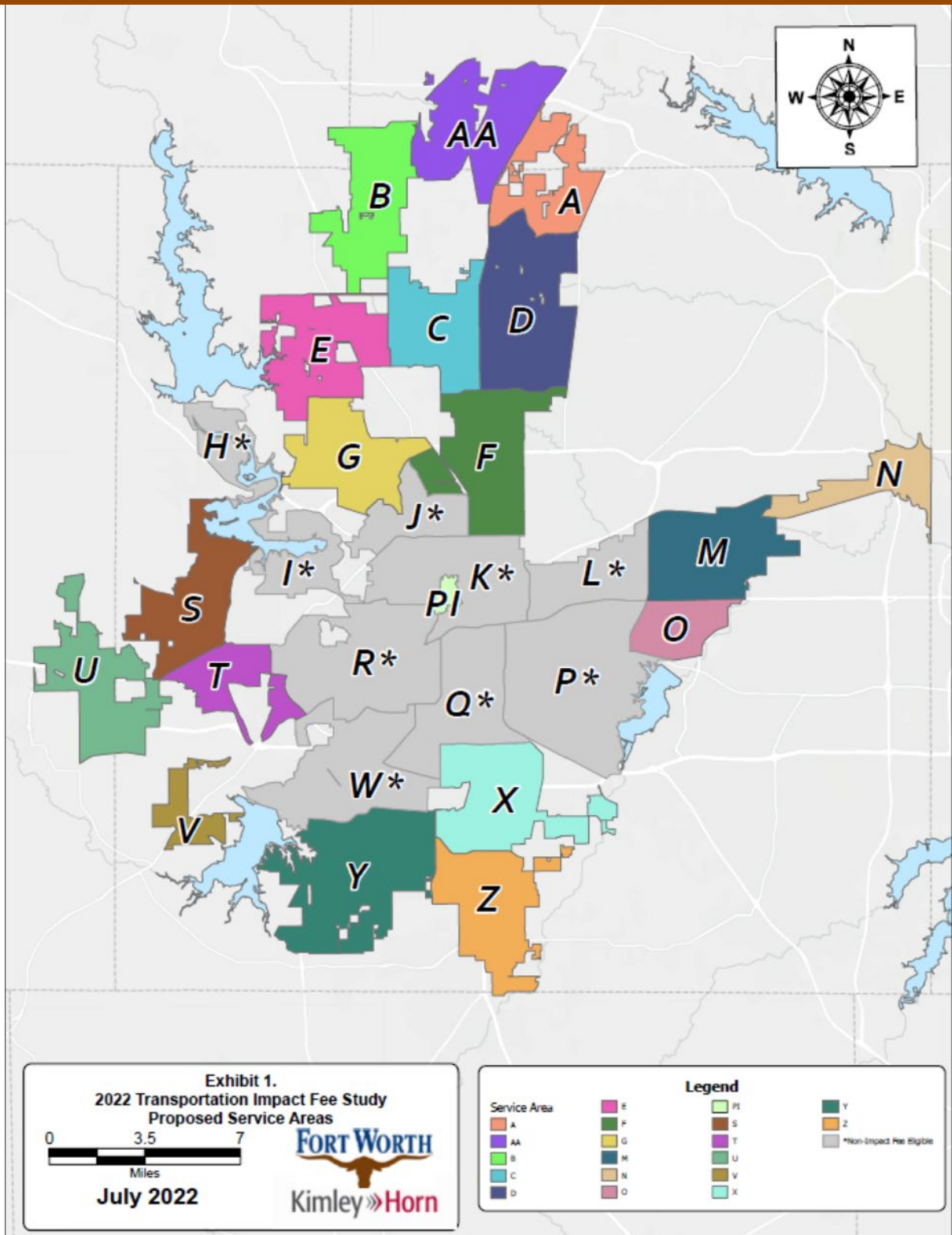
## Exhibit I – Transportation Impact Fee Service Areas

Service Areas, by Transportation Impact Fee Study Year				
Service Area	Dec 2007	Oct 2012	Nov 2017	Oct 2022
A	✓	✓	✓	✓
AA	✓	✓	✓	✓
B	✓	✓	✓	✓
C	✓	✓	✓	✓
D	✓	✓	✓	✓
E	✓	✓	✓	✓
F	✓	✓	✓	✓
G	✓	✓	✓	✓
H	✗	✗	✗	✗
I	✗	✗	✗	✗
J	✗	✗	✗	✗
K	✗	✗	✗	✗
L	✓	✓	✓	✗
M	✓	✓	✓	✓
N	✓	✓	✓	✓
O	✓	✓	✓	✓
P	✗	✗	✗	✗
PI	N/A	N/A	✓	✓
Q	✗	✗	✗	✗
R	✗	✗	✗	✗
S	✓	✓	✓	✓
T	✓	✓	✓	✓
U	✓	✓	✓	✓
V	✗	✗	✓	✓
W	✓	✓	✓	✗
X	✓	✓	✓	✓
Y	✓	✓	✓	✓
Z	✓	✓	✓	✓

