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**Public Improvement District 7
(Heritage) Audit**

November 2, 2018



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

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The PID 7 Audit was conducted as part of the Department of Internal Audit's Fiscal Year 2017 Annual Audit Plan.

Audit Objectives

The objectives of this audit were to:

- evaluate the City's process for overseeing PIDs;
- determine whether City payments were for the reimbursement of eligible expenses; and,
- assess and verify PID cash balances.

Audit Scope

Our audit covered the period from October 1, 2014 through September 30, 2016. PID staffing levels, beyond this period, were reviewed as deemed necessary.

Opportunities for Improvement

Adequate staffing and appropriate job assignments

Improved review of PID expenditures and management of PID funds

Accurate timesheets

Competitively-bid procurements

Proper tracking and disposition of seed money

Adequate segregation of duties

Improved monitoring of PID revenue and budget-to-actual expenditures

Documented and up-to-date policies and procedures

Executive Summary

As a part of our FY2017 Annual Audit Plan, the Department of Internal Audit conducted an audit of Public Improvement District (PID) 7. We concluded that the PID 7 management company budgets for necessary expenditures, contracts for services to meet the PID's needs, and consistently requests reimbursements from the City of Fort Worth (CFW) on a monthly basis.

Although the CFW received a two percent (2%) administrative fee, the Department of Internal Audit identified significant employee turnover within the CFW's PID function. In addition, the PID function resided in three different departments over that same timeframe.

Based on our audit results, the CFW did not review supporting documentation to validate reimbursement requests prior to reimbursing the PID management company. Additionally, PID funds were not effectively managed.

Written policies and procedures (governing how the CFW should monitor the PID program) did not exist. Additionally, written policies governing the PID management company's administration of the program existed, but were outdated.

The PID management company budgeted \$2,000.00 each year for a review/audit during FY2015 and FY2016. However, there were no annual audits. In addition, while the PID management company incurred expenses that seemed necessary, not all procurements that met the competitive bidding threshold requirement were competitively bid.

During FY2009, the City provided the PID management company \$100,000.00 in seed money. However, there was no record of seed money being returned to the CFW.

An employee was responsible for managing PID 7 and the Homeowners' Association that represents the PID 7 area. However, the contract states that an assigned PID management company employee should not manage any other properties.

During our audit, we identified timekeeping-related exceptions that were forwarded to management for follow-up.

These audit findings are discussed in further detail within the [Detailed Audit Findings](#) section of this report. It should be noted that our audit results relate to operations under the guidance of the Performance and Budget Department, which was the department responsible for PID operations at the City during our audit period. However, our audit recommendations are directed to the Financial Management Services Department (FMS), since FMS is now responsible for the City's PID administration.



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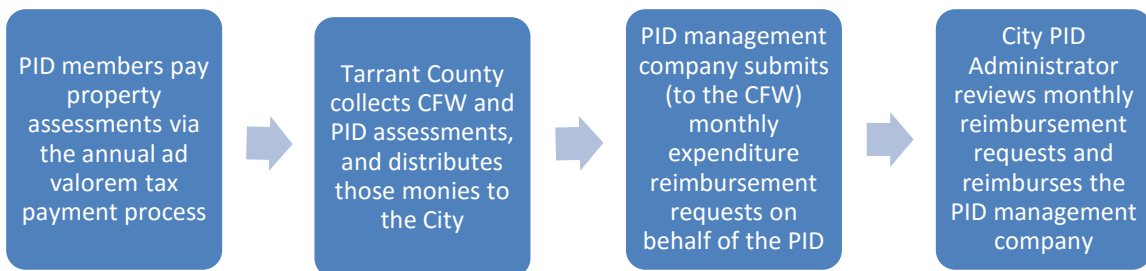
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Background

A Public Improvement District (PID), created under Chapter 372 of the Texas Local Government Code, is a defined geographical area established to provide specific types of improvements or maintenance benefitting an area within the PID boundaries. A PID is an economic tool available to the City to fund such public improvements. It is not a political subdivision of the State, but rather a geographic area of the city that is governed and managed by the City. All powers with respect to such area are exercised by the City directly, as a PID is not imbued with any independent power of self-government, including any power of taxation or assessment, police power, the power to issue debt, eminent domain, or any other independently-exercised power of authority. The Texas Local Government Code allows counties or municipalities to create residential and commercial improvement districts by ordinance.

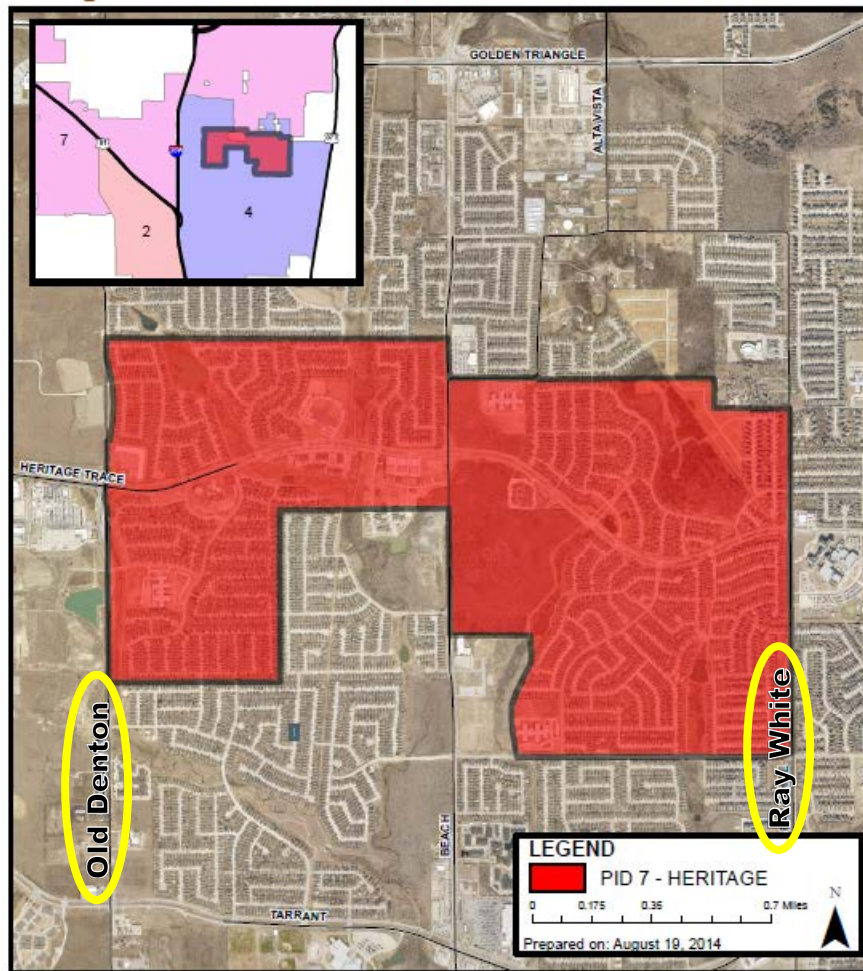
PIDs are financed by assessments against all owners of benefitted property within a defined area. With its operating PIDs, such as Heritage, the City of Fort Worth (CFW) uses PID dollars to enhance and maintain area parks, entryways, rights-of-way landscaping, sidewalks, street lighting, irrigation systems, etc. in a manner that exceeds standard services provided by the CFW. Owners of residential properties within the boundaries of PID 7 pay an assessment of \$.21 per \$100.00 of the assessed value. Commercial property owners pay an assessment of \$.11 per \$100.00 of assessed value. These PID dollars must be spent on expenditures that benefit the district, and not on expenses that only benefit select individual property owners within the district. A PID can plan for projects that promote health and safety, traffic, and road improvements.

