

FY2024 Data Analysis

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PROPERTY TAXES

Background

- As authorized by Chapter 31 of the Texas Tax Code, Fort Worth property owners are taxed on both real estate and personal property, based on the property’s valuation and the tax rate.
- Fort Worth property appraisals are determined by the Tarrant Appraisal District (TAD) and used by taxing units to calculate and allocate the annual tax burden. TAD’s website indicates that it is responsible for local property tax appraisal and exemption administration for 73 jurisdictions or taxing units (e.g., the City of Fort Worth) in the county. Each taxing unit sets its own tax rate.
- The Tarrant County Tax Assessor collects property taxes and forwards the City’s portion of taxes collected to the City of Fort Worth.

Objectives

1. *Properties Within Fort Worth Boundaries*
To determine whether properties located within the Fort Worth city limits were properly coded (as Fort Worth properties) by the Tarrant Appraisal District and the Tarrant County Tax Assessor

2. *Homestead Exemptions*
To determine whether homestead exemptions were limited to one, per property owner

What We Found

1. *Properties Within Fort Worth Boundaries*
Internal Audit identified seven (of over 300,000) properties, located within the Fort Worth city limits, that were not coded as Fort Worth properties within TAD or Tarrant County property tax records.

The seven properties had a 2024 total tax value of approximately \$870,000.00, and will result in approximately \$6,000.00 in additional property tax revenue to the City of Fort Worth.

2. *Homestead Exemptions*
Of over 150,000 total homestead exemptions on Fort Worth properties, Internal Audit identified 22 Fort Worth property owners who claimed a homestead exemption on more than one Tarrant County property.

Removing the duplicate homesteads will result in approximately \$29,000.00 in additional property tax revenue to the City of Fort Worth.

Scope

TAD and Tarrant County property tax records as of August 2024

Acknowledgements

The Department of Internal Audit would like to thank the Fort Worth Lab, Water Department, and the Tarrant Appraisal District for their cooperation and assistance during this project.



DUPLICATE PAYMENTS

Background

- The City’s accounts payable function is decentralized. As stated in City regulations, the payment process begins at the user department level whereby departmental accounts payable staff are responsible for creating and reviewing payment vouchers for accuracy, properly receiving authorized goods and services in PeopleSoft, and providing supporting documentation to Central Accounts Payable, electronically, within PeopleSoft.
- To help decrease the likelihood of duplicate payments, the City utilizes a three-way match systematic process, whereby PeopleSoft compares the vendor/supplier invoice to the related purchase order and the receiving report.

Objective

To determine whether the City duplicated payments to City vendors

What We Found

Internal Audit identified three duplicate payments, made to three different vendors, and totaling \$127,100.00.

- A \$125,000.00 duplicate payment resulted after City staff entered a vendor’s invoice number in an altered format. One invoice number was entered with a space, while the other was entered without a space (e.g., invoice #SM 9813 versus invoice #SM9813). The \$125,000.00 was a progress payment within the authorized contract amount.
- A \$1,800.00 duplicate payment resulted after the vendor sent the same invoice, but with altered invoice numbers. One invoice number contained dashes, while the other invoice did not contain dashes (e.g., invoice #192002739348 versus invoice #1920-0273-9348). The \$1,800.00 duplicate payment was refunded to the City.
- It is unclear what caused a \$300.00 duplicate payment. However, management indicated they will begin efforts to recoup the duplicated amount.

Scope

December 2023 through March 2024

Acknowledgements

The Department of Internal Audit would like to thank the Environmental Services, Park and Recreation, and Water Departments for their cooperation and assistance during this project.

WIRE TRANSFERS

Background

- City regulations indicate the City executes wire transfers for real property transactions and escrows; payments to other government agencies; payment of debt obligations and payments and transfers associated with the issuance of debt transactions; and payments and transfers associated with investment transactions.
- Supporting documentation is to be attached to each wire request, and all wire transfers are to be properly authorized prior to execution.
- Specific approval signing authority, within designated approval dollar thresholds, are established to help ensure adequate oversight and an adequate separation of duties.

