



# City of Houston

Judy Gray Johnson  
City Controller

## Service Contract Compliance Internal Audit

Infrastructure Services, Inc.



OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS

JUDY GRAY JOHNSON, CPA

July 2, 2003

The Honorable Lee P. Brown, Mayor  
City of Houston, Texas

SUBJECT: Public Works and Engineering Department  
Service Contract Compliance Internal Audit – Infrastructure Services, Inc.  
(Report No. 03-14)

Dear Mayor Brown:

In accordance with the City's contract with Jefferson Wells International (JWI), JWI has completed a service contract compliance audit of the contract (No. 50040) between the City and Infrastructure Services, Inc. for sweeping in the Downtown Business District. The primary objectives of the engagement were to determine whether the services provided were in compliance with City and State of Texas procurement laws, regulations and procedures; that the contractor met the objectives and contract terms; that the system of internal controls related to the contract was adequate and whether expenditures were appropriately charged to the proper funds.

The report, attached for your review, noted no significant instances of non-compliance and commended the Public Works and Engineering Department for its oversight and monitoring of the contract. Draft copies of the matters contained in the report were provided to department officials. The views of the responsible Department officials as to actions being taken are appended to the report as Exhibit A.

We appreciate the cooperation extended to the JWI's auditors by department and contractor personnel during the course of the audit.

Respectfully submitted,

Judy Gray Johnson  
City Controller

xc: City Council Members  
Albert Haines, Chief Administrative Officer  
Stephen Tinnermon, Chief of Staff, Mayor's Office  
Jon C. Vanden Bosch, P.E., Director, Public Works and Engineering Department  
Philip Scheps, Director, Finance and Administration Department

June 9, 2003

Ms. Judy Gray Johnson  
City Controller  
City of Houston  
901 Bagby, 8<sup>th</sup> Floor  
Houston, TX 77002

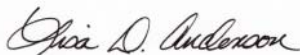
Dear Ms. Judy Gray Johnson:

We have completed the service contract compliance internal audit of the Agreement for the sweeping in the Downtown Business District between the City of Houston (the City) and Infrastructure Services, Inc. as outlined in our engagement letter dated February 28, 2003, under Contract No. 51783. This report documents our final report and completes the services agreed to be provided by Jefferson Wells International (Jefferson Wells) as described in the engagement letter.

Commendations, observations and recommendations noted during the performance of the procedures are presented in this report and management responses are attached as Exhibit A. Our procedures, which accomplished the engagement objectives, were performed through the date of this report, and have not been updated since that date. Our observations included in this report are the only matters that came to our attention, based on the procedures performed.

Jefferson Wells is pleased to have assisted the City Controller and management of the Public Works Department, and we appreciate the cooperation received during this engagement from the City Controller's Office, the Department and Infrastructure Services, Inc..

This report is intended solely for the information and use of the City, the Public Works Department, the City Controller's Office and management of Infrastructure Services, Inc and is not intended to be used for any other purpose.



Lisa D. Anderson  
Jefferson Wells International



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## Executive Summary

### Background

- The Agreement to provide sweeping services in the Downtown Business District between the City of Houston and Infrastructure Services, Inc. (the Contractor) commenced on February 5, 1999 for three consecutive years. This Agreement included an option to extend for two additional one year periods, which the City has exercised.
- Under this Agreement, inclement weather excepted:
  - All streets miles designated in the Agreement, totaling 74 curb miles, are swept five nights per week and flushed weekly, and
  - All sidewalks designated in the Agreement, totaling 136 sidewalk blocks, are to be washed one time every 2<sup>nd</sup> and 4<sup>th</sup> weeks of every month.
- The Public Works and Engineering Department (PW&E) paid the contractor approximately \$467,000 for sweeping services during the internal audit period, July 1, 2002 through December 31, 2002.
- This internal audit included the review of Contractor invoices totaling \$214,502 under this Agreement.



## Executive Summary (Continued)

### Summary

- Overall, Department management communicated satisfaction with the sweeping service being provided by the Contractor.
- MWBE Participation – Records reviewed during the fieldwork indicate that the Contractor is currently exceeding it's 20% MWBE Participation goal.
- Based on the results of the procedures performed, the only noncompliance issue noted was for late submission of invoices by the Contractor.



## Objectives

To assist the City in determining whether:

- The services provided to the City were acquired in compliance with City and State of Texas procurement laws, regulations, and procedures (e.g. Administrative Procedure 5-2).
- Infrastructure Services, Inc., the Contractor, met the objectives of their contract and complied with contract terms.
- The system of internal controls related to the contract were adequate.
- The expenditures have been appropriately charged to the proper fund.