Tarrant County collects PID assessments in conjunction with property taxes paid by property owners, and deposits those monies into a CFW bank account. The CFW assigns PID revenue to a Special Revenue Fund, and retains the revenue until the PID demonstrates it has expended monies on allowable expenditures. City policy provides guidance that helps ensure the City retains a reserve (fund balance) that will cover expenditures prior to the City receiving revenue to fund those expenditures.



In FY2000, the Mayor and City Council established PID 7 to include both residential and commercial properties. As noted in the following map, PID 7 overlays the Heritage community between Old Denton Road (currently North Riverside) on the west and Ray White on the east. PID 7 is, therefore, referred to as Heritage.

FORT WORTH Heritage Public Improvement District



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Source: City of Fort Worth website

The CFW authorized a contract with First Services Residential (previously named Premier Communities Management Company) to manage the day-to-day operations of PID 7. First Services Residential has been managing PID 7 since September 2001.

Since August 2015, eight employees have served as the City’s PID Administrator, with the role assigned to several departments (e.g., Economic Development, Neighborhood Services, Performance and Budget and Financial Management Services). The position remained vacant for several months. In October 2017, the PID administration function was moved from the Performance and Budget Department to the Financial Management Services Department, where it currently resides.



Objectives

The objectives of this audit were to:

- evaluate the City's process for overseeing PIDs;
- determine whether City payments were for the reimbursement of eligible expenses; and,
- assess and verify PID cash balances.

Scope

Our audit covered the period from October 1, 2014 through September 30, 2016. Activity beyond this period was reviewed as deemed necessary, specifically related to PID staffing levels.

We did not review the Tarrant Appraisal District's (TAD's) property assessments. We also did not verify that all property owners (within PID 7) paid their assessment, nor did we verify that Tarrant County properly forwarded collected property tax revenue or PID assessments to the CFW. These objectives were considered beyond the scope of this audit.

Methodology

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

- interviewed key CFW personnel responsible for PID administration;
- interviewed key personnel within the PID management company;
- reviewed PID management company bank statements, reimbursement documents, accounts payable check history reports, invoices and other key supporting documentation;
- compared CFW reimbursements to PID income statements;
- analyzed PID fund balances/trends;
- compared budget-to-actual PID expenditures;
- reviewed administrative fees paid to the CFW and to the PID management company;
- reviewed financial records and other documentation supporting seed money paid to the PID management company by the CFW; and,
- evaluated internal controls related to PID oversight and management.

We conducted this 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

Based on our audit results, PID 7 operated from a budget that allowed for expenditures that enhanced and maintained the Heritage PID. Additionally, the intention of each budgeted line item appeared to have provided a benefit to all members of the PID 7 community, as required by state law.

Based on discussions with staff, and review of staffing levels within the City's PID administration, there was substantial employee turnover within the position that was responsible for monitoring PID activities. For example, eight employees have held the position of PID Administrator since FY2015. Additionally, PID administration staff indicated that when the position was filled, multiple duties prevented them from placing the amount of attention necessary for PID monitoring. There were also changes in departments assigned to oversee the City's PID program.

The Department of Internal Audit concluded that CFW staff does not ensure that reimbursement requests are adequately supported, prior to reimbursement. We also concluded that the PID management company did not effectively expend available PID funds. A total of approximately \$467,000.00, in budgeted funds, was not spent during FY2015 and FY2016. Budgeted reserve amounts for FY2015 and FY2016 were \$400,000.00 and \$700,000.00 respectively, which appeared excessive based upon actual expenditures during the first three (3) months of each fiscal year.

Written policies and procedures for City staff (documenting steps that should be taken to effectively monitor the City's PID program, and providing an understanding of staff's expectations and the City's goals) did not exist. Additionally, the CFW had policies and procedures for the PID management companies. However, those policies and procedures were outdated and did not include pertinent information that would help ensure compliance. New policies and procedures were subsequently developed and introduced in February of 2018.

While PID procurements appeared necessary, the PID management company did not competitively bid some procurements, as was required by PID policy. Furthermore, competitive bidding requirements within the PID policy differed from State of Texas bidding requirements.

Based on our audit results, the CFW paid the PID management company \$100,000.00 in seed money in FY2009. Internal Audit was unable to determine whether the PID management company spent the \$100,000.00 on expenses actually incurred. Difficulties in making a determination resulted from the fact that the CFW initially paid the PID management company based on PID budget amounts, but later began paying the PID management company on a cost reimbursement basis. In addition, due to staff turnover and the amount of time that lapsed since the \$100,000.00 payment, Internal Audit was unable to determine whether the \$100,000.00 had ever been "trued-up".

