



Construction Contract
Closeout Audit of
Waldron Road (Purdue Rd to SPID)
Project No. 21057

for

City of Corpus Christi



FINAL REPORT: February 12, 2026

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EXECUTIVE SUMMARY

Talson Solutions, LLC (Talson), an independent construction auditing and advisory firm, conducted a Construction Contract Closeout Audit of the City of Corpus Christi's (the City) Waldron Road (Purdue Road to San Padre Island Drive (SPID) Project No. 21057 (Project))¹. JE Construction Services, LLC (JEC) was the general contractor under a Lump Sum Agreement (Contract) with an initial value of \$2.29 million. Engineering design services were provided by Halff Associates, Inc. (Halff).

Audit objectives were to assess JEC's compliance to contract obligations and deliverables and Halff and the City's compliance to construction and engineering management procedures, specifically Project closeout. Audit scope included testing adherence to established processes and alignment to industry best practices for construction management program areas including cost and change order request (COR) management, progress and cost reporting, contract closeout, and overall project administration. The audit focused on the City, JEC, and Halff's activities from commencement through May 2024. All warranties were provided, allowances reconciled for work performed and full retainage released to JEC by the City.

Talson found that JEC was mostly compliant with the terms of the Contract. The City and Halff sufficiently managed the Project with limited modifications to the overall schedule. Communication of Project details and administration of financial controls between the City, JEC, and Halff were adequate and transparent. Based on the documentation sampled, there were no financial risks at the time of the audit nor was any reference to fraud, illegal acts or ethical violations noted.

The audit did result in two Findings. Findings are considered areas of non-compliance to the Contract or established procedures. The Findings noted within this audit were procedural and posed no financial or performance risk to the Project.

Summary Audit Results:

- Evidence supporting Minority/Disadvantage Business Enterprises (M/DBE) workforce participation to achieve goals was not provided nor detailed to meet Contractual obligations. **(Finding No. 1)**
- Evidence of continuing insurance coverage for Year 3 after final payment was not submitted by JEC to the City as required by Contract provisions. **(Finding No. 2)**

The audit included a detailed review of various Project documents and interviews with representatives of the City, JEC, and Halff. The City Auditor's Office, JEC, Halff, and Engineering Services were accessible and provided beneficial support to the audit. Details of the audit, including work performed and testing methodology were presented and discussed with City Auditor's Office and Engineering Services. Management responses with supporting corrective actions were provided that will adequately address the Findings for future Projects.

¹ On June 27, 2023, The City of Corpus Christi, through a board motion, approved execution of Amendment No. 1 to Talson's professional services agreement to conduct co-sourced construction audits. Talson's fee for performing this Construction Contract Closeout Audit is \$49,520.

PROJECT BACKGROUND

The Project scope of work features the selective replacement of concrete pavement panels and includes applicable new curb, re-striping, and minor signage. The project, also included the full joint replacement for the entire length and width of the roadway from Purdue Road to SPID. This Project did not include full depth reconstruction of the existing roadway; nor did it include the reconstruction of sidewalks or utilities within the street Right-of-Way (ROW) with the exception of valve and manhole adjustments to final grade and curb inlet top replacements in selective areas.

Solicitation for bids by the City was through a Design-Bid-Build project delivery method. At the time of bid openings, five bids were received and four bidders were deemed responsive by the City for the Project. On October 3, 2022, the City of Corpus Christi entered into a Contract with JE Construction Services for construction services for a lump sum of \$2.29 million inclusive of \$159,000 of allowances. The work was required to be substantially complete within 210 calendar days from the Notice to Proceed date of November 7, 2022. The City approved 20 additional days to the contract completion date through the approval of two CORs for time extensions.

Payment Estimate No. 12 for the final release of retainage in the amount of \$110,557 was paid in June 2024. There were two change orders issued to the contract decreasing the contract value to \$2.21 million based on unused Contractual allowances.

