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# **CITY OF SAN ANTONIO**

## **OFFICE OF THE CITY AUDITOR**



Audit of Public Works Department

Broadway Project

Project No. AU21-026

December 2, 2021

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

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## Executive Summary

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As part of our annual Audit Plan approved by City Council, we conducted an audit of the Public Works (PW) Department, specifically construction of the Broadway project. The audit objective, conclusions, and recommendations follow:

**Determine if oversight of the Broadway project is adequate to include monitoring of contractors and funding.**

Oversight of the Broadway project was adequate, including the monitoring of contractors and funding. PW had effective controls to ensure project expenditures were properly approved, supported, and accurate. In addition, PW complied with the Small Business Economic Development Agency (SBEDA) Program and the Federal Prevailing Wage and Hour rates. Finally, Insurance Certificates as well as Performance and Payment Bonds were adequate and in compliance with contract terms.

We make no recommendations to Public Works; consequently, no management responses are required. Management's acknowledgement of these results is in Appendix B on page 6.

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## Background

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Public Works (PW) is responsible for ensuring all bond projects are delivered to the community utilizing the most efficient and effective methods. PW oversees the management of various Bond Programs and other City capital projects from the design stage through construction.

In May 2017, the City of San Antonio (CoSA) passed the \$850 million 2017-2022 Bond Program (Bond Program). San Antonio voters approved the Program which included \$42,000,000 for improvements associated with the Broadway Corridor from Houston Street to Hildebrand Avenue which is being constructed in three phases: Lower Segment - Houston Street to IH-35, Upper Segment Phase 1- IH-35 to Mulberry Avenue, and Upper Segment Phase 2 - Mulberry Ave to Burr Road.

In May 2018, CoSA authorized a Design-Build contract with Sundt Construction Inc. in the amount of \$32.7M for the design and construction of the lower project segment of the Broadway Street Corridor – East Houston Street to IH-35, later amended to \$38.7M. In addition, an ordinance was passed in June 2020 by the City authorizing the Design phase of the upper segment of the Broadway Street Corridor project for \$4M from IH-35 to E. Mulberry Street which includes roadway construction, sidewalks, and pedestrian amenities.

The Broadway Project is funded by the Bond Program, Mid-Town Tax Increment Reinvestment Zone, San Antonio Water System and City Public Service. See summary of funding sources in the table below:

Total Funding Source	Amount
2017-2022 G.O. Bond Program	\$42,000,000
City Public Service	8,890,625
San Antonio Water System	7,344,820
Mid-town TIRZ	6,000,000
AT&T	4,000,000
<b>Total Funding</b>	<b>\$68,235,445</b>

The Broadway project has expensed approximately \$18.7M as of August 2021. See a summary of expenditures in the table below:

Expenditure Type	Amount
Construction Cost - Other (CPS, SAWS, AT&T)	\$8,373,300
Construction Cost (CoSA)	5,985,716
Engineering Fees	3,085,758
Capital Administration Cost - Direct	772,727
Capital Administration Cost – Indirect	378,189

Audit of Public Works Department  
Broadway Project

Fees to Professional Contractors	72,327
Fees to Professional Contractors - Other	34,967
Contractual Services	8,272
Advertising and Publications	1,896
<b>Total Expenditures</b>	<b>\$18,713,152</b>

## Audit Scope and Methodology

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The audit scope included compliance with terms of the lower and upper segment contracts of the Broadway project. In addition, it included a review of expenditures incurred on the project.

We interviewed Public Works project management and staff and obtained an understanding of the controls in place for the following processes: 1. Pay Applications, 2. Small Business Economic Development Advocacy (SBEDA) Program, 3. Prevailing Wage and Hour and 4. Inspection and Materials Testing.

We assessed internal controls relevant to the audit objective. As part of our testing procedures, we examined the following areas:

- Approval, support, and accuracy of pay applications.
- Compliance of SBEDA Program to contract terms.
- Compliance of Sundt Construction Inc. to the Prevailing Wage and Hour rates.
- Adequacy of Insurance Certificates and Performance and Payment Bonds.
- Results of materials testing and adequacy of inspections.
- PRIMELink user access controls.

We relied on computer-processed data in PRIMELink and SAP to validate the pay applications from Sundt Construction Inc. 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 verifying the support documentation was adequate and payment amounts agreed to payments made in SAP. 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

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Public Works (PW) was in compliance with terms of the lower and upper segment contracts of the Broadway project.

PW had effective controls over the project expenditures process. We reviewed a sample of 25 invoices valued at approximately \$5.1M and determined they were properly approved, supported, and accurate. In addition, we reviewed 25 invoices where Sundt Construction Inc. performed work for SAWS, CPS and AT&T valued at approximately \$3.9M. We determined the City requested and was accurately reimbursed for the 25 invoices.

PW was in compliance with the SBEDA requirements. We reviewed the contractual SBEDA requirements for Sundt Construction Inc. and determined they were monitoring their SBEDA requirements on a monthly basis. In addition, all sub-contractors were properly certified through the South Texas Regional Certification Agency.

In addition, Sundt Construction Inc. paid construction workers the proper Federal Prevailing Wage and Hour rates. We reviewed the certified payroll for 7 employees and determined they were all paid above the prevailing wage rate for their job function.

Finally, Insurance Certificates as well as Performance and Payment Bonds were sufficient and in compliance with contract terms.

There are no findings. Consequently, we make no recommendations to Public Works Management.

## **Appendix A – Staff Acknowledgement**

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Gabe Trevino, CISA, Audit Manager  
Danny Zuniga, CPA, CIA, Auditor in Charge  
Denise Trejo, Auditor  
Sophia Konstantinidis, Auditor



## Appendix B – Management Response

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**CITY OF SAN ANTONIO**

SAN ANTONIO TEXAS 78283-3966

November 2, 2021

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

RE: Management's Acknowledgement of its Review of the Audit of Public Works Broadway Project

Public Works Department has reviewed the audit report and provided its comments to the auditors. As there are no recommendations for management, no management responses are required.

Public Works Department:



Fully Agrees



Does Not Agree (provide detailed comments)

Sincerely,

A handwritten signature in blue ink that reads "Razi Hosseini".

Razi Hosseini, P.E.  
Director/City Engineer  
Public Works Department

11/19/2021  
Date

A handwritten signature in blue ink that reads "Roderick Sanchez".

Roderick Sanchez  
Assistant City Manager  
City Manager's Office

11/15/2021  
Date