✓ Fee Area   ✗ No-Fee Area/Non-TrIF Eligible

Source: Kimley Horn and Associates, Inc. Transportation Impact Fee Studies/Reports

## Exhibit II – Transportation Impact Fee Service Area Map



Source: 2022 Transportation Impact Fee Study, City of Fort Worth



## Exhibit III

### Prior Collections at Risk of Exceeding 10-Year Spending Requirement (FY2025 through FY2029)

Service Areas	Total Revenues Collected as of 9-30-2024	Audit Finding	Prior Collections at Risk of Exceeding 10-Year Spending Requirement				
		FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
A	\$ 13,025,778.72	-	-	-	-	-	\$ 565,066.39
AA	\$ 8,905,955.13	-	\$ 353,734.22	\$ 1,550,483.51	\$ 3,106,294.80	\$ 3,802,038.38	\$ 4,684,690.86
B	\$ 9,569,283.82	\$ 651,051.56	-	-	-	-	-
C	\$ 31,203,812.08	-	-	-	-	-	-
D	\$ 23,434,420.40	-	-	-	-	-	-
E	\$ 19,026,097.78	-	-	-	-	\$ 370,581.32	\$ 1,529,759.33
F	\$ 12,772,103.06	-	-	-	\$ 616,430.75	\$ 1,548,483.10	\$ 3,001,768.40
G	\$ 13,152,611.27	-	-	-	-	\$ 746,192.25	\$ 1,739,573.48
H	\$ -	-	-	-	-	-	-
I	\$ -	-	-	-	-	-	-
J	\$ -	-	-	-	-	-	-
K	\$ -	-	-	-	-	-	-
L	\$ 471,410.89	-	-	-	-	-	-
M	\$ 6,944,814.03	-	-	-	-	-	-
N	\$ 3,701,223.36	\$ 803,815.73	\$ 98,218.58	\$ 1,031,742.98	\$ 2,311,280.74	\$ 2,605,721.96	\$ 2,790,384.63
O	\$ 1,965,255.15	-	-	-	-	\$ 48,130.98	\$ 92,758.48
P	\$ -	-	-	-	-	-	-
PI *	\$ -	-	-	-	-	-	-
Q	\$ -	-	-	-	-	-	-
R	\$ -	-	-	-	-	-	-
S	\$ 5,368,181.32	-	-	-	-	\$ 72,842.23	\$ 83,962.09
T	\$ 2,784,575.68	-	\$ 151,713.30	\$ 261,023.30	\$ 681,270.03	\$ 798,138.51	\$ 920,921.91
U	\$ 5,182,646.84	-	\$ 21,000.00	\$ 47,713.01	\$ 74,713.01	\$ 138,974.17	\$ 169,974.17
V	\$ 1,957,331.28	-	-	-	-	-	\$ 201,203.95
W	\$ 3,455,598.63	-	\$ 903,990.72	\$ 274,305.05	\$ 670,437.07	\$ 791,189.65	\$ 859,993.81
X	\$ 3,778,032.41	-	-	-	-	-	-
Y	\$ 20,574,577.43	-	-	\$ 454,891.11	\$ 1,056,666.73	\$ 1,939,007.76	\$ 3,328,282.39
Z	\$ 19,768,433.80	\$ 566,186.21	\$ 865,865.26	\$ 2,262,096.98	\$ 2,835,763.29	\$ 3,318,508.68	\$ 3,823,273.94
<b>Totals</b>	<b>\$ 207,042,143.10</b>	<b>\$ 2,021,053.50</b>	<b>\$ 2,394,522.08</b>	<b>\$ 5,882,255.94</b>	<b>\$ 11,352,856.42</b>	<b>\$ 16,179,808.99</b>	<b>\$ 23,791,613.83</b>

Source: PeopleSoft Financials

\*. TrIF collected in FY2018 and refunded in its entirety in FY2019

NOTE: These cumulative totals are based only on TrIF received as of 9-30-2024, and do not account for any expenses (actual or projected) beyond 9-30-2024

	FY2024	FY2025
Internal Audit Results	\$ 2,021,053.50	\$ 2,394,522.08
Management Response: Invoices paid in FY2025 and M&C to be presented to City Council on 06/24/2025 (unaudited)	\$ (2,021,053.50)	\$(1,736,225.59)
<b>Revised Total Per Management (unaudited)</b>	<b>\$ -</b>	<b>\$ 658,296.49</b>