



Construction Contract
Closeout Audit of
Junior Beck Drive
Project No. 18023 / 21088

for

City of Corpus Christi



ISSUE DATE: JUNE 4, 2024 – FINAL REPORT

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EXECUTIVE SUMMARY

Talson Solutions, LLC (Talson), an independent construction auditing and advisory firm, conducted a Construction Contract Close-out Audit of the City of Corpus Christi's (the City) Junior Beck Drive Improvements to Streets Systems Project No. 18023 / 21088 (Project). Reytec Construction Resources, Inc. (Reytec) is the general contractor under a unit price agreement (Contract) with an initial value of approximately \$4.9 million, which has increased through approved change orders to \$5.6 million. Engineering design services are being provided by Urban Engineering. Reytec and Urban Engineering are currently engaged by the City on other capital projects in various design and construction phases.

The audit primarily focused on contractual compliance by Reytec but also included assessing the City's engineering and construction management of capital program areas including construction cost and change management, project administration, progress status, and cost reporting. Talson's audit objectives were to verify Reytec's compliance with the Contract, adherence to established controls and procedures, and assess the completeness and allowability of construction costs. The audit focused on the City and Reytec's activities from Project commencement through May 2024.

Audit activities and interviews revealed that Reytec was issued a Certificate of Substantial Completion establishing June 27, 2023, as the start of the one-year warranty period. The punch list for the Project was minimal and completed by Reytec. Communication of Project details and administration of financial controls between the City, Reytec, and Urban Engineering was deemed mostly adequate and timely with minor exceptions. There was one Finding of contract non-compliance related to the City granting extensions to the Contract Time without receiving a revised Critical Path Method (CPM) schedule showing the impact of the added scope of work to the completion date. There are six (6) Observations in the areas of change management, cost management, and project administration. The Finding and Observations are similar to the ones noted in Talson's two previous audit reports for the Greenwood WWTP and Williams Lift Station projects, which indicate opportunities for further enhancement of City policies, procedures, and tools for implementation City-wide on design and construction projects.

One of the more notable observations is the extended duration for the City to financially and administratively close-out the Project, make final payment, and release retainage. As of May 2024, the Project is eleven months into the warranty period, and a final change order adjusting the contract value and duration has not been issued to Reytec. It is anticipated that the final change order will be issued for the approximate deductive amount of (\$351,884) based on the quantities installed and the reconciliation of the allowance amounts and Change Order No. 2. Currently, the amount of retainage withheld by the City totals \$269,217. The City and Reytec have confirmed contract required closeout documents such as warranties, record drawings, operations, and maintenance manuals, etc., have been received and accepted. It is recommended that the City establish a target number of days for completion of the project closeout phase (financially and administratively) based on the complexity of the project and contract value.

The audit included detailed review of various Project documents and interviews with representatives of the City and Reytec. The City Auditor's Office and Engineering Services Department were accessible and provided beneficial support to the audit.

PROJECT BACKGROUND

The Project scope includes the full reconstruction of approximately 3,300 linear feet of 40' B-B roadway, 1,800 linear feet of new 30' rural section, and related improvements such as curb and gutter, curb ramps, and sidewalks from Junior Beck Drive from Bear Lane to Old Brownsville Road. Additional improvements include upgrades or replacements to the stormwater, water, wastewater, and gas systems, and related coordination with the City and private utility owners. Two pavement options were considered, Base Bid 1 HMAC and Base Bid 2 Concrete. Contractors were permitted to bid on either one or both options, all in accordance with the project specifications and plans. The Project is partially funded with Federal funds from the United States Department of Commerce, Economic Development Administration and therefore is subject to the Federal laws and regulations associated with that program.

On February 4, 2022, the City entered into the \$4.9 million agreement with Reytec for construction services utilizing unit prices as the cost basis for invoicing. Substantial completion was to be achieved within 390 calendar days from the Notice to Proceed date of March 14, 2022. The City had issued three change orders amending the contract value and duration to \$5.6 million and 450 calendar days, respectively. As of Payment Estimate No. 17 dated September 22, 2023, Reytec has invoiced ninety-four percent (94%) of the adjusted contract value. A final change order adjusting the contract value and duration has not been issued by the City. The City also has not made the final payment or released retainage.