We concluded that the same individual managed PID 7 and the Home Owners' Association (HOA) that covers the PID 7 area, resulting in noncompliance with the City's contract and a potential inadequate segregation of duties. We also concluded that although the PID's annual budgets included a line item for an annual review/audit, no review/audit was completed during FY2015 or FY2016.

During our audit, we identified timekeeping exceptions (related to PID security) that were forwarded to management for further review and follow-up.



Overall Evaluation

High	Medium	Low
<u>Inadequate staffing with the CFW's PID administration function</u>		
<u>Expenditures not adequately reviewed prior to reimbursement</u>		
<u>Unreliable timesheets</u>		
<u>Procurements not competitively bid</u>		
	<u>Unsupported/unknown disposition of seed money</u>	
	<u>Inadequate segregation of duties (PID management company and the HOA)</u>	
	<u>Annual reviews/audits not conducted as authorized within the line-item budget</u>	
	<u>City not reimbursed for expenses incurred</u>	



Detailed Audit Findings

1. The extent of human resources allocated to the CFW's PID function was inadequate.

Based on our audit results, eight different City employees have held the City's PID Administrator position since FY2015. In addition, the PID Administrator role transitioned among three different departments.

Although the CFW is paid to offset costs associated with administering the PID program, employee turnover resulted in the inadequate staffing of the PID administration function. PID 7 allocated an approximate 2% fee (based on budgeted assessments) to reimburse the CFW for administrative duties related to the PID. The administrative fee was the equivalent of \$31,566.00 and \$33,208.00, respectively, in FY2015 and FY2016.

City staff should ensure that adequate resources are allocated to the administration of the PID. It is good business practice to retain staffing levels that are adequate, and help ensure that program objectives are met, especially when staffing of key positions is funded by an outside source (e.g., PID assessments). City staff indicated that staffing resources have not allowed for an adequate administration of the PID, as non-PID duties took precedence over PID duties.

The PID management company submitted approximately 1,197 individual expenditure transactions for reimbursement in FY2015 and approximately 1,239 in FY2016.

Recommendation 1A: *The Chief Financial Officer should determine the number of hours/employees that are required to adequately monitor PIDs, and then evaluate whether budgetary allocations/staff are sufficient. If budgetary allocations or staffing is insufficient, the Chief Financial Officer should consider developing an alternative for PID administration.*

Auditee Response: Concur. The Department of Financial Management Services has concluded that one dedicated staff person is insufficient to adequately and comprehensively oversee all of the aspects of PID activities since we assumed the responsibility for Public Improvement District administration. Thus, a decision package has been submitted for the fiscal year 2019 budget that shows how the City's 2% administrative fee can cover the cost of an additional staff resource.

Target Date: Complete

Responsibility: Chief Financial Officer and Senior Contract Compliance Specialist – PIDs, Department of Financial Management Services

Recommendation 1B: *The Chief Financial Officer should ensure that duties related to the PID Administrator be limited to PID monitoring and PID administration activities, or that the PID Administrator log his/her time to reflect time worked on PID and non-PID projects to ensure that time allocated to PID-related projects is comparable to the administrative fee paid to the CFW.*

Auditee Response: Concur. As of April 2, 2018, the Department of Financial Management Services has completed the filling of all of our vacancies within the Administration Division, thus the Senior Contract Compliance Specialist – PIDs is dedicated to PID activities.

Target Date: Complete



Responsibility: Chief Financial Officer and Senior Contract Compliance Specialist – PIDs,
Department of Financial Management Services

2. The CFW reimbursed the PID management for expenditures without verifying that the expenditures were adequately supported.

City staff did not review expenditures for accuracy or allowability prior to reimbursing the PID. Internal Audit selected a sample from FY2015 and FY2016 PID 7 expenditures. Based on audit testing, we identified the following instances that lacked sufficient detail to support the validity of the expenditures.

- A vendor invoice listed road median planting at a unit price of \$3,676.47, with a \$183.82 discount. The City reimbursed the PID, although the invoice did not detail the type, number, or unit cost per item planted.
- A \$5,450.00 invoice included a line item description of “Const. Draw” and a street address within an Item #. The PID was billed at a \$5,450.00 unit price. The City reimbursed the PID \$5,450.00, although the invoice was not itemized.
- A \$2,235.00 invoice included details regarding various types work performed, with an invoice Item Code of “Man Power”. When asked for additional support, the PID management company provided a \$2,235.00 estimate. There was no information regarding the hourly rate or number of work hours. Additionally, the estimate was in the Heritage HOA’s name and entity number, versus PID 7.

It is good business practice to only pay expenditures that are adequately supported. Additionally, Section 6.1 of the Management and Improvement Services Agreement between the PID management company and the CFW requires that the PID management company submit documentation that sufficiently demonstrates that the PID incurred the expenditures. Performance and Budget Department staff stated that although several documents were required from the PID management company (e.g., general ledger report, accounts payable check history report, income statement report, etc.), expenditures were not validated against detailed receipts and/or invoices for legitimacy. Budget and Performance Department staff further indicated that a staffing shortage resulted in the non-validation of expenditures.

During FY2015 and FY2016, PID 7 expenditures totaled \$1,556,870.67 and \$1,961,661.58, respectively. The PID 7 accounts payable check history report indicated there were approximately 1,197 expenditure line items (approximately 100 invoice per month) submitted for reimbursement during FY2015 and approximately 1,239 (approximately 103 invoices per month) in FY2016. Insufficient detail to support these expenditures, and/or an inadequate review of expenses, increases the likelihood of improper reimbursements.

Recommendation 2: *The Chief Financial Officer should require that staff validate expenditures against supporting invoices (on at least a sample basis) for accuracy and for sufficient support before reimbursing the PID management company.*

Auditee Response: Concur. The Department of Financial Management Services began reviewing all Service and Assessment Plans, Budgets, and invoices for services submitted by the PID management companies beginning with our assumption of PID Administrator roles and responsibilities on October 1, 2017. Invoices submitted by PID managers are reviewed and when questions exist, the management companies are contacted and questioned.



