# Create Fort Worth Audit

September 19, 2025

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[†] Audit Committee Chair
[††] Audit Committee Member

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

100 Fort Worth Trail
Fort Worth, Texas 76102

**Audit Staff**

Patrice Randle, City Auditor
Brian Burkland, Audit Manager

**The Create Fort Worth Audit was conducted as part of the Department of Internal Audit's Fiscal Year 2025 Annual Audit Plan.**

### Audit Objective

The objective of this audit was to ensure compliance with contract requirements.

### Audit Scope

Our audit covered the period October 1, 2023 through September 30, 2024. Activity beyond this period was reviewed as deemed necessary.

### Opportunities for Improvement

Ensuring performance requirements are met

## Executive Summary

As part of the Fiscal Year 2025 Annual Audit Plan, the Department of Internal Audit conducted a Create Fort Worth Audit. The Create Fort Worth contract is managed by the City's Economic Development Department.

Internal Audit reviewed the funding agreement between the Fort Worth Local Development Corporation (FWLDC) and the Dallas Entrepreneur Center (DEC). The purpose of the contract was to provide initial seed funding for the Create Fort Worth business center. Internal Audit verified the initial payment ($150,000.00) and eight quarterly payments ($43,750.00 each), arriving at the FWLDC's $500,000.00 investment amount over a two-year period.

Create Fort Worth's purpose is to create opportunities for businesses to connect, collaborate, and grow. The location (400 Bryan Avenue, Suite 102 in Fort Worth, Texas) provides resources such as mentoring, coaching, and coworking and meeting area spaces for businesses.

Based on our audit results, we determined contract requirements were met, except for the starting of 50 new businesses. Additionally, the contract lacked provisions to address unmet performance goals.

Our audit finding is discussed in further detail within the Detailed Audit Finding section of this report.

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# Background

The City of Fort Worth established the Fort Worth Local Development Corporation (FWLDC) in 1987 to promote, sponsor, and coordinate various activities to create jobs and foster economic development in Fort Worth. The FWLDC is governed by a board of directors which consists of the City of Fort Worth Mayor and City Council Members.

On May 24, 2023, the FWLDC entered into a contract with the Dallas Entrepreneur Center (DEC) to provide seed money to help fund operations of a new Entrepreneurship Center named Create Fort Worth. The agreement covered a two-year period, and consisted of one initial payment of $150,000.00 and eight quarterly payments totaling $43,750.00 each. The required opening date for the Entrepreneurship Center was before September 30, 2023.

The DEC was responsible for securing appropriate insurance which covered commercial liability, automobile liability, worker's compensation, and professional liability. The DEC was also required to provide quarterly reports that covered areas related to performance goals and a breakdown of monthly expenditures.

Performance goals included:

- 100 mentor connections;
- 200 training hours;
- 50 events or trainings;
- 50 new businesses started;
- 200 new jobs created; and,
- five cohorts designed for black, indigenous, and people of color (BIPOC) entrepreneurs.

Create Fort Worth is located at 400 Bryan Avenue, Suite 102 in Fort Worth, Texas. The new Entrepreneurship Center has a variety of workspaces, such as conference rooms, offices, and other workspaces for individuals to utilize for business ventures.

# Objective

The objective of this audit was to ensure compliance with contract requirements.

# Scope

Our audit covered the period October 1, 2023 through September 30, 2024. Activity beyond this period was reviewed as deemed necessary.

# Methodology

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

- interviewed staff within the Economic Development Department;
- reviewed the contract between the FWLDC and the DEC;
- reviewed Chapter 501 of the Texas Local Government Code (*Provisions Governing Development Corporations*);
- reviewed City of Fort Worth (CFW) procurement/contracting policies;
- reviewed payments made by the FWLDC;
- reviewed CFW FY2023 Annual Comprehensive Financial and Single Audit reports;
- reviewed Mayor and City Council communication and resolutions related to the contract;
- reviewed the CFW Entrepreneurship and Innovation Committee agendas and meeting minutes; and,
- evaluated internal controls related to the FWLDC.