AUDIT APPROACH

Talson conducted the audit in alignment with Generally Accepted Government Auditing Standards (GAGAS) and in accordance with Yellow Book guidance. Those standards and guidance require planning and performing the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings, observations, and conclusions within a detailed audit plan based on the audit objectives. Talson believes that the evidence obtained provides a reasonable basis for our conclusions based on the audit objectives.

Talson utilized a comprehensive risk-based approach to assess compliance with Contract provisions and identify any risks to successful Project completion, specifically schedule and budget. Talson assessed Project management (e.g., City, JEC, and Halff) alignment with industry best practices throughout the engagement and collaborated with the Project teams to ensure transparency of the audit work but also maintained independence.

Talson's independence declares that an internal auditor, following the standards, is free from any conflicts of interest or influences that could impair our objectivity and ability to perform audit duties in an unbiased manner, ensuring the integrity of the audit process; and stating we are independent and can conduct the audit without bias.

WORK PERFORMED

Talson reviewed Project documents commencing in September 2025 followed by virtual interviews with JEC and Halff in October 2025, and onsite fieldwork in the City's offices on November 3, 2025. Fieldwork consisted of a site visit, a review of documents, and an interview with Engineering Services Project Management. Talson's audit procedures included assessing compliance to Contract obligations and alignment with established policies and procedures.

Specific audit activities included reviewing the following:

1. Contract between the City and JEC inclusive of terms and deliverables.
2. Contract-allowed costs (including allowances) and associated mark-ups.
3. JEC's Payment Estimate Nos. 1 and 12, inclusive of supporting documentation, schedule of value charges and material on hand.
4. City's solicitation process for appropriateness and alignment with industry best practices.
5. Change Order Nos. 1, and 2 totaling (\$79,399) for reasonableness of pricing, compliance with the contract and signing authority, etc.
6. City of Corpus Christi Project Closeout Checklist for compliance with contract and the City's policies and procedures, and required document submittals:
 - a. As-built Drawings
 - b. Warranties
 - c. Minority Business Enterprise Participation
 - d. Final Lien Release
 - e. Insurances
7. Certified payroll, specifically testing compliance to prevailing wage rate requirements for heavy construction for Aransas, Calhoun, Goliad, Nueces and San Patricio Counties.
8. Professional Services Agreement between the City and Halff, including terms, conditions, Scope of Services, and task list with a billing breakdown by phase.
9. Project administration by the City, JEC, and Halff.

A complete list of documents reviewed and interviews conducted is listed in *Appendix A*.

SCHEDULE OF FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

The audit yielded two Findings. For reference, the following classifications are provided to ensure alignment within our approach and methodology. For this audit, the definition of a ***Finding*** and an ***Observation*** are as follows:

- ***Finding*** is an issue where a party (the City or other) is non-compliant with a contractual provision, a stated policy, or procedure. A finding may also be identified in situations of impact to the schedule or budget, or an immediate control risk has been identified. Corrective action must be taken, and a management response provided.
- ***Observation*** does not mean there is an issue of non-compliance; however, the auditor has determined that the issue poses a potential risk of becoming a finding in the future and may require a management response. An observation might also be a process enhancement that can be incorporated in a project going forward or on future capital projects.

The following **Findings** have been discussed with the City:

Finding No. 1 – MBE Goal and Minority Participation Compliance

Contract Article 23 Minority/MBE/DBE Participation Policy states it is the policy of the City of Corpus Christi that maximum opportunity is afforded to minorities, women, low-income persons, and M/DBEs to participate in the performance of awarded contracts in support of Equal Employment Opportunity goals and objectives.

The M/DBE goals for this project were set at 45% minority participation and 15% MBE participation. These goals are applicable to all City awarded construction contract work, including approved change orders, regardless of federal funding or federal participation.

