Mayor
Betsy Price

Council Members
Carlos Flores, District 2
Brian Byrd, District 3++
Cary Moon, District 4+
Gyna Bivens, District 5
Jungus Jordan, District 6++
Dennis Shingleton, District 7++
Kelly Allen Gray, District 8
Ann Zadeh, District 9

City of Fort Worth
Department of Internal Audit
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Fort Worth, Texas 76102

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Sam King, Business Process Analyst II

Audit Committee Chair
Audit Committee Member

† Audit Committee Chair
++ Audit Committee Member
The Grants Management Audit was conducted as part of the Department of Internal Audit’s Fiscal Year 2018 Annual Audit Plan.

Audit Objective
The objective of this audit was to evaluate the effectiveness and efficiency of administering grant funds (e.g., grant monitoring, coordination between staff, compliance with grant requirements, etc.).

Audit Scope
Our audit included a review for the period October 1, 2016 through September 30, 2017. Testing prior to and beyond the audit period was performed as deemed necessary, since grants spanned multiple years.

Opportunities for Improvement

- Improved grants management
- Timely submittals of grant reimbursement requests
- Improved vendor verification
- Enhanced monitoring of grant account balances

Executive Summary

As part of the Fiscal Year 2018 Annual Audit Plan, the Department of Internal Audit conducted an audit of the City of Fort Worth’s grants management. Based on audit testing, we determined that the Accounting Division of the Financial Management Services Department has continuously developed controls for enhanced grants management. However, opportunities for further improvement were identified.

Internal Audit concluded that improvements could be made to the City’s overall grants management. Such improvements could help ensure adequate oversight and accountability throughout the grant process (from grant application to grant closeout). With the City’s grants management process being a responsibility that is shared among several departments, a strong governance system will also help ensure consistency and compliance with grant requirements.

The Department of Internal Audit concluded that reimbursement requests were not always submitted timely. We also concluded that the City sometimes (4% of those sampled) conducted debarred vendor searches using inaccurate vendor information. However, the City did not conduct business with debarred vendors.

General ledger account balance anomalies were neither detected nor resolved timely. For example, we identified grant account balances that remained unchanged for more than two fiscal years. From FY2017 through June of 2019, unchanged receivable account balances totaled $126,901.62 and unchanged liability balances totaled $2,676,036.63.

Our audit findings are discussed in further detail within the Detailed Audit Findings section of this report. Since our audit included testing for compliance with grant requirements, instances of non-compliance are reported without regard to materiality.
# Table of Contents

Background ................................................................................................................................................... 1  
Objective ....................................................................................................................................................... 2  
Scope ............................................................................................................................................................. 2  
Methodology ................................................................................................................................................. 2  
Audit Results ................................................................................................................................................. 3  
Overall Evaluation ........................................................................................................................................ 4  
Detailed Audit Findings ................................................................................................................................ 5  
Acknowledgements ..................................................................................................................................... 13  
Grants Process Roadmap .................................................................................................................. Exhibit I
Background

The City of Fort Worth (CFW) receives grant funding from the State of Texas, the federal government and other sources, including individuals, businesses and non-profit organizations. The Accounting Division of the Financial Management Services Department (referred to hereinafter as FMS Grant Accounting) sets policies for grants financial management. In FY2018 and FY2019, FMS Grant Accounting developed an online Grants Reference Library and a separate Grants Purchasing Policy to provide guidance. They also scheduled departmental grant kick-off meetings, conducted roundtable discussions and led training classes to better equip departments with grants management tools.

Departmental grant coordinators are responsible for applying for grants, ensuring that grants applied for address the City’s priorities and policy objectives, submitting reports to granting agencies and FMS Grant Accounting, monitoring revenues/expenses and managing compliance.

In FY2017 and FY2018, the City expended over $108.5 million and $65.1 million, respectively, in state and federal grant funds. The amount decreased in FY2018, primarily due to the completion of airport projects, and reduced activity in the Texas Water Development Board projects. During the audit, we identified projects that were not grant-funded (e.g., contractual arrangements such as private donations), but were classified as grants due to spending or other restrictions.

