

**OFFICE OF THE CITY CONTROLLER**



**PUBLIC WORKS AND ENGINEERING DEPARTMENT**  
**FINANCIAL REVIEW OF TEXAS STERLING CONSTRUCTION**  
**CONTRACTS – FISCAL YEARS 2000 THROUGH 2004**

**Annise D. Parker, City Controller**

**Steve Schoonover, City Auditor**



OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS

ANNISE D. PARKER

December 8, 2005

The Honorable Bill White, Mayor  
City of Houston, Texas

SUBJECT: Public Works and Engineering Department  
Financial Review of Texas Sterling Construction Contracts  
Fiscal Years 2000 Through 2004 (Report No. 05-13)

Dear Mayor White:

The City Controller's Office Audit Division has completed a financial review of construction contracts between the City of Houston and Texas Sterling Construction L.P. (Contractor) during fiscal years 2000 through 2004. The review's objectives were to:

- Determine whether the Contractor completed projects within budgeted cost and agreed upon time frames.
- Analyze the cost overruns, if any, and variances in estimated completion dates vs. actual completion dates.
- Determine the dollar amount of change orders, if any, and the related scope of services.
- Determine whether change orders were prepared according to City policies and procedures, properly approved and within the scope of the contract.
- Determine the adequacy of internal controls related to the monitoring of budgets, overruns and project time variances.
- Determine whether City employees were in compliance with state law and City policies and procedures regarding the bid and bid evaluation processes.

The report, attached for your review, concluded that the Construction Branch's internal controls related to management of contracts with the Contractor are adequate. All sixteen projects reviewed were completed within the authorized adjusted time frames. Additionally, change orders were prepared according to City policies and procedures and were appropriate and properly approved.

Our review included the Public Works and Engineering Department's Engineering Branch's processes regarding the City of Houston's bid procedures. Since we were not provided a copy of their internal policy explaining the bid process as it relates to their group until after our review

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process was complete, we have been unable to determine if they follow their own internal policies. However, we were able to determine that they are in compliance with City of Houston Administrative Procedure 2-6 and Texas State Law, Local Government Code, Chapter 252.

Draft copies of the matters contained in the report were provided to Department officials. The findings and recommendations are presented in the body of the report and the views of the responsible officials as to actions being taken are appended to the report as Exhibit I.

We appreciate the cooperation extended to our auditors by Department personnel during the course of the review.

Respectfully submitted,



Annise D. Parker  
City Controller

xc: City Council Members  
Michael Moore, Chief of Staff, Mayor's Office  
Anthony Hall, Chief Administrative Officer  
Michael S. Marcotte, Director, Public Works and Engineering Department  
Waynette Chan, Chief of Staff, Public Works and Engineering Department  
Daniel Krueger, Deputy Director, Public Works and Engineering Department  
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## EXECUTIVE SUMMARY

- The number of contract days and dollar increases result primarily from unforeseen circumstances encountered during the construction phase of the project(s). These can include private utility problems and / or inaccurate archived as-built drawings, which lead to design changes. Management should ensure that the as-built drawings are revised and updated as the project progresses. Further, we recommend that Public Works and Engineering, Engineering and Construction Division's (both the Engineering Branch and the Construction Branch) create and maintain a database to be used by Public Works and Engineering (PW&E) Management to track various data regarding the construction projects. Management could then analyze the database to identify trends. For instance, it might spot a particular construction supervisor who continually comes in over budget, or a subcontractor that always takes more time than they should when building their portion of the project(s).
- The Engineering Branch has the responsibility to inform bidders of all the required documentation that must be submitted to the City in order to be considered for a construction project. In order for a bidder to qualify, all of the documentation must be completed and submitted with the bid. After the Engineering Branch selects the lowest and most responsible bidder, they next inform the Contractor of the remaining required documents that must be submitted. In all, approximately 26 to 28 documents are required from the Contractor. Even though the Engineering Branch is responsible for informing the Contractor of the documents required, they do not have a system that maintains a complete file of the documents submitted by the Contractor during the bidding and award process. According to the Engineering Branch, many of the original documents go directly to other City Departments or PW&E divisions, such as Affirmative Action, the City Secretary, and the Construction Branch of PW&E. We were informed that only five of the total documents required are the direct responsibility of the Engineering Branch, and therefore, those five are the documents they consistently maintain.

