



CITY OF SAN ANTONIO

P.O. Box 839966
SAN ANTONIO TEXAS 78283-3966

November 16, 2022

Ron Nirenberg
Mayor

Mario Bravo
Councilman, District 1

Jalen McKee-Rodriguez
Councilman, District 2

Phyllis Viagran
Councilwoman, District 3

Dr. Adriana Rocha Garcia
Councilwoman, District 4

Teri Castillo
Councilwoman, District 5

Melissa Cabello Havrda
Councilwoman, District 6

Ana E. Sandoval
Councilwoman, District 7

Manny Peláez
Councilman, District 8

John Courage
Councilman, District 9

Clayton H. Perry
Councilman, District 10

SUBJECT: Audit Report of Public Works Department City Hall Renovation

Mayor and Council Members:

We are pleased to send you the final report of the Audit of Public Works Department City Hall Renovation. This audit began in July 2021 and concluded with an exit meeting with department management in August 2022. Management's verbatim response is included in Appendix B of the report. Public Works and Finance management and staff should be commended for their cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully Submitted,

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
City of San Antonio

Distribution:

Erik Walsh, City Manager

Roderick Sanchez, Assistant City Manager

Ben Gorzell, Chief Financial Officer

Razi Hosseini, Public Works Department Director

Troy Elliott, Deputy Chief Financial Officer

Andrew Segovia, City Attorney

Debbie Racca-Sittre, City Clerk

Zack Lyke, Chief of Staff, Office of the Mayor

John Peterek, Assistant to the City Manager, Office of the City Manager

Judy Treviño, Audit Committee Member

CITY OF SAN ANTONIO

OFFICE OF THE CITY AUDITOR



Audit of Public Works Department

City Hall Renovation

Project No. AU21-028

November 16, 2022

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Public Works Department (PWD), specifically the City Hall renovation. The audit objectives, conclusions, and recommendations follow:

Determine if oversight of the City Hall renovation project is adequate to include monitoring of contractors and funding.

Oversight of the City Hall renovation project is adequate to include project management. PWD performs routine site inspections, reviews project deliverables, and confirms testing is performed over materials and equipment throughout the project.

However, there are opportunities to improve contract monitoring. Currently, controls do not exist to ensure compliance with contract requirements such as insurance and bonding.

We made recommendations to improve these areas and PWD and Finance Management agreed with the audit findings and have developed positive action plans to address them. Management's verbatim response is in Appendix B on page 8.

Table of Contents

Executive Summary	i
Background	1
Audit Scope and Methodology.....	3
Audit Results and Recommendations.....	4
A. Prior Authorizations	4
B. Project Management	5
C. Contract Monitoring.....	5
D. Asset Management	6
Appendix A – Staff Acknowledgement.....	7
Appendix B – Management Response	8

Background

San Antonio's historic City Hall was built in 1889 and houses City Council members and staff, along with several City departments. However, the last major renovation effort had not occurred since 1927. Since then, the building had continued to experience problems with mechanical, electrical, water, and sewer systems. In an effort to perform a comprehensive assessment of the condition of the building, third party consultants, Facility Programming, were engaged in 2017. The result of this assessment served as input to develop a program of requirements for the renovation of City Hall.

Consequently, effective May 2018, City Council approved the City Hall Renovation Project and \$38 million were initially appropriated to this project with Guido Brothers Construction engaged as the primary contractor. In July 2018, City Council members and City employees were relocated to the Plaza de Armas building or temporary modular buildings erected by Davila Plumbing.