As noted in the following illustration, the City’s grants management process includes both centralized and decentralized functions, and requires coordination between FMS Grant Accounting, departments that are recipients of grant funding, and other City departments. While FMS Grant Accounting can obtain some grant information from Mayor and Council Communication documents, communication and coordination with grant administering departments is critical to ensure proper grants management.

The City's Grants Management Process Is Coordinated between FMS Grant Accounting, Department Grant Coordinators and Other City Departments
Objective

The objective of this audit was to evaluate the effectiveness and efficiency of administering grant funds (e.g., grant monitoring, coordination between staff, compliance with grant requirements, etc.).

Scope

Our audit included a review for the period October 1, 2016 through September 30, 2017. Testing prior to and beyond the audit period was performed as deemed necessary, since grants spanned multiple years.

Methodology

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

- conducted interviews with City management and staff;
- flowcharted processes and reviewed internal controls for compliance with established grant policies, procedures and directives;
- reviewed reports submitted to granting agencies;
- reviewed federal and state regulations;
- verified proper authorization by comparing Mayor and Council Communications (M&Cs) to grant applications and executed contracts;
- reviewed general ledger transactions and balances;
- compared PeopleSoft journal entries to granting agency drawdowns to determine if the City received all monies due from the granting agency, and to determine whether grant funds were received in a timely manner;
- tested to ensure that the City requested reimbursement for all grant related expenditures;
- reviewed grant budgets, expenditures and indirect and administrative costs;
- tested the adequacy of processes for grant setup, monitoring, and closeout;
- reviewed PeopleSoft financials to verify that required grant matching contributions were recorded; and,
- evaluated internal controls related to grants 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 objective.
Audit Results

Based on our audit results, grants management controls and processes have improved over the past four years. For example, the number of Single Audit findings, related to state and federal awards, decreased from seven in FY2014 to two in FY2018. However, we identified opportunities for improvement. It should be noted that the opportunities for improvement were limited to specific grants and did not have a significant financial impact.

Since our audit included testing for compliance with grant requirements, instances of non-compliance are reported without regard to materiality, but represent opportunities to improve grants management and reduce the risk of future errors. Furthermore, grants management is a shared responsibility between departments that receive grants, the Financial Management Services Department (FMS) and other City departments. Our audit findings were, therefore, not limited to the responsibilities of one department.

Grants Management: We concluded that there was a need to strengthen the City’s grants management process to further ensure compliance with grant requirements, consistency across departments, and better retention of grant data.

There was some lack of awareness regarding grant compliance responsibilities within some grant administering departments. For example, grant coordinators in some departments were not knowledgeable of their departmental responsibilities for ensuring compliance with legal requirements. Instead, those departments indicated that they placed reliance on City Attorney’s Office staff.

Most departments submit their reimbursement requests directly to the granting agency. However, the Aviation Department defers to FMS Grant Accounting. In instances where FMS Grant Accounting submitted reimbursement requests on behalf of the Aviation Department, Aviation staff indicated that they had no access to the system used to submit reimbursement requests.

We noted that grant monitoring reports and other documents (such as grant extensions) were not consistently uploaded into PeopleSoft as required by Section V.C.5. of the City’s Grants Management Policy. We also concluded that the current grants management process does not provide for tracking of grants data. For example, there is no central depository that summarizes information such as the purpose of grants, the number of grant applications submitted by City departments, the number of grants approved or denied by granting agencies, the reason for grant agency denial, etc.

Timeliness of Reimbursement Requests: We identified two instances where the City’s requests for reimbursement were not considered timely. One request for $197,866.20 was made 12 months after the expenditure was incurred and paid by the City. The other request for $51,287.24 was made three months after the expenditure was incurred and paid by the City.

Debarred Vendor Searches: Debarred vendor searches were erroneous in five of the 118 tested (4%). Although these searches resulted in the City verifying debarment status for the wrong vendors, audit results indicated that the City did not contract with debarred vendors.