## Procedures Performed

- Interviewed Departmental personnel integral to the internal audit to document their understanding of applicable policies and procedures.
- Observed and reviewed the City's contract set-up for this Agreement and the system of controls related to authority levels, Agreement monitoring, etc.
- Selected a sample of expenditures for sweeping services under the Agreement and reviewed supporting documentation.
- Conducted a site-audit at the Contractor's place of business for contract compliance, including the review of vehicles and equipment used by the Contractor to service the City for age, capacity, and maintenance.
- Interviewed Contractor personnel to document an understanding of the Contractor's control processes to ensure compliance with the Agreement, including the controls over daily work plans.
- Reconciled the payment data from the Contractor to the City's expenditures under the Agreement.
- Analyzed spend data under the Agreement.
- Performed procedures to test the Departments' monitoring of the sweeping services provided by the Contractor.





## Commendations

The Department performs periodic internal audits to verify that the Contractor is performing the services in accordance with the terms of the Agreement. These audits include, scheduled and unscheduled site visits, and reviewing on a sample basis Contractor invoices, inspection reports, and street cleaning schedules. These internal audits are in addition to the monitoring that is performed by the City Inspector that actually works with the sweepers, which allows for the real-time correction of any service deficiencies. Additionally, the City Inspector completes an inspection report, which is agreed to the Contractor invoices prior to payment.



## Observations and Recommendations Public Works and Engineering Department

Based on the procedures performed during this internal audit, which included interviews, review of documents, observations and testwork on a sample basis, we noted:

- With regard to our review of a sample of expenditures paid under this agreement for the internal audit period:
  - No questioned payments,
  - No Contractor overcharges, and
  - No issues of contract non-compliance
- In our review of the Public Works and Engineering Department's policies, procedures and practices, we noted a system of internal control, and as a result, we have no issues of non-compliance with regard to City or State laws, regulations, and policies to report. Further, we noted no compliance issues with the specific terms or procedures outlined in the Agreement.

***Recommendation*** - We recommend the Public Works and Engineering Department continue to manage the expenditures and monitor compliance pursuant to the Agreement consistent with the policies, procedures and practices observed during this internal audit.



## Observations and Recommendations Contractor Compliance – Infrastructure Services, Inc.

<b>Ref. #</b>	<b>Observation</b>	<b>Recommendation</b>
1)	<p><b><u>Late Contractor Invoicing</u></b> As stated in the Agreement, “The Contractor shall submit to the City monthly invoices by the tenth day of the month following that month during which the services were performed for which payment is requested.”</p> <p>Three out of the eight Contractor invoices reviewed were not submitted by the 10<sup>th</sup> day of the following month.</p>	<p>The City should instruct the Contractor to submit invoices within the time frame outlined in the Agreement.</p>



# CITY OF HOUSTON

Public Works and Engineering  
Department

## Interoffice

Correspondence

**To:** Judy Gray Johnson  
Office of the City Controller

**From:** Jon C. Vanden Bosch, P.E., Director  
Department of Public Works and Engineering

**Date:** June 16, 2003

**Subject:** SERVICE CONTRACT COMPLIANCE:  
INFRASTRUCTURE SERVICES, INC.

We have completed our review of your draft report for the service contract compliance internal audit of the Agreement between the City of Houston and Infrastructure Services, Inc. for the sweeping of the downtown business district.

We sincerely appreciate this internal audit, which confirms that our policies and procedures over this contract are functioning as designed. We will continue to manage the expenditures and monitor compliance under this Agreement with the policies, procedures and practices observed and commended during the internal audit.

### LATE CONTRACTOR INVOICING

**Recommendation:** The City should instruct the Contractor to submit invoices within the time frame outlined in the Agreement.

**Response:** The contract manager overseeing this project within the ROWFM Division will be asked to ensure that the contract invoices are submitted within the time frame outlined in the Agreement.

If you have any questions, please contact Waynette Chan at (713) 837-0249 or Godwin Okoro at (713) 837-0347.

Jon C. Vanden Bosch

3 JUN 19 AM 11:16  
JY/wc  
CONTROLLER'S

- CC:**
- Steve Schoonover
  - Ken Teer
  - Bob Bowers
  - Susan Bandy
  - George Bravenec
  - Eric. K. Dargan
  - Bobby Atteberry
  - Waynette Chan
  - Godwin Okoro



**Exhibit A**

**Views of Responsible  
Officials**