As of July 2022, the following expenses have been incurred:

Table 1 – Project Expenses

Cost Element	Expense Total
Construction Cost	\$31,323,902
Fees to Professional Contractors	3,749,867
Machinery & Equipment	1,782,753
Capital Programs Administrative Costs	1,456,361
Furniture & Fixtures	1,263,187
Engineering Fees	756,001
Computer Equipment	393,759
Other Contractual Services	91,564
Computer Software	24,163
Overtime Salaries	1,694
Advertising & Publications	85
Total Expenses	\$40,843,336

Source: SAP

Additionally, the top ten contractors are as follows:

Table 2 – Top 10 Contractors

Rank	Contractor	Service Provided	Expense Total	% of Total Expenses
1	Guido Brothers Construction	Construction Services - Primary Project Contractor	\$30,201,332	73.9%
2	Davila Plumbing	Modular Buildings - Utilized for Temporary Employee Relocation	1,997,549	4.9
3	UNICOM Government Inc	Audio/Video Equipment	1,769,979	4.3
4	Fedora Intertech LLC	Security Equipment	766,207	1.9
5	Caprock Group LLC	Furniture & Fixtures	537,419	1.3
6	Facility Programming LTD	Consulting Services - Developed Program Requirements	469,849	1.2
7	Great South Texas Corporation	Technology Equipment	433,311	1.1
8	Staples Contract & Commercial Inc	Furniture & Fixtures	373,297	0.9
9	TLI & Environmental Services Inc	Testing & Abatement for Lead-Based Painting	372,363	0.9
10	AGCM Inc	Construction Inspection Services	174,350	0.4
Total Top 10 Vendor Expenses			\$37,095,656	90.8%

Source: Compiled by audit team

To establish adequate oversight and confirm contractor compliance, various departments were involved:

- Public Works Department's (PWD) Special Interest Division was responsible for overall project management. Project Managers performed numerous site inspections, reviewed payment applications, and provided feedback to the contractors over work performed and submittals.
- Finance's Purchasing Division was responsible for monitoring compliance with contractor requirements such as insurance and bonds.
- Economic Development Department (EDD) confirmed compliance with contractual requirements like Small Business Economic Development Advocacy Program (SBEDA) goals and prompt payment to contractors.
- City Manager's Office (CMO) was responsible for compiling an inventory listing of the furniture and fixtures purchased as part of the renovation.

Audit Scope and Methodology

The audit scope included prior authorizations, project management efforts, contractor monitoring, and payment applications during the life of the project (FY 2018 thru 2022).

To establish our testing criteria, we reviewed the ordinances authorizing the City Hall renovation project and funding sources, contracts with primary and secondary contractors, department policies and procedures, and relevant City Administrative Directives. Additionally, we interviewed Public Works and Finance staff to review their processes and identify controls related to project management, contractor monitoring, and payment application review.

We assessed internal controls relevant to the audit objective. This included a review of written policies and procedures, authorization practices, quality of information, and ongoing monitoring efforts.

As part of our testing procedures, we reviewed contractor requirements such as project management, submission of deliverables, certificates of insurance, and adequate bond coverage. In addition, we confirmed contractor compliance with SBEDA goals and the prevailing wages act. Additionally, we reviewed City requirements such as obtaining prior authorizations, site inspection performance, materials/equipment testing, and asset management. Furthermore, we reviewed payment applications to confirm expenses were allowable, approved, and properly supported. Lastly, we reviewed user access listings for projects to confirm user access was appropriate.

We relied on computer-processed data in PRIMELink and SAP to validate project expenses. Additionally, we relied on LCPtracker and City Contract Management System (CCMS) to validate subcontractor payments. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. Our direct testing included confirming expenses were allowable, approved, and adequately supported. It also included confirming adequate payments were made to subcontractors. Additionally, we performed a user access review of projects in PRIMELink. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Results and Recommendations

A. Prior Authorizations

Work commenced on the City Hall renovation without necessary prior authorizations. In an effort to relocate employees and expedite work, PWD executed task orders with contractors and incurred approximately \$290,000 of expenses before the funds were authorized and approval was granted by City Council via ordinance. Additionally, to enhance security, work pertaining to two change orders (each exceeding \$100,000) was also performed prior to City Council approval. To obtain confirmation, the audit team reviewed task and change orders approved by PWD in PRIMELink, expenses in SAP, and City ordinances. Events are summarized in **Exhibit 1** and **2** below.