Monitoring of Account Balances: During audit fieldwork, we identified unchanged grant account balances. FMS staff stated that they were working with grant administering departments to resolve the unchanged balances.
## Overall Evaluation

<table>
<thead>
<tr>
<th></th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inadequate grants management process</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Untimely submission of reimbursement requests</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inaccurate vendor verification</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Static grant account balances</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Detailed Audit Findings

1. **CFW grants management does not ensure full accountability nor does it allow for the tracking of grant data that would allow for an evaluation of grant effectiveness.**

*Grant Application:* Departments are required to identify grants and obtain Assistant City Manager authorization prior to forwarding grant requests to the Mayor and Council for approval. However, based on our audit results, there is no depository that stores the population of grant applications, or grant application denials at the Assistant City Manager, Mayor and Council or granting agency level. If a grant is applied for but denied, there is no tracking. In order to identify grants applied for, it is necessary to research Mayor and Council files or contact individual departments.

A grants depository would allow tracking and analysis of reasons grant applications were denied (e.g., unfeasible financial commitment/matching funds required of the City, administrative burden, costs outweigh benefits, application not completed properly, etc.). Appropriate action could then be taken to redirect and focus efforts on grants that provide a better benefit to the City, are more aligned with the City’s strategic objectives and/or provide additional guidance to staff, addressing issues such as incomplete applications, missing documentation and/or submissions after deadlines.

*Grant Award:* Although Mayor and Council grants communications are routed to FMS for review, grant administering departments are responsible for making FMS aware of actual grant awards. However, there was no process in place for FMS to follow up if the grant administering department did not provide such notice.

The FY2018 Single Audit Report included a finding that resulted because the grant administering department did not report a project as grant funded. According to FMS, the grant was not detected because the M&C did not identify the project as a grant. A process that includes identifying M&Cs that have grant funding has reportedly been implemented to resolve this issue.

*Grant Kick-Off:* After grant award, FMS conducts a kickoff meeting with the grant administering department. At this meeting, a grant checklist is completed which delineates responsibilities between the FMS Grants Accountant and the departmental Grants Program Manager. The grant checklist indicates an intent to clarify responsibilities for the various activities required to keep the CFW in compliance with federal and state requirements. However, based on our review, the checklist did not include grant requirements that Internal Audit considered pertinent. For example, the checklist referenced bidding thresholds, diversity, vendor debarment verification and records retention. However, there was no mentioning of federal and state legal requirements such as the Davis-Bacon Act, Title VI of the Civil Rights Act of 1964, Americans with Disabilities Act, etc. As noted later within this report, some user departments lacked awareness regarding their responsibility to ensure compliance with legal requirements. Additionally, in some instances where the grant checklist was used, documentation did not always support that each applicable checklist item was completed.

*Grant Compliance and Monitoring:* FMS has automated notifications for financial and/or programmatic reporting deadlines, based on grant requirements noted on the grant checklist. Grant administering departments, therefore, receive automated notifications for upcoming and past due dates.

In most instances, departments submit grant reimbursement requests directly to granting agencies. However, there are some instances where FMS Grant Accounting submits grant reimbursement requests on behalf of the grant administering department. In instances where FMS Grant Accounting
submits reimbursement requests on behalf of the grant administering department (e.g., Aviation), Aviation indicated that they did not have access (including inquiry only) to the grant system used by FMS Grant Accounting. Internal Audit concluded that in this instance, the grant administering department does not have the level of grant access considered necessary to effectively manage their grant. Additionally, Internal Audit’s review indicated that documentation to support the dates on which grant reimbursement requests were submitted were not always uploaded as a part of the City’s records.

In order for agencies to receive funding, federal regulations require compliance with numerous legal requirements. During audit testing, we contacted three departments’ grant coordinators to determine how the City ensured compliance with legal requirements. The results of our contacts indicated that departmental grant coordinators relied on the City Attorney’s Office to ensure legal requirements were met. However, there was a lack of understanding regarding their own responsibilities and that departments other than the City Attorney’s Office assisted in ensuring compliance, as noted in the following table.