Change Order No. 1 dated, March 3, 2023, deducts (\$1,831.50) from the contract value and adds 60 calendar days to the contract duration for the added electrical infrastructure scope of work required for the new street lighting provided by the American Electric Power Company. The original Substantial Completion date of April 8, 2023, was amended to June 7, 2023. The City issued the Certificate of Substantial Completion on June 27, 2023, effectively starting the one-year warranty period.

Change Order No. 2 was issued on March 14, 2023, adding \$750,000 to the contract value for the replacement of the existing 24" storm water line due to the top of the existing pipe falling within the concrete pavement section. The change order directs Reytec to perform the work on a Time and Material (T&M) basis and submit daily T&M tracking sheets for payment. Pay Estimate 17 shows a paid to-date amount of \$455,466 for work completed as part of Change Order No. 2.

Change Order No. 3 dated June 23, 2023, adding the emergency repair of the Everhart Water Line in the amount of \$99,500 to the contract value. The City directed Reytec to complete the emergency repair on a T&M basis to establish the cost of the repair.

AUDIT APPROACH

Talson conducted the audit in alignment with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. Those standards require planning and performing the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for 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 observations and conclusions based on our audit objectives.

Talson utilized a comprehensive risk-based approach to assess compliance with contract provisions and identify any risks to successful Project completion, specifically within budget and on-time. Talson assessed Project Management's (e.g., City, general contractor, designers, and subcontractors) alignment with industry best practices throughout the engagement, facilitated knowledge-sharing discussions, and collaborated with the project teams to ensure transparency of the audit work but also maintained independence.

WORK PERFORMED

Talson reviewed Project documents followed by fieldwork in the City's offices on February 13 and 14, 2024. Fieldwork consisted of an on-site visit to Junior Beck Drive from Bear Lane to Old Brownsville Road, documentation review, and Project team interviews. Specific audit activities included reviewing the following:

1. Construction Agreement between the City and Reytec inclusive of terms, conditions, and deliverables.
2. Certified payroll reports verifying hourly wage rates comply with Davis-Bacon Wages for the project.
3. Owner Change Order Nos. 1, 2, and 3 confirming proper approval, reasonableness, and appropriateness of the change to ensure there was no duplicated work. Review of contract allowed costs and mark-ups, review of subcontractor support documentation, and timely billing by Reytec.
4. Reytec's Payment Estimate Nos. 1 and 17, inclusive of supporting documentation for subcontractor work, material on hand billing, allowance usage, and change order billing.
5. Project documentation: RFIs, submittals, meeting minutes, and monthly schedule update for compliance with the contract agreement and City policies, procedures, and processes.
6. Professional Services Agreement between the City and Urban Engineering, including terms & conditions, Scope of Services, and task list with a billing breakdown by phase.
7. Urban Engineering's Invoice No. 85822 dated July 26, 2023, inclusive of supporting documentation.
8. Assessed project administration by the City, Reytec, and Urban Engineering.

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

SCHEDULE OF FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

As a result of noted contractual and procedural areas of non-compliance, the audit yielded one Finding and six Observations. Associated recommendation for the Finding is also provided for consideration by the City. The following classifications are provided to ensure alignment within our approach and methodology. For the purpose of this assessment, 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 into a project going forward or in future capital projects.

The following ***Finding*** has been discussed with the City:

Finding No. 1 – Time Extension Requests

Reytec is non-compliant with the requirement for requesting time extensions to Contract Time. Evidence includes:

Reytec has submitted one Cost Proposal No. 1 requesting additional calendar days be added to the Contract Time. The Cost Proposal did not include a revised schedule showing the impact of the work on the contract completion date. *General Conditions 27.04 Schedule Revisions requires a revised schedule be included with a Change Proposal if a change in Contract Time is requested.*

Additionally, the City granted one (1) time extension totaling 60 calendar days in approved Change Order No. 1 for the added electrical infrastructure for new street lighting. An updated schedule showing the impact of the changes to the Project completion date was not included in Cost Proposal No. 1 to support the request. The original contract schedule duration was 390 calendar days.