Exhibit 1 - Project Initiation Timeline

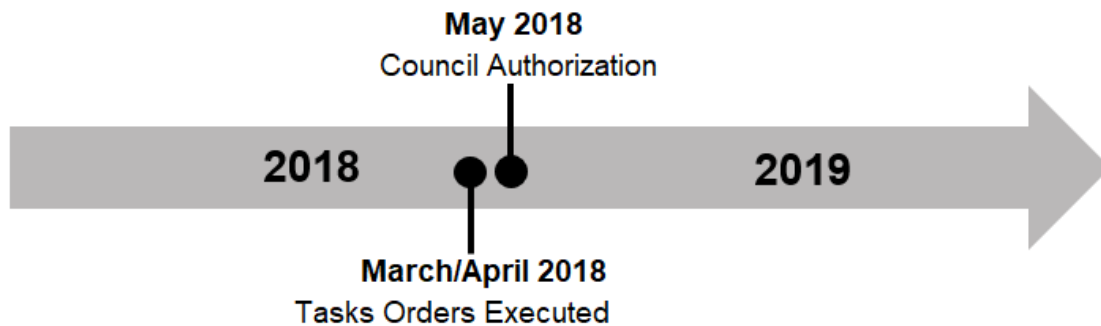
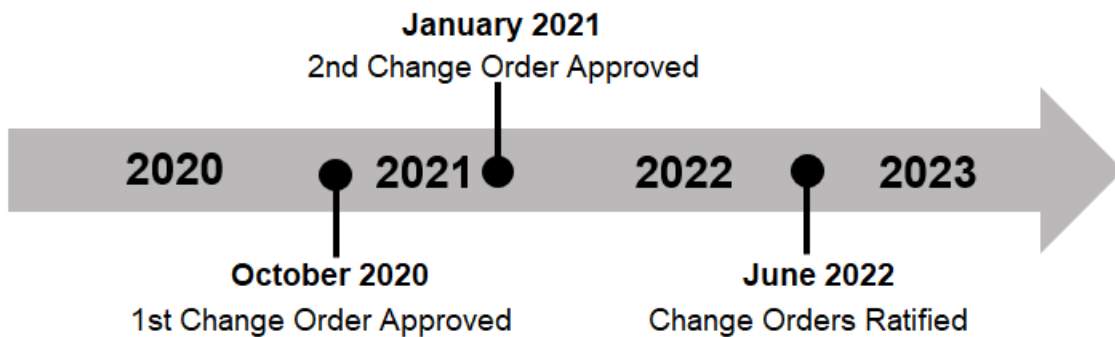


Exhibit 2 - Change Orders Timeline



Source: Compiled by Audit

Per the COSA Procurement Policy and Procedures Manual, appropriation of funds and contract authorization is performed by City Council via ordinance. Additionally, change orders exceeding \$100,000 require City Council approval and should follow standard procurement policies to include obtaining executive leadership team approval and being ratified at the next available City Council meeting. These procedures were not followed in a timely manner by PWD management.

As City Council approval was subsequently obtained effective May 10, 2018 (for previously incurred expenses) and June 16, 2022 (for security change orders) via ratification, no recommendation will be made.

Recommendations

None

B. Project Management

PWD has adequate project management controls in place to oversee the primary contractor, Guido Brothers Construction, as well as the remaining top ten contractors. PWD performed routine site inspections at City Hall throughout the life of the project. Examples of the types of inspections the audit team reviewed support for included inspections for the exterior, elevators, landscaping, audio/visual and technology equipment, utility installation, and architectural items.

In addition, reviews were performed to confirm adequate project deliverables were received from the top ten contractors. The audit team reviewed a sample of 12 deliverables and confirmed they were all received and reviewed by PWD.

Furthermore, PWD confirmed testing was performed over materials and equipment. The audit team reviewed a sample of 25 field tests and confirmed they were all performed and either reported as conforming or subsequently re-tested to confirm corrective action was undertaken. Additionally, the audit team reviewed third party reports to confirm systems (e.g., HVAC and security) were operational and ready for use.

Recommendations

None

C. Contract Monitoring

Controls did not exist to ensure compliance with contract requirements such as insurance and bonding. Per contractual requirements, certificates of insurance (COI) and surety bonds should be provided prior to the commencement of any work and shall contain all information required by the contract documents. Furthermore, these documents should be reviewed by Finance to confirm coverage and amounts are adequate upon receipt.