Non-compliance to Contract provisions was noted as evidenced by the lack of the following:

- 1) Final M/DBE participation breakdown substantiated by submission of paid subcontractor invoices to the City Engineer as required by Article 23.04
- 2) Final reporting by JEC summarizing the percentage of minority participation within the work force against the participation goals supported by bi-weekly payroll submittals

Evidence supporting the Finding was limited to the MBE Participation form submitted as part of the Project Closeout documentation (see ***Appendix B***).

Recommendation

It is recommended that the City either enforce compliance to the current Contract provision or re-evaluate Article 23, MBE and Minority Participation requirements and align it with the City's current business practices and incorporate modifications aligning with the recent shift in federal and state guidelines to include reference to veteran-owned businesses (VOSB/SDVOSB).

Texas previously followed federal guidelines for Disadvantaged Business Enterprise (DBE) programs on federally funded projects, with state-level Historically Underutilized Business (HUB) programs, but has recently shifted focus, emphasizing service-disabled veterans (VetHUB) and requiring individualized disadvantage proof for DBEs, moving away from automatic race/gender presumptions, requiring federal compliance and new certification processes. Texas is transitioning from its HUB program towards a VetHUB model, prioritizing service-disabled veteran-owned businesses, while still working with federal DBE guidelines. Federal DBE rules require goals, "good faith efforts," and strict "control, use, and benefit" (CUF) for DBEs. Further, the state of Texas encourages VOSB/SDVOSBs to register with federal systems (CCR/GSA) for opportunities and can compete for federal set-asides.

In addition, the any participation forms to be utilized should be updated for future reporting to include instructions on how to accurately complete the form and specify the information to be included in the self-reporting by the Contractor.

Finding No. 1 Management Response:

Engineering Services Partially Agrees. Engineering Services agrees that invoices were not submitted; however, Engineering informally waived this requirement. MBE and Minority participation is a goal, and in our opinion, it represents a low risk to the project.

Engineering Services partially agrees with the recommendation and has re-evaluated Article 23, MBE and Minority Participation and updated the form and provided it for review.

23.04 Compliance

- A. Upon completion of the Project, a final breakdown of participation shall be submitted by the Contractor to the OAR.

Corrective Action Due Date: February 27, 2026

Finding No. 2 – Evidence of Continuing Insurance Coverage

Contract Article 6.05, 6.12, and 29.04 requires the submission of continuing insurance coverage for Commercial General Liability insurance at final payment and for each year after final payment for a period of three (3) years.

Talson was unable to confirm the submission from JEC of Continuing Commercial General Liability insurance for the period of the third year of coverage (July 2025 to July 2026).

Recommendation

The City should ensure the Contractor submits evidence of continuing insurance coverage with the request for final payment and before releasing the final payment to the contractor, and for each subsequent year as required by the contract provisions.

Finding No. 2 Management Response:

Engineering Services Partially Agrees. Contractor did not submit evidence of continued insurance coverage. However, Engineering Services and the Legal Department agree that evidence of such coverage does not add value to the project, and it is determined to be a low risk to the project. Therefore, this requirement has been updated accordingly. See below updated contract section (general conditions).

6.05 Contractor's Insurance

C. Provide Contractor's commercial general liability policy that is written on a 1996 (or later) ISO commercial general liability form (occurrence form) and include the following coverages and endorsements:

1. Products and completed operations coverage as required in this Article and the Supplementary Conditions. Insurance is to remain in effect for 3 years after final payment.