Recommendation No. 1

The City should require all time extension requests to include a revised schedule showing the impacts or delays to ensure the critical path and the project completion date are not affected by the delay.

Management Response:

Management agrees that time requests should be properly documented so they can be appropriately evaluated. Staff needs to understand how a proper time impact analysis is prepared and how to properly evaluate them. Management is updating our written procedure and will conduct training on time impact analysis.

Corrective Action Due Date: 12/31/24

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

Observation No. 1

The City issued a Certificate of Substantial Completion on June 27, 2023. As of the interviews facilitated in mid-February 2024, the City had not issued the final change order making final adjustments to the contract value and/or duration. Additionally, Reytec has not submitted a Final Pay Estimate for payment. As of Pay Estimate 17, there is approximately \$351,884 remaining to be billed. It is anticipated that the final change order will be issued for installed quantities of work and to reconcile unspent allowance funds and unspent funds from Change Order No. 2. The final change order could be issued for a credit to the contract value in the approximate amount of (\$351,884). The retainage withheld to-date through Pay Estimate 17 is \$269,217. More than 320 calendar days have elapsed since the Certificate of Substantial Completion was issued, and the contract has not been financially closed.

The City's Policy E17, Project Closeout Procedure does not give any guidance on how long various types of contracts (lump sum, unit price, GMP) should take to complete the project closeout phase.

The City should update Policy E17 and align the construction agreement language to establish a target number of calendar days for closing the various contract types based on project complexity and a contract value range.

Observation No. 2

The punch list documentation produced by Urban Engineering is missing industry standard information such as: Item ID, Responsible Party, Date Completed, Re-inspection Responsible Party, and Acceptance Date, etc.

The City should enhance its tracking and management of punch list items by creating a standard punch list document to be used City-wide on all construction projects. By creating a standard template for the management of punch list items, the City ensures that deficient work items have been identified with sufficient detail to location, deficiency and responsible trade to track when the corrective action was completed, re-inspected and accepted. This level of tracking and

management of punch list items instills confidence that all items have been corrected and accepted with minimal risk that a punch list item was overlooked and left unresolved.

Observation No. 3

Talson noted that Change Order No. 1 adds unit prices to the contract that are unsupported by a detailed cost estimate or an opinion from Urban Engineering on the reasonableness of the unit rates with supporting documentation. Evidence includes:

- a) Reytec submitted Cost Proposal No. 1 dated January 12, 2023, for the installation of electrical conduit for the proposed AEP lighting along Junior Beck Drive. The proposal is calculated using a new unit price, which presumably includes markups and fee for the new electrical conduit, but could not be verified. The proposed unit price is not supported by a detailed breakdown of cost by labor, material, equipment, and contract allowed mark-ups.
- b) The City accepted the proposal without comment on how the pricing was validated and/or determined to be fair and reasonable.

The City should employ means to independently verify change proposal pricing and confirm the correct application of contract provisions for allowable costs as part of the approval process, document the results in writing, and include the documentation in the change order support information.

Observation No. 4

Change Order No. 3 issued for the emergency repair of the Everhart Waterline in the amount of \$99,500 does not include complete supporting documentation showing the history of the change in condition in accordance with GC 12.02 Change Proposals or Policy E16 Change Order Procedure dated November 1, 2018. Evidence includes:

- a) Change Order No. 3 documentation does not include the original T&M pricing dated March 27, 2023, in the amount of \$100,425 or a redlined document showing corrections adjusting the cost of the work to match the negotiated price.
- b) The supporting information also does not include the initiating document from the City directing Reytec to perform the emergency repair work.
- c) The documentation does include an email between the City and Reytec negotiating the price down to \$99,500.

The City should adhere to both the contract provisions governing information to be included in Change Proposals and Policy E16 Change Order procedure to ensure compliance with the City policies, procedures, and processes for transparency on the agreement of approved costs.