The audit team reviewed a sample of (14) COI and (6) bonds for the top ten contractors and determined:

- **Insurance** – One of the 14 required COI could not be located. Additionally, two of the 14 COI did not have sufficient coverage. For example, either the dollar value coverage was insufficient or one of the required insurance types was missing altogether.
- **Bonds** – Adequate bond support was not available upon initial audit inquiries for one of the six bonds. Although adequate bond support was ultimately provided, the audit team was unable to confirm the bond had previously been obtained or reviewed for adequacy.

Without adequate insurance and bonding coverage, the City is exposed to increased liability and financial responsibility.

Recommendation

The Deputy Chief Financial Officer should ensure adequate contract monitoring controls are in place. Additionally, COI and bonds should be reviewed for adequacy and maintained on file.

D. Asset Management

An accurate inventory listing was not compiled by City Manager's Office. Additionally, asset records were not maintained in SAP. The audit team obtained an inventory listing for furniture and fixtures purchased in conjunction with the renovation effort. However, the listing initially received contained duplicate asset tag numbers. Furthermore, the audit team was unable to obtain support these assets had previously been entered into SAP for tracking.

Per *Administrative Directive 8.7 Financial Management of Capital Assets and Tracked Property*, property records should be maintained in SAP. Additionally, asset tags should be unique to contribute to an accurate inventory of assets. Without an accurate inventory listing, an accurate inventory cannot be performed.

As of June 2022, CMO provided a corrected listing and entered the assets into SAP for tracking purposes.

Recommendation

None

Appendix A – Staff Acknowledgement

Buddy Vargas, CPA, CIA, CFE, Audit Manager
Abigail Estevez, CPA, CIA, CISA, Auditor in Charge
Yadira Valenzuela, Auditor
Sabrina Salinas, Auditor

Appendix B – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78203-3966

September 6, 2022

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for Audit of Public Works Department City Hall Renovation

The Public Works and Finance Departments have reviewed the audit report and have developed the Corrective Action Plan below corresponding to report recommendations.

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
C	Contract Monitoring The Deputy Chief Financial Officer should ensure adequate contract monitoring controls are in place. Additionally, certificates of insurance and bonds should be reviewed for adequacy and maintained on file.	5	Accept	Angelica Mata Assistant Finance Director-Procurement	May 2023
Action plan: To strengthen the Contract Monitoring, the Finance Department is proposing to restructure the Procurement Team supporting Public Works to establish a dedicated compliance team. This team will ensure adequate contract compliance processes and procedures are followed and in place to assist with review of bonding and insurance certificates. The creation of this dedicated compliance team will create a clear delineation of procurement versus compliance responsibilities for Public Works related contracts. This reorganization is contingent upon the approval of additional procurement positions requested in the Fiscal Year 2023 budget. Procedures will also be created to provide guidance on the frequency and timing of reviews, maintaining adequate coverage levels and how to request updated bonding and insurance certificates. The Finance Department will conduct a comprehensive review of the current bonds and insurance certificates to ensure coverage is adequate and that they have not expired. The completion date is anticipated May 2023 to allow for budget approval, hiring of staff for the compliance team and also to conduct the comprehensive insurance and bond review.					

We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,



Razi Hosseini
Director
Public Works Department



Date



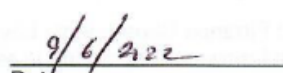
Roderick Sanchez
Assistant City Manager
City Manager's Office



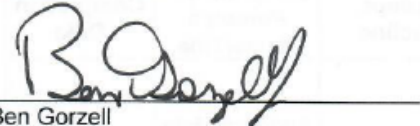
Date



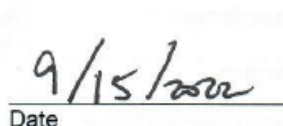
Troy Elliott
Deputy Chief Financial Officer
Finance Department



Date



Ben Gorzell
Chief Financial Officer
City Manager's Office



Date