<table>
<thead>
<tr>
<th>Legal Requirement</th>
<th>Description</th>
<th>Coordinating Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title VI of the Civil Rights Act of 1964</td>
<td>Prohibits discrimination on the basis of race or national origin</td>
<td>Human Relations Unit, City Manager's Office (CMO)</td>
</tr>
<tr>
<td>Title VIII/Fair Housing Act of 1968</td>
<td>Protects buyers or renters from landlord discrimination</td>
<td>Human Relations Unit (CMO)</td>
</tr>
<tr>
<td>Lead-Based Paint Poisoning Prevention Act</td>
<td>Prohibits the use of lead-based paint in construction and rehabilitation of residences</td>
<td>Neighborhood Services</td>
</tr>
<tr>
<td>National Environmental Policy Act of 1969</td>
<td>Requires federal agencies to consider the environmental impacts of their actions and decisions</td>
<td>Neighborhood Services, Planning and Development</td>
</tr>
<tr>
<td>Davis-Bacon Act</td>
<td>Requires the payment of prevailing wage rates</td>
<td>Individual Departments</td>
</tr>
<tr>
<td>Americans with Disabilities Act (ADA)</td>
<td>Prohibits discrimination against individuals with disabilities</td>
<td>Human Relations Unit (CMO)</td>
</tr>
</tbody>
</table>

(1) Currently Diversity and Inclusion Department

Government Finance Officers Association (GFOA) best practice recommends that grants management ensure alignment with the City’s mission and strategic plans. The GFOA also mentions that negative consequences typically result when failing to meet grant requirements.

**Recommendation 1A:** The Chief Financial Officer, in conjunction with the City Attorney’s Office, should revise the “kickoff” checklist to ensure that all common grant requirements are listed, along with the appropriate contact person or department, to help ensure compliance (including legal) with grant agreements.

**Auditee’s Response:** Concur. Grant Accounting will work with Legal to identify and include common grant requirements in the Grant Kick-off Checklist.

**Responsibility:** Peter James

**Target Implementation Date:** June 30, 2020

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

**Applicable Interim Assistant City Manager:** Kevin Gunn
**Recommendation 1B:** The Chief Financial Officer should ensure that personnel in grant administering departments, submit their own reimbursement requests. If considered not feasible, grant administering departments should be granted inquiry access to systems that FMS Grant Accounting uses to submit reimbursement requests on behalf of grant administering departments.

**Auditee’s Response:** Concur. Although access to those State and federal systems are controlled by the various granting agencies, who specify and determine who is given access, Grant Accounting fully supports maximum transparency and will encourage grant holding departments to take an active role in managing their grants to the maximum extent possible, including expanded access to grantor systems. Where it is appropriate and allowed by the grantor, Grant Accounting will encourage Departmental staff to file reimbursement requests.

**Responsibility:** Peter James  
**Target Implementation Date:** June 30, 2020  
**Applicable Department Head:** Reginald Zeno, Chief Financial Officer  
**Applicable Interim Assistant City Manager:** Kevin Gunn

**Recommendation 1C:** The City Manager should direct management to develop a centralized location (accessible to grant coordinators from all departments) to serve as a depository for grants applied for by City departments.

**Auditee’s Response:** Concur. Grant Accounting will work with IT to create an electronic repository for grant applications and make the CFW grant community aware of this new information system through a Quarterly Grants Roundtable.

**Responsibility:** Peter James  
**Target Implementation Date:** September 30, 2020  
**Applicable Department Head:** Reginald Zeno, Chief Financial Officer  
**Applicable Interim Assistant City Manager:** Kevin Gunn

**Recommendation 1D:** The Chief Financial Officer should ensure that the Grants Management Policy and grant training materials are updated to include names of contact departments that are responsible for helping to ensure compliance with legal requirements.

**Auditee’s Response:** Concur. Grant Accounting will work with Legal to identify appropriate names and departments to include in the Grants Management Policy, which is also included in the Grants Reference Library. Grant Accounting will also add the recommended contact information into its training materials and cover the inclusion in a Quarterly Grants Roundtable.

**Responsibility:** Peter James  
**Target Implementation Date:** October 31, 2020  
**Applicable Department Head:** Reginald Zeno, Chief Financial Officer
2. **Grant reimbursement requests were not always submitted timely to relieve the financial burden placed on the General Fund.**

The Department of Internal Audit identified two instances (of the 58 transactions reviewed) where requests for grant reimbursements were delayed.