Target Date: Complete

Responsibility: Chief Financial Officer and Senior Contract Compliance Specialist – PIDs,
Department of Financial Management Services

3. Some timesheets showed that Fort Worth police officers worked PID 7 security and for the FWPD at the same time.

Fort Worth Police Department (FWPD) officer’s submitted PID timesheets to support hours worked while providing PID security, and submitted CFW (PeopleSoft) timesheets to support hours worked for FWPD. However, those timesheets showed that six (6) of 13 officers worked at the PID and for the police department on some of the same dates and during the same times. Those six officers were paid by both the PID and the CFW for the same time noted on timesheets.

The following table summarizes the number of hours in CY2016 and CY2017 that were duplicated (and paid for) on those six employees’ timesheets, giving the appearance that the officers “double-dipped”. It should be noted that timesheets also showed officers working the PID while receiving holiday pay from the City. Since existing policy does not prohibit officers from working other employment while on paid vacation, these instances were not considered exceptions and are, therefore, not included in the following table. The PID’s hourly rate for security was \$35.00 per hour, while the City’s hourly rate varied by officer.

Officer	CY2016	CY2017	Number of Overlapping Hours
1	216.30	19.35	235.65
2	29.25	128.52	157.77
3	20.00	18.25	38.25
4	17.28	13.04	30.32
5	.51	4.05	4.56
6	.50	0.00	.50
Total	283.84	183.21	467.05

Source: PID and CFW timesheets

For auditing purposes, the Department of Internal Audit relied on employee timesheets to support time and number of hours worked at the PID and at the City. The timesheets indicate that the aforementioned hours were duplicated, for which FWPD agrees. However, FWPD Internal Affairs stated that the beginning and end times noted on both the PID and CFW timesheets did not necessarily reflect the times that the officers actually worked. FWPD indicated that the “number” of hours worked, per the PID and City timesheets, was correct.

FWPD Internal Affairs concluded that there was insufficient evidence to support a concrete (or even probable) determination that any of the officers involved were overpaid or received payment for time not worked. FWPD Internal Affairs indicated that the lack of evidentiary support was based on several factors, including the large number of clerical errors (e.g., a.m. versus p.m.), inaccurate record keeping by officers, and non-standardized time reporting procedures between PIDs (and within the same PID).

- Hours recorded on CFW timesheets were always in regular time. However, hours recorded on PID 7 timesheets varied between regular and military time, possibly resulting in a.m. /p.m. confusion among officers, timekeepers, etc. The following table illustrates how many of the overlapping hours were



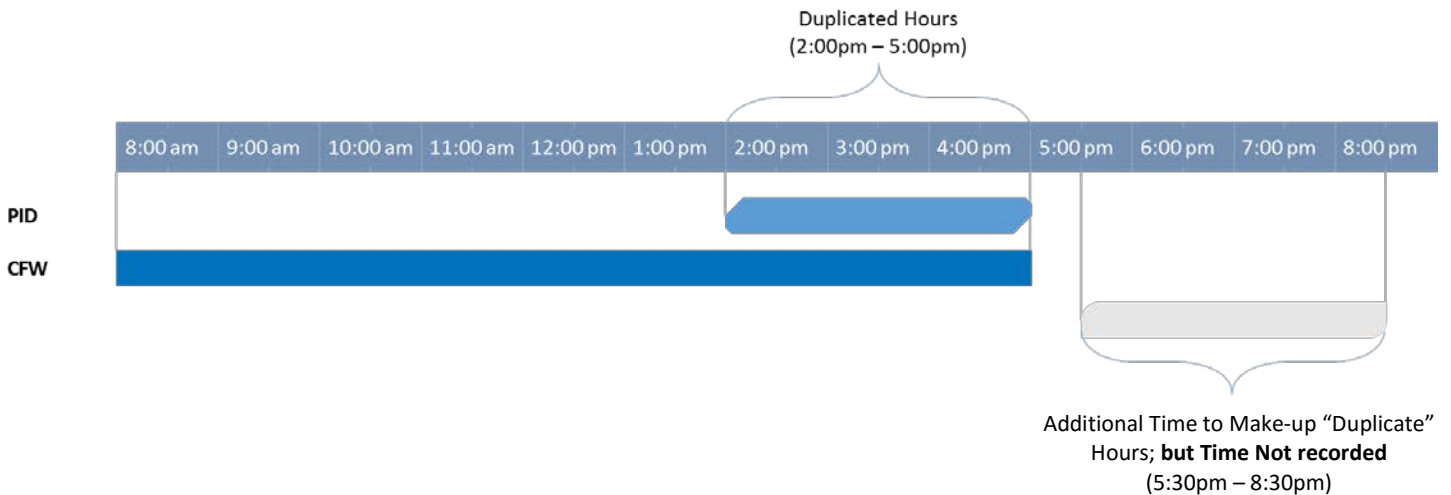
recorded on PID timesheets as military time, and how many were recorded on PID timesheets as regular time. Hours noted as military time indicate that the officers' timesheets reflected either beginning or ending times, or both, that were recorded between 1300 and 2400 hours.

Officer	Military Time		Regular Time		Total Number of Overlapping Hours
	CY2016	CY2017	CY2016	CY2017	
1	4.00	16.85	212.30	2.50	235.65
2	26.75	128.52	2.50	0.00	157.77
3	20.00	18.25	0.00	0.00	38.25
4	14.25	7.29	3.03	5.75	30.32
5	0.00	0.00	.51	4.05	4.56
6	.50	0.00	0.00	0.00	.50
Totals	65.50	170.91	218.34	12.30	467.05

Source: PID and CFW timesheets

FWPD Internal Affairs stated that at the beginning of each pay period, the FWPD required officers to forecast their City time for the entire pay period. Officers were then to make corrections to their forecasted hours (i.e., if they worked fewer or more hours than forecasted). However, officers sometimes did not make those necessary adjustments. As a result, FWPD Internal Affairs stated that PID and CFW payroll checks were processed using time recorded on timesheets, although the actual times recorded on those timesheets might not have reflected the actual time worked during the pay period. FWPD Internal Affairs further stated that although the actual times recorded on the timesheets might not have reflected the actual time worked, those officers claimed they worked the expected number of hours they were scheduled to work - at both the CFW and PID.