Observation No. 5

The Progress Meeting minutes are deficient in detail recording the meeting attendees, the status of the project, missing documentation of verbal direction given, and any issues or outstanding items that may impact the timely completion of the project. Meeting Minutes are an official record of the project's status and progress and can be instrumental in the resolution of claims or disputes, if any. Article 20.04.B Progress Meeting indicates that the Owner Authorized Representative (OAR)

will prepare minutes of meetings. Reytec is preparing meeting agendas, but it is unclear who is preparing and distributing the minutes.

The City should create a meeting minute template to be used City-wide on all design and construction projects. By creating a meeting minute template, the City will ensure that the design and construction meeting discuss the topics listed in *Article 20.04.B, Progress Meeting* to ensure project progress, issues, and directions given are recorded with sufficient detail so that they can be used in the resolution of potential claims or disputes.

For reference, Talson has included a sample page from the minutes of a Weekly Owner/Architect/Contractor (OAC) meeting. The sample highlights four enhancements to the meeting minute format that are consistent with industry best practices. The highlighted items are:

- 1) Meeting Number
- 2) Attachments List (3-week look ahead schedule, RFI, Submittal, and Change Order Logs)
- 3) Attendee List (name, company, contact information and attendance)
- 4) Agenda Item Data (item no., meeting origin, item description/ title with noted discussion, responsible party, due date, priority, and status of new, open, or closed).

Please note, that the full document of the sample OAC meeting minutes and other samples can be provided upon request. See Appendix B.

Contract Article 20.04.B Progress Meeting identifies a minimum of nine agenda topics that the attendees should be prepared to discuss. They are:

- a. Status of overall Project schedule
- b. Contractor's detailed schedule for the next month
- c. Anticipated delivery dates for equipment, if applicable
- d. Coordination with the Owner
- e. Status of documents
- f. Information or clarification of the Contract Documents
- g. Claims and proposed Modifications to the Contract
- h. Field observations, problems, or conflicts
- i. Maintenance of quality standards

Observation No.6

Talson continues to be unable to obtain any documentation to determine if a formal risk assessment (Risk Management Procedure QA.2) was performed for the Project by Engineering Services. Talson is aware that Engineering Services has committed that future Projects will include the assessment for audits of capital projects.

In the February 2024 Audit Committee meeting, Engineering Services agreed to develop a plan to implement, in the near-term, Risk Management Procedure Q2 on future City-wide capital projects to identify and manage risks.

Collective Observations Management Response:

Observation No. 1 – Engineering prepared Change Order No. 4 on May 9, 2024 to make a final reconciliation on the contract. The contractor refused to sign the change order so the City is unilaterally processing the change order. Change order No. 4 adds an additional 20 contract days and reduces contract value by \$272,830.31.

Observation No. 2 – Management concurs that punch list documents need improvement. Engineering has already developed an improved punch list template that we began using in March 2024.

Observation No. 3 – Engineering has developed a written procedure for change order evaluation and required backup documentation. We will be conducting training on the procedure before end of the calendar year.

Observation No. 4 – The work in question was initiated as a potential warranty claim to repair a water leak on a prior Reytec project on Everhart Road. Once the leak was uncovered, it was determined that the leak was not a warranty issue and the corrective action should be compensable. The most convenient way to compensate Reytec was utilizing the Jr. Beck Road contract. Management concurs that the backup documentation could have been better.

Observation No. 5 – Management concurs that meeting minutes could improve. A better template will be developed and implemented before the end of the calendar year.

Observation No. 6 – Engineering management conducted additional training on Project Risk Management on April 26, 2024. Staff from various operating departments were included. Example risk registers from recent projects were reviewed. Actions have been taken to better ensure that Risk Registers are completed on all projects going forward.

Corrective Action Due Date: Corrective actions on all observations will be implemented by 12/31/24.