Objective	What We Found
<p>To determine whether wire transfers were made in accordance with established guidelines (e.g., properly supported and properly approved)</p>	<ul style="list-style-type: none"> ➤ Internal Audit concluded that wire transfers were properly supported and for valid business purposes. ➤ However, we identified the following opportunities for improvement: <ul style="list-style-type: none"> ○ Adding a date field on the wire transfer form will help evidence the Treasury Division’s authorization prior to money being wired to the vendor. A date field would only be needed for manual signatures, since electronic signatures systematically capture a signature date. ○ For Finance-initiated transfers, requiring a separation of duties so the Finance employee who initiates the wire is not the Treasury employee who approves that same wire. ○ Discontinue paying recurring, nominal COBRA-related payments via wire.

Scope

October 2023 through June 2024

Acknowledgements

The Department of Internal Audit would like to thank the Financial Management Services Department for their cooperation and assistance during this project.



LATE FEES & SALES TAXES

Background

- The City pays late fees to vendors when vendor invoices are not paid by the invoice due date.
- Texas state law exempts cities/local government entities from paying state and local sales tax. The City of Fort Worth is, therefore, exempt from paying sales taxes to vendors.

Objective

To determine the financial impact of late fees and sales taxes paid to City vendors

What We Found

- **Late Fees:** Internal Audit identified three late fee payments totaling less than \$15.00.

Our testing population was based on PeopleSoft data fields that contained “late fee”, “LATE FEE”, or “Late Fee”.

- **Sales Taxes:** We found no evidence of sales tax payments to vendors whose procurements were processed via purchase order.

Our testing population was based on PeopleSoft data fields that contained “sales tax”, “SALES TAX”, and “Sales Tax”.

Our analysis did not include a review for sales taxes paid via City procurement card.

Scope

October 2023 through June 2024



EMPLOYEE-TO-VENDOR MATCH

Background

- The City’s Administrative Regulations reference the Ethics Code as being codified in Article VII of Chapter 2 of the City of Fort Worth Code of Ordinances, and including prohibitions against City employees contracting with the City.

Objective

To ensure that City employees were not also City of Fort Worth vendors

What We Found

- We identified several active employees with the same address as that of a current City vendor. However, when reviewing further, research was only deemed necessary for one of the matches.
- For this particular employee-to-vendor match, the employee’s personal address, within PeopleSoft Human Capital Management (HCM), was that of a City facility. A City vendor also used the address of the same City facility as its vendor business address.
- We, therefore, extended our analysis to include a review of employee-to-City of Fort Worth business address matches (including addresses of buildings leased by the City). As a result, three additional employees were noted as having a City of Fort Worth business address as their personal address, within PeopleSoft HCM.
- Internal Audit concluded that City management should consider implementing policy related to the usage of City business addresses by vendors and City employees.

Scope

October 1, 2023 through June 24, 2024

Acknowledgements

The Department of Internal Audit would like to thank the Purchasing Division of the Financial Management Services Department and the Human Resources Department for their cooperation and assistance during this project.



WHY WE ANALYZED DATA

The Department of Internal Audit completed these data analysis projects to help evaluate risks throughout the City, and to help identify functions that should be considered for audit and/or activities that should be reviewed by City management. Our data analysis does not constitute an audit and was therefore not conducted in accordance with government auditing standards.

RESULTS AND WHAT HAPPENS NEXT

Property Taxes – Internal Audit notified the Fort Worth Lab of anomalies identified during our analysis of property tax data. The Fort Worth Lab promptly forwarded our results to the Tarrant Appraisal District (TAD) for further research. After researching each anomaly, TAD promptly provided their results to the City.

TAD removed applicable homestead exemptions, but was still researching three accounts as of this report release date. Internal Audit will follow up to ensure necessary corrections, if any, to the remaining three properties.

Duplicate Payments - Internal Audit notified applicable departments of the duplicated payments. Each department researched the transactions in question, and informed Internal Audit that the duplicated payments would be returned to the City as a refund or invoice credit, if not already received. Internal Audit will follow up to ensure that the duplicate payments were refunded or credited on a subsequent vendor invoice.

Wire Transfers - The Financial Management Services Department agreed with our observations. Internal Audit will follow up to determine the implementation status of our recommendations.

Late Fees and Sales Taxes – Since we only identified immaterial (count and dollar amount) late fee payments and no sales tax payments, no additional follow up is deemed necessary.

Employee-to-Vendor Match – Internal Audit will follow up on policy changes related to employee and vendor addresses.



The Department of Internal Audit will continue analyzing City data throughout FY2025.
The results of our analysis will be communicated on a quarterly basis.