For example, if an officer's timesheets indicated that he/she worked from 8:00 a.m. to 5:00 p.m. at the CFW (with a one-hour lunch), and at the PID from 2:00 p.m. until 5:00 p.m., the timesheets would indicate a duplication of three hours (2:00 p.m. – 5:00 p.m.). However, per FWPD Internal Affairs, the officer could have actually worked an additional three hours at the CFW, but would not have recorded the additional three hours (from 5:30 p.m. to 8:30 p.m.) on the CFW timesheet – as noted in the following illustration.





FWPD Internal Affairs indicated that radio activity sometimes supported officers working hours that differed from those recorded on officer timesheets. FWPD Internal Affairs also indicated that officers' radio activity sometimes agreed with Visinet, a software used to track police vehicles, but not bikes that are used for patrolling. However, according to FWPD Internal Affairs, the officers did not correctly document radio codes that differentiate between City and PID activity.

Internal Audit did not deem it necessary to review radio activity for several reasons. The main reason was that if radio activity is erroneously coded, it would be very difficult to determine whether officers were working the PID, working for the City and/or were off-duty, traveling between job assignments. With FWPD Internal Affairs' statement that City and PID timesheets were not reliable, combined with the fact that radio codes were erroneously recorded, Internal Audit's review of activity would have required reviews, by officer, in 24-hour increments.

- In reference to PID timesheets, FWPD Internal Affairs stated that officers working PID security were allowed flexibility. For example, an officer scheduled to work the PID from 1:00 p.m. to 5:00 p.m. (four hours) had the option of working from 1:00 p.m. to 5:00 p.m., or working at any other time as long as he/she worked the four hours. The officer's PID timesheet would reflect him/her working from 1:00 pm to 5:00 pm, although he/she worked different hours of the day. Additionally, typed (versus handwritten or electronic) signatures appeared on the PID timesheets.

In addition, to the aforementioned timekeeping reporting exceptions, the PID 7 management company paid a FWPD officer for 12 hours on May 21, 2015 and on May 12, 2016, both of which were from timesheets dated May 16, 2015. The PID 7 management company paid the same officer for 12 hours on June 7, 2016, although the officer's timesheet indicates that he worked only 10 hours. The CFW reimbursed the PID management company for the 12 hours. PID 7 management company also paid another officer for a total of 20 hours, although that officer's timesheet indicates that only 16.5 hours were worked. The CFW reimbursed the PID for the 20 hours. Timesheet recording/clerical errors were also noted as the reason for these exceptions.

Section 2.2 of the City's Personnel Rules and Regulations for Commissioned Police Officers - Fair Labor Standards Act, states that work time (hours worked) must be recorded exactly as it is worked by both exempt and non-exempt employees. Those rules and regulations further state that dates worked and the number of hours recorded as being worked each day must accurately reflect what actually occurred.

The current practice of not requiring an accurate input of work time (hours worked) does not provide an audit trail that establishes accountability. Nor does it allow for the identification of errors, abuse and/or fraud. Additionally, inaccurate timekeeping could complicate workers compensation issues if an officer is injured.

Recommendation 3A: *The Police Chief, in conjunction with the ERP Team, should consider discontinuing the practice of forecasting hours worked for the entire pay period (at the beginning of the pay period). With the exception of forecasting planned medical or vacation leave, etc., forecasting should be limited to no more than two days before the end of each pay period.*

Auditee's Response: Do Not Concur. The Centralized Police Payroll Team CPPT advised that beginning with the migration to PeopleSoft, they have advised police personnel to submit their base schedule at the beginning of the period and make necessary adjustments along the way if their actual time varies from their preset schedule. This allows CPPT to validate more efficiently. This is not the same as "forecasting" in the ERP sense which applies to absences only and not payable time. The existing rules related to accurately



reporting time are sufficient to address this issue. In addition, the CPPT has created a new “OFW” time reporting code for reporting off-duty employment directly into ERP thus alleviating duplication issues.

Target Implementation Date: October 2018

Responsible Party: Chief of Police, Joel F. Fitzgerald, Sr.

Recommendation 3B: *The Police Chief should require that timesheets reflect actual time (time in/time out) and dates worked, and are approved by the appropriate supervisors.*

Auditee’s Response: Concur. This is already in place. General Order 406.01 covers this recommendation.

Target Implementation Date: October 2018

Responsible Party: Chief of Police, Joel F. Fitzgerald, Sr.

Recommendation 3C: *The Police Chief should provide the City’s PID Administrator with inquiry only access to Police PeopleSoft records (for comparison of City and PID timesheets) to allow verification that payment for hours worked at the City and PID have not been duplicated.*

Auditee’s Response: Concur. The ERP administrator should provide the limited access needed by the PID administrator.

Target Implementation Date: October 2018

Responsible Party: Chief of Police, Joel F. Fitzgerald, Sr.

Recommendation 3D: *The Chief Financial Officer should require signed PID timesheets, with an acknowledgement that the timesheet is an accurate record of time worked for the pay period, prior to PID reimbursements.*

Auditee’s Response: Concur. The Chief Financial Officer and PID Administrator will begin to require that documents submitted by off-duty City of Fort Worth (or any other entity) Police Officers be signed, with an original signature including a date and a statement indicating that the time represented on the document they have submitted is correct and accurate. It may be best for the Department of Financial Management Services to design the forms submitted by off-duty Police Officers for reimbursement purposes and require that this form be utilized for all PID related activity.

Target Implementation Date: March 1, 2019

Responsible Party: Chief Financial Officer and PID Administrator, Department of Financial Management Services

Recommendation 3E: *The Police Chief should require that time entered into PeopleSoft be considered the primary source of record for time worked at the City of Fort Worth by police department staff.*

Auditee’s Response: Concur. This is already in place.

Target Implementation Date: October 2018



Responsible Party: Chief of Police, Joel F. Fitzgerald, Sr.