We recommend the Engineering Branch maintain a checklist that would indicate all the required documents have been received by the City. A checklist would help ensure that the documentation is received and complete.

## **SCOPE AND PURPOSE**

We have completed a review of selected construction contracts between the City of Houston's Public Works and Engineering Department (PW&E) and Texas Sterling Construction L.P. (Contractor), for contracts awarded during fiscal years 2000 through 2004. The construction projects were primarily installation of sanitary sewer systems and water lines. The scope of our work consisted of interviewing personnel, reviewing documentation, applicable state law, and policies and procedures related to both the bidding and construction activities between the Contractor and the City of Houston. Our objectives were:

- To determine whether the Contractor completed projects within budgeted cost and agreed upon time frames.
- To analyze the cost overruns, if any, and variances in estimated completion dates vs. actual completion dates.
- To determine the dollar amount of change orders, if any, and the related scope of services.
- To determine whether change orders were prepared according to City policies and procedures, properly approved and within the scope of the contract.
- To determine the adequacy of internal controls related to the monitoring of budgets, overruns and project time variances.
- To determine whether City employees were in compliance with state law and City policies and procedures regarding the bid and bid evaluation processes.

The scope of our work did not constitute an evaluation of the overall internal control structure of the Department. Our examination was designed to evaluate and test compliance with procedures and internal controls related to the bidding process of the Engineering Branch, and the Construction Branch's management of the work performed by Contractor. This audit was executed in accordance with Generally Accepted Government Auditing Standards.

Departmental Management is responsible for establishing and maintaining a system of internal controls to efficiently and effectively perform financial related activities, and to adequately safeguard assets as an integral part of their overall internal control structure. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or theft, and that transactions are executed in accordance with management's authorization and are recorded properly.

Due to the inherent limitations in any system of internal accounting controls, errors or irregularities may occur and not be detected in a timely fashion. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with procedures may change.


## CONCLUSION

Based on the results of our review, we conclude that the Construction Branch's internal controls related to management of contracts with the Contractor are adequate. We reviewed 16 projects, and all were completed within the authorized adjusted time frames. We noted that one of the projects exceeded the authorized adjusted budget amount, however, the project did not exceed the 5% threshold that would require additional City Council approval, and therefore is within acceptable spending levels. The change orders were prepared according to City policies and procedures and were appropriate and properly approved. We analyzed the cost overruns and completion delays and determined they were mainly due to unforeseen circumstances, which occurred during the construction of the project.

Our review included the PW&E Engineering Branch's processes regarding the City of Houston's bid procedures. Because we were not provided a copy of their internal policy explaining the bid process as it relates to their group until after our review process was complete, we have been unable to determine if they follow their own internal policies. However, we were able to determine that they are in compliance with City of Houston Administrative Procedure 2-6 (AP 2-6), and Texas State Law, Local Government Code, Chapter 252, Subchapter C Procedures, Section 252.041, Notice Requirement.

  
Linda McDonald  
Auditor-in-charge

  
Ken Teer  
Audit Manager

  
Steve Schoonover  
City Auditor

## INTRODUCTION

The Controller's Office auditors conducted a review of construction contracts between Texas Sterling Construction L.P. (Contractor) and the City of Houston's PW&E Department, for contracts awarded to the Contractor during fiscal years 2000 through 2004. Out of a possible 27 contracts eligible for testing, 16 were selected for a comprehensive in-depth review, which included documenting such items as commencement of construction dates, change orders, substantial completion dates, and final council approvals. Additionally, five of the 27 contracts were selected for review to determine if PW&E was in compliance with their own internal policies and procedures related to the bid process, and with the City's Administrative Procedure 2-6 *Post-Bid Opening Contracting Procedure for Departmental Non-Federally Funded Construction Projects* (AP 2-6).

The PW&E bidding process begins with the Engineering Branch contracting with an outside design firm to perform engineering services on a project identified by the Planning Group. The first phase of engineering services involves preliminary engineering work, which identifies routes, permits, necessary right-of-way (parcels), and other items depending on the project. The second phase of engineering services involves the preparation of the necessary drawings, specifications and contract documents for the project to be built. The Engineering Branch reviews the drawings for accuracy, and obtains the permits, rights-of-way, and parcels (among other items, depending on the project) that must be obtained in order to begin the construction phase of the project.