We conducted this performance audit in accordance with generally accepted government auditing standards, except for peer review[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 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

Based on our audit fieldwork, we concluded the Create Fort Worth Entrepreneurship Center was opened and available for business as required by contract. Additionally, the FWLDC paid the initial funding amount of $150,000.00 and contracted quarterly payments of $43,750.00, as required.

Internal Audit reviewed quarterly reports provided by the DEC. No exceptions were noted. Additionally, no exceptions were identified when reviewing performance goals related to training hours, events or trainings, and cohorts. Quarterly reports covered:

- updates on the status of the Entrepreneurship Center opening;
- detailed breakout of monthly expenditures;
- number of mentor connections;
- training hours;
- number of events or trainings;
- new businesses started;
- new jobs created; and,
- number of cohorts created.

Section 3.i.iv. of the contract states one of the performance goals is to facilitate 50 new businesses started. The DEC reported that 55 new businesses were started during the contract term. However, when Internal Audit compared the list of reported companies to the Texas Comptrollers' Franchise Tax Account Status, 14 of the 55 businesses were created between 96 days and over eight years before the execution date of the Create Fort Worth contract. We, therefore, concluded that less than 50 new businesses were started.

There were three types of automobiles that were to be insured: owned, non-owned (e.g., personal vehicles) and hired (e.g., rented). The DEC provided evidence of insurance coverage on non-owned and hired automobiles. However, there was no evidence of coverage on owned vehicles. DEC indicated they did not obtain insurance coverage on owned vehicles because Create Fort Worth did not own any vehicles. Internal Audit therefore did not consider this a finding.

## Overall Risk Evaluation

| High | Medium | Low |
| --- | --- | --- |
| | Not meeting performance requirements | |

# Detailed Audit Finding

**The performance requirement for number of businesses started was not met.**

Section 3.i.iv of the contract between the CFW and DEC states the DEC shall utilize the Entrepreneurship Center to facilitate 50 new businesses started. On their May 30, 2025 quarterly report, the DEC reported that 55 businesses were started. However, our test results indicate less than 50 new businesses were started.

Internal Audit compared the list of reported businesses started to the Texas Comptrollers' Franchise Tax Account Status. Of the 55 reported businesses started:

- 14 businesses were started before the contract was executed, ranging from 96 days to over eight years;
- 14 businesses were started after the contract was executed, ranging from 96 days to over 1 ½ years; and,
- we were unable to verify 27 businesses through the state's Franchise Tax Account Status search.

We concluded the number of new businesses started did not meet the contract requirement. When Internal Audit inquired about businesses started before Create Fort Worth's opening date, the DEC indicated tracking was not set up to capture that information and the definition of a new business was not stated within the contract.

While the full value of the program may not be realized when performance requirements are not met, the City's contract did not specify consequences for not meeting such requirements.

**Recommendation:** *The Economic Development Director, in cooperation with the City Attorney, should ensure contract provisions include actions to be taken if contract requirements are not met.*

**Auditee's Response:** Concur. Future agreements will have provisions that will ensure that grant funding is dependent on performance measures outlined in the terms and conditions of the agreement. Failure to meet the performance requirements will reduce or eliminate grant eligibility.

> **Target Implementation Date:** Completed. On September 11, 2025, management sent out a notice to the department to ensure that all future agreements have provisions that will ensure that grant funding is dependent on performance measures outlined in the terms and conditions of the agreement. The attorney assigned to our department is also aware of this past component unit agreement and will ensure that there is legal language in all future agreements to help avoid this audit finding in the future.
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> **Responsibility:** Ori Fernandez, Assistant Economic Development Department Director
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> **Applicable Department Head:** Kevin Gunn, Interim Economic Development Department Director
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> **Applicable Assistant City Manager:** Jesica McEachern

# Acknowledgements

The Department of Internal Audit would like to thank the Economic Development Department and Dallas Entrepreneur Center staff for their cooperation and assistance during this audit.