Recommendation 3F: *The Police Chief, in conjunction with the City Attorney's Office and the City Secretary's Office, should determine the appropriate retention period and format of Global Positioning System (GPS) records that document the location of police vehicles used by police staff, while on duty and working in an off-duty capacity.*

Auditee's Response: Concur. Marked unit locations are tracked as long as the MDC [Mobile Data Computer] is signed on. This issue is less related to the retention period itself and more related to officers not calling out in the first place or not using a marked unit, thus no GPS or location information was generated that could be tracked. Currently GPS location data goes back approximately 9 months due to software and storage limitations, not retention period limitations. Nevertheless, GPS location data should be retained in accordance with applicable retention policies as established by the City.

Target Implementation Date: October 2018

Responsible Party: Chief of Police, Joel F. Fitzgerald, Sr.

Recommendation 3G: *The Police Chief and the Chief Financial Officer, in consultation with the Human Resources Department and the City Attorney's Office, should establish written procedures regarding scheduling, tracking time, reporting, etc. of off-duty work performed by Fort Worth police officers.*

Auditee's Response (FMS): Concur. The Chief Financial Officer will work with the Police Chief and the Human Resource Department and City Attorney's Office to establish written procedures regarding scheduling, tracking, and reporting of time for off-duty work performed for PIDs by Fort Worth Police Officers.

Auditee's Response (PD): Concur. This is already in place. General Order 407.01 contains detailed procedures related to off-duty employment and a new section was recently added specifically to address off-duty time reporting and supervisor approval. Additionally, CPPT has added a non-payable time code to ERP thus allowing officers to enter their off-duty jobs directly into the payroll system to improve accountability and to avoid duplication of any time. Additionally, the Police Department will soon be installing software that will streamline and simplify the time reporting process (including off-duty employment) and resolve several issues discovered during the audit and subsequent investigation.

Target Implementation Date: March 1, 2019 (FMS), October 2018 (PD)

Responsible Party: Chief Financial Officer, Police Chief, PID Administrator

Recommendation 3H: *The Police Chief should consider the feasibility of installing GPS equipment in all police vehicles that are used for patrolling.*

Auditee's Response: Concur. This is already in place. Marked units with MDC's have GPS location capability; however, GPS activation is contingent upon the MDC being logged into.

Target Implementation Date: October 2018

Responsible Party: Chief of Police, Joel F. Fitzgerald, Sr.



Recommendation 3I: *The Police Chief should require that policies and procedures related to Visinet usage are current, effectively communicated and enforced.*

Auditee's Response: Concur. This is addressed in the current G.O. 507.01A regarding checking out of marked units. Visinet is a software interface used by dispatchers to log information related to calls and other officer activities. The rules related to calling out on part time jobs are covered in GO 407.01.

Target Implementation Date: October 2018

Responsible Party: Chief of Police, Joel F. Fitzgerald, Sr.

Recommendation 3J: *The Chief Financial Officer should develop a procedure to ensure that time worked by patrolling bike officers be properly documented, consistently applied and approved by the appropriate supervisor.*

Auditee's Response: Concur. Please see response to [recommendation #3G](#).

Target Implementation Date: March 1, 2019

Responsible Party: Chief Financial Officer, Police Chief, PID Administrator

Recommendation 3K: *The Chief Financial Officer should require the use of military time on PID documents, to avoid a.m. / p.m. confusion. In using military time, emphasis/clarification should be made regarding the proper format. For example, typically there is no colon in military time, but colons in standard time. (See [Exhibit I](#)).*

Auditee's Response: Concur. The Chief Financial Officer, when completing the written procedures and required documentation associated with off-duty Police Officers submitting time to PIDs for payment, will require the use of military time to avoid any a.m. / p.m. confusion.

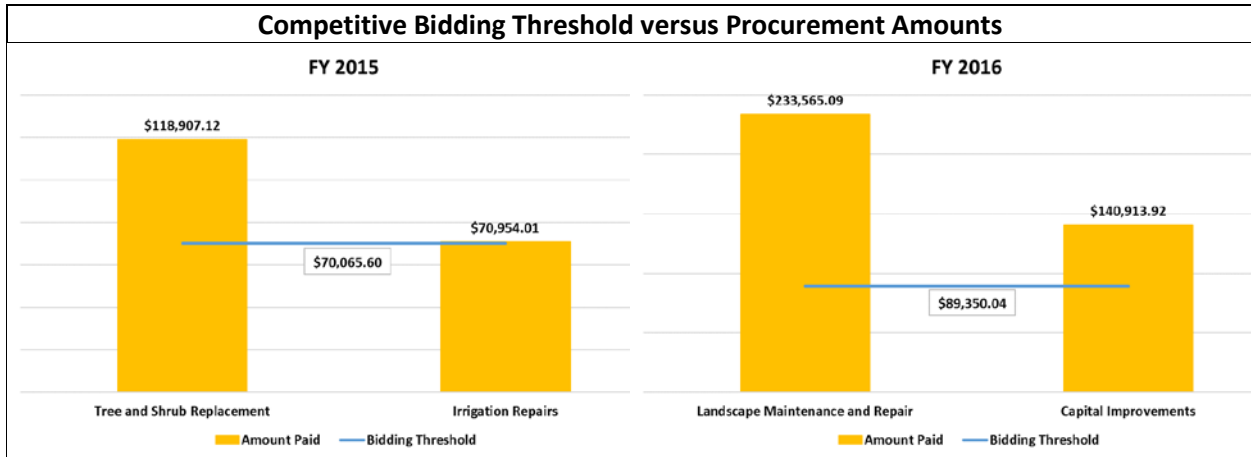
Target Implementation Date: March 1, 2019

Responsible Party: Chief Financial Officer and PID Administrator, Department of Financial Management Services

4. The PID is not competitively bidding procurements.

PID procurements were not competitively bid as required by PID policy. Section VI.4 of the PID policy requires three-bid requests for any purchases of goods or services, or any purchase contract that is subject to annual renewal that is more than 4% of the total budget in any given year.