Closeout Audit of Junior Beck Drive

Appendix A: Documents Reviewed & Interviews Conducted

Documents Reviewed: City of Corpus Christi

Contract Documents for Junior Beck Drive, dated February 4, 2022
Conformed Specs and Drawings, dated July 2020 and October 4, 2021
Junior Beck Drive Addendum NO. 1 – 5, dated November 2, 2021 – November 22, 2021
Allowance Verification Log, dated September 22, 2023
Tabulation of Bids, dated December 1, 2021
Payment Bond, dated 12, 2022
Certificate of Interested Parties, dated January 11, 2022
Executed Change Orders NO. 1 – 3, dated March 16, 2023 – July 10, 2023
Construction Status Report, undated
Certificate of Liability Insurance, dated August 1, 2023
Construction Progress Meeting Agenda, dated September 21, 2022
Notice of Award, dated January 11, 2022
Notice to Proceed, dated March 14, 2022
Payment Application NO. 1 and 17, dated May 5, 2022 and October 11, 2023
Request for Bid, dated October 18, 2021
Substantial Completion Letter, dated July 10, 2023
Substantial Completion Punchlist, dated June 27, 2023

Documents Reviewed: Reytec Construction Resources, Inc.

A.Z. Construction Inc. Subcontractor Agreement, dated June 1, 2022
Austin Traffic Signal Subcontractor Agreement, dated July 1, 2022
Highway Barricades and Services, LLC Subcontractor Agreement, dated March 11, 2022
IPR South Central Subcontractor Agreement, dated March 2, 2022
A.Z. Construction Inc. Subcontractor Agreement, dated June 1, 2022
Potential Change Order Log, dated March 14, 2022
Subcontractor Change Order Log, undated
Submittal Log, dated January 18, 2024
RFI Log, dated January 18, 2024
Project Schedule, dated July 18, 2023
Certified Payroll, dated July 18, 2022
Executed Change Order NO. 1, dated January 31, 2024
Certificate of Liability Insurance, dated January 16, 2024

Documents Reviewed: Urban Engineering

Executed Professional Services Contract, dated October 17, 2019
Service Agreement No. 2591 Amendment NO. 1, dated June 9, 2021
Service Agreement No. 2591 Amendment NO. 2, dated July 15, 2021
Invoice Authorization for Payment, dated August 31, 2023

Project Management Team Interviews:

City of Corpus Christi
Mai Bernal – Major Projects Engineer
Geoffrey Meyer – City Inspector

Reytec Construction Resources, Ltd
Ian Medina – Senior Project Manager

Closeout Audit of Junior Beck Drive
Appendix B: Sample Weekly Owner/Architect/Contractor Meeting Minutes



Meeting #13

P. Agnes, Inc.
2101 Penrose Ave.
Philadelphia, Pennsylvania 19145
Phone: (215) 755-6900
Fax: (215) 463-9760

Project: 20007 - RIDDLE MP-PKG 8-POST PAVILION
1068 W. Baltimore Pike
Media, Pennsylvania 19063
Phone: 267-738-9407

OAC Meeting - Off Week Agenda Minutes

MEETING DATE: 04/02/2024

MEETING TIME: 1:00 PM - Eastern Time (US & Canada)

MEETING LOCATION: Virtual - Teams

OVERVIEW:

Owner, Architect, Contractor Bi-Weekly Meeting for maximum coordination and communication.

NOTES:

ATTACHMENTS:

ATTENDEES:

Name	Company	Phone Number	Email	Attendance
Christopher Bratz	Ballinger	Cell: (610) 952-4623	cbratz@ballinger.com	Present
Trish Jones	Best Healthcare Planning, LLC	Cell: (215) 622-8972	trish@bhplan.com	Present
Brian Boettger	Callison RTKL	Cell: (469) 767-3768	brian.boettger@crtkl.com	Present
Jeffrey Bargull	P. AGNES, INC.	Cell: (267) 601-6095	jbargull@pagnes.com	Absent
Kevin Dahms	P. AGNES, INC.	Cell:	kdahms@pagnes.com	Present
John Gillis	P. AGNES, INC.	Cell: (215) 399-8069	jgillis@pagnes.com	Present
Kevin Rafuse	P. AGNES, INC.	Cell: (267) 738-9407	krafuse@pagnes.com	Present
Nikko Smith	P. AGNES, INC.	Cell:	nsmith@pagnes.com	Present
Bill Milliken	Pure PM	Cell: (484) 883-4251	bill.milliken@purepm.com	Present
Nathaniel Papa	Pure PM	Cell:	nathaniel.papa@purepm.com	Present
Allison Smith	Z&F Consulting, Inc.	Cell:	asmith@zfengr.com	Absent
Jack Yocom	Z&F Consulting, Inc.	Cell:	jyocom@zfengr.com	Present