Next, the Engineering Branch will post an advertisement in the Houston Business Journal for two weeks, requesting bids for the project. Additionally, a request for bids is posted on the City of Houston's website. These postings include such items as project name, location, bid due date, and pre-bid meeting date. At the pre-bid meeting, the Bidders are given more details on the project, and any other changes that may have occurred since the project was first announced. Bidders are allowed to ask questions at the meeting and via a form provided in the specifications. The Engineering Branch/Design Firm addresses these questions. Any design changes are provided to the Contractors via Addendum(s) to the bid package.

The bids must be delivered to the City Secretary's office by the set due date, The bidder submits in person or by mail one copy of the Bid, along with the required security deposit (10% of the bid amount), in a sealed envelope. The initial documents required may vary from project to project. (For a listing of documents required by the Engineering Branch, and other City Departments see Appendix B)

The bids are sent to the outside Engineering Firm, where they are tabulated and evaluated by their Design Engineer. The outside Design Engineer selects the lowest responsive and responsible bidder, and recommends the bidder to be selected.

Upon receipt of the bid tabulations, post-bid documents are created specifically for the selected contractor. Via a Notice of Intent to Award (NOI) package, several of these post-bid documents are provided to the contractor for signature along with lists of required documents, bonds, etc. Additionally, due dates for the submission of required documents is provided. This information is outlined in the Post-Bid Procedures Document 0495.

After the ordinance has been approved by Council, the contract is approved by the Mayor, attested to by the City Secretary, countersigned by the Controller, and approved as to form by the Legal Department. PW&E's Engineering Branch receives the signed contract, and prepares all necessary checklists, documents, drawings, etc. for transfer to the Construction



Branch. Lastly, the Construction Branch notifies the Contractor, either by mail or telephone, that the Contract is complete.

## FINDINGS AND RECOMMENDATIONS

### I. PROJECT VARIANCES

#### BACKGROUND

After the bid is awarded to the Contractor and construction has begun, unexpected situations may be encountered. If the scope or type of work needs to be revised, a Request for Information (RFI), which details the unexpected situation and a proposed remedy is submitted and then reviewed by the engineering personnel. If it is agreed that the RFI is valid, a Change Order is issued. The Change Order can be for additional or alternative work, time and / or dollar revisions. Once the Change Order has been approved, it alters the original contractual specifications.

A construction project can consist of several phases. Generally, the Construction Project Engineer issues a Notice to Commence Construction letter to the Contractor. The Contractor begins construction and the project is considered complete when the City is able to begin using the project for the purpose it was intended. For example, if a water line is to be installed underground, and the City is able to begin flowing water, the project is given a Certificate of Substantial Completion. However, there may still be finish-up work to be completed, such as replacement of grass, trees, street curbs, sidewalks that must be finished before the project is deemed complete, and would be presented to City Council for Acceptance of Work. This is an important distinction because the construction contracts between the Contractor and the City states the Substantial Completion date is considered the completion date.

#### FINDING

Below is a table summarizing the various situations and their ramifications encountered by the Contractor during the construction of the 16 projects reviewed by us. The table represents authorized Change Orders awarded to the Contractor.

Classification of Types of Change Orders	Number of Days Added	Dollar Adjustments
City of Houston requested change	773	\$296,992
Private Utility Conflict	750	\$325,456
A variation of the Original Design was made	453	\$192,194
Additional Work Needed but not in Construction Documents	442	\$300,694
Additional Time Needed Due to Difficulty in Completing Work	145	\$74,192
Construction Drawings were Inaccurate	131	\$470,228
Item was in Construction Plan, but not Included in Bid Specifications	49	\$952,114
Design Change due to State/Federal Regulations	15	\$51,846
Additional Work / Time due to Homeowner / Business Owner Conflict	5	\$11,987
<b>TOTAL</b>	<b>2,763</b>	<b>\$2,675,703</b>

The 16 projects selected for testing totaled \$95,750,551 and the dollar adjustments totaled \$2,675,703, which indicates the original budgeted dollars varied in total by only 2.8%. The number of days however, varied by 41% (2,763 out of 6,754 budgeted days). The majority of the additional days are attributable to unforeseen circumstances encountered during the construction phase of the project, as noted in the above table. (See Appendix A for a matrix showing the actual number of days and total dollars spent to complete the projects reviewed).