- June 2015 expenditures (totaling $197,866.20) for the Alliance Runway Extension XI project were not requested for reimbursement until November 2016. Aviation staff indicated that the delay was primarily due to staffing.

- September 2018 expenditures (totaling $51,287.24) for the Cooperating Technical Partners project were not requested for reimbursement until December 2018. FMS indicated that the delay was due to employee turnover within FMS Grant Accounting and technical issues accessing the granting agency’s system. It should be noted that this reimbursement request was submitted within the timeframe required by the grant. The final Financial Report was submitted on February 4, 2019, but was due on October 30, 2018.

Based on our review of PeopleSoft, systematic emails were sent to remind administering departments of approaching (and/or non-compliance with) reporting deadlines. However, there were no queries to identify expenditures for which reimbursements had not been requested. Untimely reimbursement requests could place an unnecessary burden on the General Fund.

Government Finance Officers Association best practices recommend revenue controls that ensure that amounts due are billed and collected timely.

**Recommendation 2A:** The Chief Financial Officer should request the development of queries that will identify grant-related expenditures for which reimbursement requests (or drawdowns) have not been submitted to and/or received from the granting agency.

**Auditee’s Response:** Partially Concur. While we agree that there have been instances where reimbursements were not requested as timely as they should have been, we do not concur with the recommended solution. There is no flag on individual expenses to indicate whether reimbursement has been requested or not; we typically apply for reimbursement of aggregate (net) amounts. Individual expenses in PeopleSoft, therefore, are not connected in the system to reimbursement requests. For example, on an 80/20 grant (grantor reimburses for 80% of expenses while City match covers the other 20%), PeopleSoft doesn’t distinguish between grantor-born expenses and City-born expenses.

However, Grant Accounting has been working with the departments since 2016 to improve performance in this area, with a great deal of success. We have seen significant improvements in the timeliness of reimbursement requests, as well as greatly reduced outstanding balances, particularly in Aviation, [Transportation and Public Works] TPW, and [Police Department] PD, who were previously the chief offenders.

The system currently in place, which has led to improvements since its implementation, is that when a grant is set up, where periodic reimbursement requests are specified, those reimbursements are set up in Project Definition and tied to a date. Reminders are sent to the Departments, and to FMS Grant Accounting prior to the due dates, and we follow up to ensure they are filed timely. Where periodic filings are not specified, the FMS Grant Accountant reviews the grant on a monthly basis and works with the Department when significant amounts of reimbursements lag beyond the expected window,
according to individual grant circumstances. In addition, Grant Accounting has begun calculating the amount of unbilled receivables for each grant and will communicate that amount to the Departments on a monthly basis along with other regularly discussed items.

The key to further improvement in this area will be making this a higher priority for the Departments.

**Responsibility:** Peter James  
**Target Implementation Date:** March 31, 2020  
**Applicable Department Head:** Reginald Zeno, Chief Financial Officer  
**Applicable Interim Assistant City Manager:** Kevin Gunn

**Recommendation 2B:** The Chief Financial Officer should require that the results of queries referenced in Recommendation 1A are communicated to department personnel and corrective actions are implemented to ensure reimbursement requests are submitted timely.

**Auditee’s Response:** Do Not Concur (see explanation for 1A).

**Responsibility:** Not Applicable  
**Target Implementation Date:** Not Applicable  
**Applicable Department Head:** Not Applicable  
**Applicable Assistant City Manager:** Not Applicable

**Recommendation 2C:** The Chief Financial Officer should escalate instances of noncompliance with grant reporting requirements to the applicable Department Heads and Assistant City Managers.

**Auditee’s Response:** Concur. Where noncompliance is identified and not remedied in a timely manner, Grant Accounting will escalate to the appropriate Department Heads.