29.05 Closeout Documents Submittal

- A. Record Documents per Article 26.
- B. As-built Record Drawings
- C. Warranties and bonds.
- D. Equipment installation reports on equipment.
- E. Shop Drawings, Record Data, and other documents as required by the contract documents.
- F. Final Photographs per Article 28.
- G. Pest Control Report

Corrective Action Due Date: February 27, 2026

CONSTRUCTION CLOSEOUT AUDIT WALDRON ROAD (PURDUE RD TO SPID)

Appendix A: Documents Reviewed & Interviews Conducted

From City of Corpus Christi:

- 1) City of Corpus Christi Bid Tabulation
- 2) City of Corpus Christi Notice of Award Letter signed September 21, 2022
- 3) City of Corpus Christi Notice to Proceed Letter dated November 7, 2022
- 4) Conformed Contact Documents – Waldron Road (Purdue Rd to SPID) Bond 2020
- 5) Continuing Insurance Certificate for Year 1 (2023- 2024) and Year 2 (2024 – 2025)
- 6) Payment Estimates 1 and 12
- 7) Change Order Nos. 1 and 2
- 8) Final Request for Information and Submittal Logs
- 9) Substantial Completion Letter dated August 11, 2023
- 10) Acceptance Memorandum dated May 29, 2024
- 11) Project Close Out Documentation Checklist
- 12) Record Drawings prepared by Halff Associates
- 13) As-built Drawings submitted by JE Construction Services
- 14) Affidavit and Waiver of Lien by Contractor dated September 7, 2023
- 15) Minority Business Enterprise Participation form dated September 7, 2023
- 16) Weekly Certified Payroll Reports submitted by contractors (various weeks)
 - a. JE Construction Services
 - b. AZ Rebar
 - c. Highway Barricades
- 17) Contract for Professional Services between the City of Corpus Christi and Halff Associates signed June 14, 2021
- 18) Amendment No. 1 to the Contract for Professional Services dated November 11, 2021
- 19) Notice to Proceed Letter issued to Halff Associates dated July 9, 2021

From JE Construction Services:

- 1) Subcontractor Status Report through December 2025

From Halff Associates:

- 1) Final Project Status Report for period ending August 23, 2023
- 2) Final Invoice dated August 25, 2023
- 3) Opinion of Probable Construction Cost for 60% Design
- 4) Opinion of Probable Construction Cost for 90% Design
- 5) Opinion of Probable Construction Cost for 100% Design

Project Management Team Interviews:

City of Corpus Christi

- Ruben Barrera, Project Manager
- Brian Skinner, Inspector
- Tonia Garcia, Engineering Project Specialist
- Joseph Johnson, Assistant Director Engineering Services – Construction Management

Halff Associates

- R. Thomas Everett, Jr., Project Manager
- Robert Scholz, Operations Manager

JE Construction Services

- Grant Dietze – Vice President

CONSTRUCTION CLOSEOUT AUDIT WALDRON ROAD (PURDUE RD TO SPID)

Appendix B: Minority Business Enterprise Participation Form

MINORITY BUSINESS ENTERPRISE PARTICIPATION

Reference: 21057 Waldron Rd. (Purdue Rd. to S.P.I.D) (Bond 2020)

Contractor: JE Construction Services, LLC.

In accordance with the construction contract, the following Minority Businesses were hired to meet the MBE participation goal.

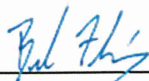
☐ Contractor did not participate.

If company did not hire any minority owned business, please check box.

☐ Contractor is a minority owned business.

If company is minority owned, please indicate below including Minority Status.

Business Name	Minority Status *	Amount Paid
Highway Barricades and Services	MBE	\$280,672.46


Signature

9/7/23
Date

- Asian
- Black
- Hispanic/Female
- Hispanic/Male
- Native American
- Woman

February 12, 2026

George H. Holland
City Auditor
Corpus Christi, Texas

Re: Construction Contract Audit Report
Waldron Road (Purdue Rd to SPID) Project No. 21057

We have carefully reviewed the issues presented in the audit report referenced above, and our plans to correct the issues are described here within.

We are committed to correcting the issues in the audit report by implementing the action plans in a timely fashion.

Sincerely,



Jeffrey H. Edmonds
Director of Engineering Services

2/13/26
Date



Michael Rodriguez
Deputy City Manager

2.13.26
Date



Peter Zanoni
City Manager

2.20.26
Date