Construction Progress

No	Meeting Origin	Title	Assignment	Due Date	Priority	Status
1.1	1	Construction Progress	Kevin Rafuse (P. AGNES, INC.)			Open

Description:

1. Kitchen Decanting
2. Ground Floor East
3. First Floor Center Core
4. Second Floor ICU
5. Second Floor 3-4 Pipe
6. Third Floor North Wing
7. Third Floor 3-4 Pipe

These meeting minutes are believed to be an accurate reflection of those items discussed and the conclusions that were reached during the referenced meeting.

Please contact P. Agnes, Inc. if there are any discrepancies or questions with the content of these minutes.

June 5, 2024


George H. Holland
City Auditor
Corpus Christi, Texas

Re: AU23-002 Junior Beck Drive Construction Contract Closeout Audit

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

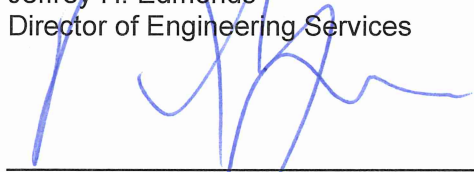
We are committed to correcting the issues in the audit report by implementing the action plans in a timely fashion.

Sincerely,




Jeffrey H. Edmonds
Director of Engineering Services

6/5/24
Date



Neiman Young
Assistant City Manager

6/5/24
Date



Peter Zanoni
City Manager

6.14.24
Date



Closeout Audit Junior Beck Drive Project No. 18023 / 21088



June 18, 2024

Project Summary

The full reconstruction of approximately 3,300 linear feet of 40' roadway, 1,800 linear feet of new 30' rural section, and related improvements such as curb and gutter, curb ramps, and sidewalks from Junior Beck Drive from Bear Lane to Old Brownsville Road.

Design: Urban Engineering (URBAN) @ \$421,555

Construction: Reytec Construction Resources, Inc. (Reytec) @ \$5.6 m

Notice to Proceed:

March 2022

Substantial Completion:

June 2023

June 2024 Status:

- Full road reconstruction completed
- Certificate of Substantial Completion issued by the City on June 27, 2023
- Reytec has invoiced 94% of the contract
- 3 change orders approved totaling \$574,837.69
- Final payment from the City is pending

Audit Scope & Work Performed

Scope:

- Assess Reytec compliance to contract and state laws and statutes
- Identify risk(s) to successful project completion and closeout
- Evaluate project administration from City departments, contractor and consultants
- Identify business process opportunities to enhance City processes

Work Performed:

- Reviewed contract documentation including technical specifications and project documentation (e.g., invoices, change orders, meeting minutes, subcontractor agreements, etc.)
- Conducted interviews with City and Reytec personnel
- Facilitated Audit Kick-Off and Closeout meetings with City personnel
- Issued Draft and Final Reports



Audit Results

Results:

- 1 finding and 6 observations
- The City agreed with all 7 collective reporting comments
- Recommendations have been provided for consideration by the City for implementation and corrective actions

For the purpose of audit, the definition of a *Finding* and an *Observation* are:

Finding is an issue where the City or other is non-compliant with a contractual provision, a stated policy or procedure. A finding may also be identified as an impact to the schedule or budget, or an immediate control risk.

Observation the auditor has determined that the issue poses a potential risk of becoming a finding. An observation might also be a process enhancement.



Audit Finding No. 1

Finding No. 1 - Time Extension Requests:

Per the contract (*General Conditions 27.04*), time extension requests should be accompanied by a revised schedule showing impact to the project schedule.