**Responsibility:** Peter James  
**Target Implementation Date:** March 31, 2020  
**Applicable Department Head:** Reginald Zeno, Chief Financial Officer  
**Applicable Interim Assistant City Manager:** Kevin Gunn

3. **Vendor debarment inquiries were sometimes performed in error.**

According to Section V.C.4.e. of the City’s Grants Management Policy, vendors should be checked against the list of debarred/suspended vendors on SAM.gov (System for Award Management) prior to awarding any contract, and annually thereafter, at a minimum. The search results are then to be uploaded into the purchasing system.
Based on our review of City contracts, vendor W-9s, vendor websites and documentation uploaded from SAM.gov, Internal Audit concluded that in 5 of the 118 sampled, debarment searches were sometimes conducted on the wrong vendor, and those results uploaded into PeopleSoft.

- The City contracted with Northstar Construction LLC in Haltom City, Texas. However, the uploaded debarment search document was for Northstar Construction Services Corporation in Massachusetts. In another instance, the City contracted with Deaf Link, Inc. in San Antonio, Texas. However, the debarment search was conducted for Deaf Inter-Link, Inc. in Missouri.

- The City contracted with Stone Shield Investments LLC, which was located in Fort Worth and doing business as Digital Press. The Purchasing Division accessed SAM.gov and searched for Digital Press. However, information was uploaded for a Digital Press, Inc. located in Virginia versus Fort Worth.

- The Purchasing Division searched for Defense Solutions Group, Inc. However, the SAM search engine appears to have returned results for Leidos, Inc. Vendor debarment information for Leidos, Inc. was uploaded, although Leidos is not a City vendor and is located in Virginia. Defense Solutions Group, Inc. (the City’s vendor) is located in Fort Worth.

- The Purchasing Division researched and uploaded information for Gleens Air Conditioning & Heating. However, the City’s contract listed G. A. Miller Enterprises Inc. DBA Glenn’s A/C & Heating as the vendor.

Internal Audit was unable to determine why the wrong vendors were researched. Although the specific search results were incorrect, for those vendors that were part of our audit sample, none were debarred. If vendors doing business with the City had been debarred and not properly checked by the Purchasing Division, the City could have unknowingly conducted business with a debarred vendor. As a result, the City would have been in violation of the grant agreement, which could have resulted in lost grant funding.

**Recommendation 3:** The Chief Financial Officer should ensure that Purchasing Division staff perform and document vendor debarment searches using correct vendor information (e.g., vendor information listed within City contracts, on W-9s, etc.).

**Auditee’s Response:** Concur. The Assistant Finance Director over Purchasing will provide retraining for all Purchasing staff responsible for performing debarment inquiries to ensure that the SAM.gov system is used properly and that accuracy is emphasized. A written procedure will be formalized so that new employees will have access to proper steps in performing these inquiries.

  **Responsibility:** Cynthia Garcia, Assistant Finance Director, Purchasing

  **Target Implementation Date:** March 31, 2020

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

  **Applicable Interim Assistant City Manager:** Kevin Gunn

4. **Grant account receivables and liability balances were unchanged for more than two fiscal years.**

The Department of Internal Audit identified general ledger grant receivable and liability account balances that remained unchanged for more than two fiscal years. As noted in the following tables,
receivable account balances that might be available for spending or require closing totaled $126,901.62. Liability balances that might need to be closed and/or refunded to the granting agency totaled $2,676,036.63.

### Grant Receivables and Liabilities with Unchanged Balances

<table>
<thead>
<tr>
<th>Receivables</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019 (through 6/30/2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traf Flow &amp; Traf Ctrl Mgmt Pro</td>
<td>$113,373.33</td>
<td>$113,373.33</td>
<td>$113,373.33</td>
</tr>
<tr>
<td>FY2017 DEA HIDTA WDS GRP2 TF</td>
<td>12,221.95</td>
<td>12,221.95</td>
<td>12,221.95</td>
</tr>
<tr>
<td>2013 OCDE Task Force</td>
<td>1,204.08</td>
<td>1,204.08</td>
<td>1,204.08</td>
</tr>
<tr>
<td>ICE Task Force FY2016</td>
<td>102.26</td>
<td>102.26</td>
<td>102.26</td>
</tr>
<tr>
<td><strong>Total Receivables</strong></td>
<td><strong>$126,901.62</strong></td>
<td><strong>$126,901.62</strong></td>
<td><strong>$126,901.62</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019 (through 6/30/2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNSF Rail Relocation (AFW RWY)</td>
<td>($1,992,499.81)</td>
<td>($1,992,499.81)</td>
<td>($1,992,499.81)</td>
</tr>
<tr>
<td>West Rosedale Street Retrofit</td>
<td>(633,536.82)</td>
<td>(633,536.82)</td>
<td>(633,536.82)</td>
</tr>
<tr>
<td>Petco Heartworm Treatment</td>
<td>(50,000.00)</td>
<td>(50,000.00)</td>
<td>(50,000.00)</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>($2,676,036.63)</strong></td>
<td><strong>($2,676,036.63)</strong></td>
<td><strong>($2,676,036.63)</strong></td>
</tr>
</tbody>
</table>