The PID 7 budget was \$1,751,640.00 in FY2015 and \$2,233,751.00 in FY2016. Using the 4% requirement, competitive bidding was, therefore, required for procurements of \$70,065.60 ($\$1,751,640.00 \times 4\%$) or more in FY2015 and \$89,350.04 ($\$2,233,751.00 \times 4\%$) or more in FY2016. The following table depicts non-competitively bid procurements, by one vendor, that exceeded the 4% threshold.



The Department of Internal Audit did note that the CFW’s PID policy contradicts Texas competitive bidding requirements. For example, Section 252 of the Texas Local Government Code requires competitive bids or proposals for the purchase of goods or services between \$3,000.00 and \$50,000.00, unless the project qualifies as an exception to the competitive bid statutes. Additionally, the City’s Financial Directive requires that at least two businesses, categorized as a Minority and Women Business Enterprise, should be invited to participate. Based on Texas competitive bidding requirements, competitive bidding would have been applicable to several purchases, in addition to those previously noted. For example, \$83,767.00 and \$31,310.00 were paid to a fencing contractor in FY2015 and FY2016, respectively. A total of \$42,144.96 was paid to a vendor for drainage work in FY2016 and a total of \$40,245.46 was paid to a fencing company (in FY2015 and FY2016) for fence and wall maintenance and miscellaneous services in the common area.

A representative from the PID management company stated that they do not have a specific dollar threshold defined in determining whether to bid projects. Furthermore, a PID management company representative stated that procuring services for a particular type of work from multiple vendors could result in accountability issues. For example, if plants, shrubs and irrigation work were purchased from a particular vendor and there were quality issues, the PID management company’s preference is to purchase any additional work from that same vendor. Otherwise, the multiple vendors could place blame on each other.

Lack of competitive bidding could result in the PID not taking advantage of more competitive prices, which could be lower than those obtained for procurements that were not competitively bid.

Recommendation 4: *The Chief Financial Officer should ensure that the monitoring of PID activity includes a review for compliance with competitive bid requirements.*

Auditee Response: Concur. The Department of Financial Management Services conducted a training for the PID management companies on how to be compliant with competitive bidding requirements on Wednesday, March 21st at 2:00 p.m. in Room 290 of City Hall. Subsequent to the meeting, the department has been educating, informing, and responding to questions from PID management companies on the competitive procurement requirements. Going forward, all new procurements by the PID management companies will be required to have gone through a competitive process consistent with the City’s policies and procedures.



Target Date: Complete

Responsibility: Chief Financial Officer and Senior Contract Compliance Specialist – PIDs,
Department of Financial Management Services

5. No documentation was available to support the City’s intended resolution of the \$100,000.00 seed money given to PID 7 management company.

In November 2008, the City paid PID 7 \$100,000.00. Although the \$100,000.00 payment was approved at the department level, Internal Audit saw no evidence that the payment/advance/seed money was presented to or approved by the Mayor and Council. CFW staff indicated that the \$100,000.00 was a loan that was to be paid back to the CFW. However, according to conversations with the PID management company, that was not the PID management company’s understanding. Subsequent follow-up resulted in the Department of Internal Audit obtaining e-mails dated in August 2015. Within those e-mails, a City representative stated that the PID management company should repay the seed money, and directed the PID management company to add the seed amount to the PID budget as an itemized expense for the 2015-2016 budget year. During our audit, a PID management company representative stated that the CFW later said that the PID did not have to return the seed money.

Based on our audit testing, the City did not record the \$100,000.00 as a receivable, and the PID management company did not record the \$100,000.00 as a payable. Section V of the Financial Management Policy Statements requires proper recording of transactions to ensure financial reports are reliable (i.e., accurate, complete, and up-to-date). In order to ensure proper recording of transactions, supporting documentation is pertinent.

It should be noted that when PID 7 was established, the CFW paid the PID 7 management company prospectively, based on budgeted expenses. After an internal audit (dated July 20, 2006), the CFW began reimbursing the PID based on actual expenses. Due to the amount of time that has lapsed, combined with a lack of adequate supporting documentation, Internal Audit was unable to determine whether amounts paid to PID 7 were “trued-up” once the CFW began paying on a reimbursement basis. Without such knowledge, it would be very difficult (if at all possible) to determine whether the funds were spent on authorized expenditures.

Recommendation 5A: *The Chief Financial Officer should ensure that if monetary advances are provided in the future, that the intent and expectations surrounding the advances are clearly stated and agreed to, in writing, and properly reflected in the accounting records.*

Auditee Response: Concur. The Department of Financial Management Services does not intend to provide monetary advances in the future. Our goal is to become compliant with Texas Local Government Code Chapter 2257; thus, unless funds held by the PID management companies on the City’s behalf are fully collateralized, they should be returned to the City. The plan is to incorporate these changes into the PID management agreements for fiscal year 2019.

Target Date: Complete

Responsibility: Chief Financial Officer and Senior Contract Compliance Specialist – PIDs,
Department of Financial Management Services



Recommendation 5B: *The Chief Financial Officer should work with the PID Management company to determine the status of the original seed money and reach an agreed resolution regarding the disposition.*

Auditee Response: Concur. See response provided to 5A above.

Target Date: New contracts will be in place for PID management companies for fiscal year 2019. Estimated execution date is no later than November 30, 2018.

Responsibility: Chief Financial Officer and Senior Contract Compliance Specialist – PIDs, Department of Financial Management Services

6. One management company employee managed PID 7 and the Heritage Homeowners' Association.

Exhibit B of the Management and Improvement Services Agreement between the CFW and the PID management company states that the contractor shall assign one of its employees to manage the PID. The contract further states that unless otherwise agreed by the City in writing, the contractor agrees that the management of the PID shall be the sole activity for the assigned employee and such employee shall not manage any other properties for the contractor.

Based on our audit results, the employee assigned to manage PID 7 also managed the Heritage HOA that represents the same area associated with PID 7. The CFW's PID administration staff provided no evidence to support the PID management company's request to allow one individual to manage both properties. Furthermore, the CFW did not provide written authorization to allow the designated PID 7 employee to manage additional properties. Internal Audit considered the CFW's lack of proper monitoring as a contributing factor. As a result, the City's financial risks are increased.