Recommendation:

The City should require that all time extension requests include a revised schedule.

Management Response: Agree

Corrective Action: Management is updating the written procedure and will conduct training on time impact analysis. Due by December 31, 2024.

Audit Observation No. 1

Observation No. 1 – Final Change Order:

The City has not issued a Final Change Order in the approximate deductive amount of (\$3.51,884). Reytec has not submitted a Final Pay Estimate and as a result, not yet requested the release of retainage in the amount of \$269,217. Engineering Services has received all contract required closeout documents.

Recommendation:

The City should update Policy E17 for guidance regarding contract closeout timelines and align the construction agreement language to establish a target number of days for contract closeout.

Management Response: Agree

Corrective Action: Engineering prepared Change Order No. 4 on May 9, 2024 for final reconciliation on the contract in the deductive amount of (\$272,831). The contractor refused to sign the change order so the City is unilaterally processing the change order. The action is imminent.

Audit Observation No. 2

Observation No. 2 – Punch List:

Urban Engineering's punch list is missing industry standard information such as: Item ID, Responsible Party, Date Completed, Re-inspection Responsible Party, Acceptance Date, etc.

Recommendation:

The City should enhance its tracking and management of punch list items by creating a standard punch list document to be used City-wide on all construction projects.

Management Response: Agree

Corrective Action: Engineering has already developed an improved punch list template that has been implemented as of March 2024.



Audit Observation No. 3

Observation No. 3 – Unsupported Unit Prices:

Change Order No. 1 adds unit prices to the contract that are unsupported by a detailed cost estimate or an opinion from Urban Engineering on the reasonableness of the unit rates with supporting documentation.

Recommendation:

The City should employ means to independently verify change proposal pricing as part of the approval process, document the results in writing, and include the documentation in the change order support information.

Management Response: Agree

Corrective Action: Engineering has developed a written procedure for change order evaluation and required backup documentation. Training on the procedure will be conducted. Due by December 31, 2024.



Audit Observation No. 4

Observation No. 4 – Missing Change Order Support Documentation:
Change Order No. 3 issued for the emergency repair of the Everhart Waterline does not include complete supporting documentation showing the history of the change in condition.

Recommendation:
The City should adhere to contract provisions governing information to be included in Change Proposals and Policy E16 Change Order procedure requiring processes for transparency and agreement of approved costs.

Management Response: Agree

Corrective Action: Due to the nature of the incident, the City should have used the backup documentation to support payment. The City will do so for future emergency work.



Audit Observation No. 5

Observation No. 5 – Meeting Minutes:

Project Progress Meeting minutes are deficient in detail recording the meeting attendees, the status of the project, missing documentation of verbal direction given, and any issues or outstanding items that may impact the timely completion of the project.

Recommendation:

The City should create a meeting minute template to be used City-wide on all design and construction projects.

Management Response: Agree

Corrective Action: An enhanced template will be developed and rolled out. Due by December 31, 2024.



Audit Observation No. 6

Observation No. 6 – Risk Assessment:

Talson was unable to obtain any documentation to determine if a formal risk assessment was performed for the Project by Engineering Services.

Recommendation:

Ensure Risk Management Procedure (QA.2) is being met for all projects.

Management Response: Agree

Corrective Action: Engineering management conducted additional training on Project Risk Management on April 26, 2024. Staff from various operating departments were included.



Continuous Process Improvement

Agreed Business Process Opportunities by Engineering:

- 1) Created an enhanced standard template for the management of punch list items to be used on all future projects
- 2) Developed a written procedure for change order evaluation and requires detailed unit price backup documentation
- 3) Committed to create a meeting minute template to be used City-wide on all design and construction projects
- 4) Employ means to independently verify change proposal pricing and confirm the correct application of contract provisions
- 5) Conducted training on Project Risk Management



Questions and Answers

**Thank you to the Engineering
Department and the guidance provided
by the City of Corpus Christi Internal
Audit.**

**Kenneth Brzozowski, CCA, CCP
Director Audit and Advisory Services**

**Kelli Arnold
Audit Manager**