Source: General Ledger

Section V.D.10.d. of the CFW’s Grants Management Policy requires reconciliation of receivables and payments. Lack of adequate monitoring/reconciliation may have resulted due to staff turnover within FMS and user departments. In addition, department staff may be focused on revenues and expenditures instead of receivables and liabilities. As a result, available grant funds may not be accounted for, or unused funds may not be returned to the granting agency as required. Also, non-grant funds may be unnecessarily used to pay for projects that could be funded with available grant funds.

**Recommendation 4A:** The Chief Financial Officer should require enhanced monitoring of grant receivable and liability account balances so that projects requiring closure, or that have funds available for spending, are identified in a timely manner.

**Auditee’s Response:** Concur. The Accounting Division recently did a structural reorganization, placing Stephen Nesbitt, a very knowledgeable and experienced CPA/GASB expert over parts of Accounting, including Grant Accounting, with a specific mandate to improve monitoring of balance sheet accounts like receivables and payables. He has already provided training, added accounts to the chart of accounts to improve accuracy, and has emphasized monthly reconciliations of balance sheets to increase awareness. In addition, Grant Accounting will assign specific grant funds to Grant Accountants and will review those funds monthly to verify correct balances.

**Responsibility:** Stephen Nesbitt/Peter James

**Target Implementation Date:** March 31, 2020

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

**Applicable Interim Assistant City Manager:** Kevin Gunn
**Recommendation 4B:** The Chief Financial Officer should require research to determine the proper resolution of the $126,901.62 total receivable balance and the $2,676,036.63 total liability balance.

**Auditee’s Response:** Concur. Grant Accounting will work with the responsible Departments to resolve the balances identified.

- **Responsibility:** Peter James
- **Target Implementation Date:** June 30, 2020
- **Applicable Department Head:** Reginald Zeno, Chief Financial Officer
- **Applicable Interim Assistant City Manager:** Kevin Gunn
Acknowledgements

The Department of Internal Audit would like to thank Financial Management Services and other City of Fort Worth departments for their cooperation and assistance during this audit.
Exhibit I – Grants Process Roadmap

Grants Management Monitoring and Reporting

- Identify grant funding
- Conduct cost/benefit analysis
- Verify availability of required matching funds
- Request ACM approval to apply for the grant

- Submit M&C to Council for approval to apply for and accept the grant

- Record Council action into the PeopleSoft grant module

- Submit grant application
- FMS creates notification regarding grant status

- Approval or denial by granting agency
- Submit executed contracts, grant compliance checklist, and other documents to FMS

- Record information received from the department into the PeopleSoft grant module

- Monitor department grant compliance

- Administrator grants

- Submit status reports

- Complete grant period and prepare for closeout
- Submit final reimbursements and reports to the granting agency
- Submit final reports and closeout documents to FMS

- Reconcile grants
- Complete final reporting
- Close grant

PeopleSoft Module captures:
- Grants identified by departments
- M&C approvals to apply for and accept grants
- M&C approval or denied requests to apply for grants

PeopleSoft Module captures:
- Grants received (agency, amounts, etc.)
- Grants denied

PeopleSoft Module captures:
- Grant performance reports
- Requests for reimbursement
- Grant amendments and modifications

PeopleSoft Module captures:
- Payments received and recorded
- Accounts balanced and grant closed out
- Budget amendments