A prior PID 7 internal audit (dated July 20, 2006) also reported that the PID management company managed PID 7 and the HOA. The prior audit indicated that during FY2003, the HOA transferred money to the PID, to cover expenses. During the current audit, test results did not indicate that the HOA was transferring money to the PID. However, as noted in [Finding 2](#), there did appear to be some overlapping between the HOA and PID invoices/expenditures during our review of invoice support.

The PID management company stated that the PID/HOA structure was discussed with City staff several years ago, and that there were discussions regarding a contract revision. However, nothing happened due to annual changes in City PID administrators.

Recommendation 6: *The Chief Financial Officer should require either that the PID management company comply with contract terms or revise the contract.*

Auditee Response: Concur. The Department of Financial Management Services understands the challenges associated with PID and HOA management being vested within the same person. That being said, additional costs will arise for both the PID and the HOA that may be counterproductive. Thus, the City plans to enforce the language in the existing contracts that require PID management companies to seek written approval from the City when a PID management company employee is also conducting work for other entities, such as an HOA.

Target Date: November 30, 2018, with the implementation of the fiscal year 2019 management contract agreements.



Responsibility: Chief Financial Officer and Senior Contract Compliance Specialist – PIDs,
Department of Financial Management Services

7. Annual reviews, approved within annual PID budgets, were not conducted.

Exhibit A of the Management and Improvement Services Agreement between the CFW and the PID management company includes a budgetary line item amount of \$2,000.00 for an annual review. However, no review was conducted.

Although the Agreement is unclear as to the intent of the “review”, related Mayor and Council communication references “Annual Review (Audit)”. The Department of Internal Audit was unable to determine why independent financial audits were not conducted and/or required. PID management company staff indicated that they were not aware of any independent financial audits.

Ineffective contract administration/monitoring can result in nonadherence to contract requirements, without detection.

Recommendation 7A: *The Chief Financial Officer, in conjunction with the City Attorney’s Office, should determine whether independent annual audits are necessary. If so, the Chief Financial Officer should require that the PID management company submit a copy of the written audit results to the City of Fort Worth.*

Auditee Response: Concur. The Department of Financial Management Services and the City’s Law Department agree that separate independent financial audits are not necessary, as PIDs are not separate legal entities of the City; however, the City may wish to explore requiring periodic compliance or agreed-procedures audits under future management agreements.

Target Date: Complete

Responsibility: Chief Financial Officer and Senior Contract Compliance Specialist – PIDs,
Department of Financial Management Services;
Denis McElroy and Tyler Wallach – Law Department

Recommendation 7B: *The Chief Financial Officer should require that PID monitoring activities/responsibilities include a verification of expenses incurred, by budgeted line item, or obtain a reasonable explanation as to why expenditures were not incurred as authorized within the line-item budget.*

Auditee Response: Concur. Please see response to [Recommendation #2](#).

Target Date: Complete

Responsibility: Chief Financial Officer and Senior Contract Compliance Specialist – PIDs,
Department of Financial Management Services

8. The City incurred vehicle-operating expenses that were not reimbursed.

Section 2.4 of the CFW’s Management and Improvement Services Agreement with FirstServices Residential Texas, Inc. states that if the contractor employs off-duty FWPD officers to provide security



services, the parties understand, acknowledge, and agree that, while performing security services for the contractor under the agreement, the off-duty officers are not considered employees of the CFW. The contract further states that if the off-duty officer becomes aware of a situation that warrants immediate police action within the PID, he or she can take police action while also advising on-duty officers of the situation. Responsibility for the incident will be transferred to an on-duty officer as soon as one reaches the scene.

Although these officers use CFW police vehicles when patrolling the PID, the PID did not reimburse the City for PID-related costs normally associated with vehicle use, such as fuel and maintenance. Based upon mileage information submitted on the FWPD officers' timesheets for the time-period January 1, 2016 through September 30, 2016, City-owned police vehicles were driven at least a total of 10,000 miles during PID 7 security patrols. It should be noted that the total miles *calculated* (based on in and out mileage recorded on timesheets) did not always agree with the total miles recorded on those timesheets. Using the effective mileage reimbursement rate for 2016 (.54 cents per mile) and assuming that all miles recorded are accurate and were specifically related to the PID, the City's General Fund would have been reimbursed \$5,400.00 for fuel and maintenance expenses associated with PID 7 security patrols. According to PID management, they did not reimburse the City for mileage because there were no policies, procedures or guidelines concerning how security expenses were to be handled.

The City records PID revenue in special revenue funds. As such, expenditures related specifically to the PID should also be recorded in the applicable Special Revenue Fund, and not within the General Fund. It should be noted that the classification of police officers providing PID security, in other cities, differed from that of the CFW. For example, two cities indicated that they paid their officers through their City payroll system and paid overtime since PIDs are a part of their city. In other instances, private security companies were utilized to achieve cost savings.

Recommendation 8: *The City Manager should consider requiring that PIDs utilize private security companies for security patrols.*

Auditee Response: Concur. [The Chief Financial Officer] will be responsible for working with the Police Department and the PID Management Company to develop a policy to require mileage data submissions in order to quantify and appropriately book the expense to the Special Revenue Fund.

Target Date: March 1, 2019

Responsibility: Chief Financial Officer



Acknowledgements

The Department of Internal Audit would like to thank FirstService Residential, the Performance and Budget Department, Financial Management Services Department and the City Attorney's Office for their cooperation and assistance during this audit.



Exhibit I – Regular Versus Military Time

Regular Time Versus Military Time	
Regular Time	Military Time
01:00 am	0100
02:00 am	0200
03:00 am	0300
04:00 am	0400
05:00 am	0500
06:00 am	0600
07:00 am	0700
08:00 am	0800
09:00 am	0900
10:00 am	1000
11:00 am	1100
12:00 pm	1200
01:00 pm	1300
02:00 pm	1400
03:00 pm	1500
04:00 pm	1600
05:00 pm	1700
06:00 pm	1800
07:00 pm	1900
08:00 pm	2000
09:00 pm	2100
10:00 pm	2200
11:00 pm	2300
12:00 am	2400