Discussions with both the Engineering and Construction Branches disclosed there were many causes for the changes reflected in the table. For instance, some of the underground infrastructure is old and the archived drawings used for guidance in locating underground facilities can be inaccurate. Private utilities have as-builts that are used by the Engineering Branch and these can also be inaccurate. Additionally, private utilities have been generally unmotivated to accommodate the City's construction projects, because they have to move or relocate their private utility at their own expense, which delays completion of the project.

#### **RECOMMENDATION**

Management should ensure that the as-built drawings are revised and updated as the project progresses. Further, we recommend that PW&E's Engineering Branch create and maintain a database to be used by PW&E Management to track various data regarding the construction projects. The database should include such information as:

- The name of the Project
- The Name of the Engineering Design Firm
- The Design Firm's Engineer's name who actually worked on the Project
- The Construction Contractor Name
- The Supervisor of the Construction Project
- The Subcontractors used by the Construction Contractor
- The PW&E Engineer's responsible for the Project
- The Change Orders
- The Change Orders should be categorized in a way (somewhat like we have done in this report) so that Trends, if found, can be Monitored and Reviewed by Management

Management could then analyze the database to identify trends. For instance, it might spot a particular construction supervisor who continually comes in over budget, or a subcontractor that always takes more time than they should when building their portion of the project(s).

## **II. CREATE A CHECKLIST FOR TRACKING REQUIRED BID DOCUMENTS**

### **BACKGROUND**

The Engineering Branch instigates the bidding process by posting the construction project both in the Houston Business Journal and on the City of Houston website. Additionally, their Branch is responsible for alerting the bidders of the documentation required in order to be considered for the contract award; in all approximately 27 documents per project. The list of documents is detailed in Appendix B.

### **FINDING**

During our review, it was determined that three of the five projects we selected for bid process testing are subject to audit by the Texas Department of Transportation, the Federal Energy Management Agency, or the Metropolitan Transit Authority, since they are funding some or all of the projects costs. In addition, the City is also audited by an outside firm on an annual basis, and they are allowed to audit any areas they deem appropriate. Should any of the four entities decide to perform an audit of the project, they would expect supporting documentation to be provided to them. At the time of our audit, there was no formalized procedure for maintaining consistent and methodical files that would assure the auditors the City received all required bid documentation.

Based upon the Engineering Branch and the City's requirements for bidders (See Appendix B), we expected to find a total of 140 documents provided by the Contractor (28 for each project). We found that the Engineering Branch could not locate and/or provide many of the documents we expected to review. Instead we were told that the Engineering Branch was only responsible for maintaining five of the 28 original documents. The remaining original documents were maintained by other Departments, and / or PW&E Divisions.

### **RECOMMENDATION**

We recommend the Engineering Branch maintain a checklist that would indicate all the required documents have been received by the City. A checklist would help ensure that the documentation is received and complete.

## **APPENDIX A**

### **BACKGROUND**

The original contract budgeted days and quantities approved by City Council are estimated. During the performance of the contract, conditions such as changes in the scope or weather delays result in Change Orders to the contract. At the completion of the contract, PW&E performs a final review of the project comparing the estimated days and quantities plus or minus Change Orders to actual. This comparison typically results in differences because the original budgeted days and quantities were estimates.

To expedite the project closeout process, PW&E does not issue a final Change Order for these differences. Instead, PW&E discloses the net effect of the over/underruns of bid quantities and previously approved Change Orders to City Council in the Request for Council Action (RCA) to close out the project. Also disclosed in the RCA are the contract line items that make up the majority of the over/underruns.

**APPENDIX A**  
**COMPARISON OF ACTUAL VARIANCES FROM ORIGINAL BUDGET TO AUTHORIZED CHANGES**  
**DAYS AND DOLLARS**

Item Number	Project Name	Number of Change Orders (Total Number of Project Modifications Within the Change Orders)	Original Budgeted Number of Days Granted for Construction Completion	Number of days Over + Under ( ) Original Budget	Authorized Changes to Original Budgeted Days	Original Budgeted Contract Amount	Amount spent Over + Under ( ) Original Budget		Authorized Changes to Original Budgeted Dollar Amounts
1	Central Park Subdivision Storm Sewer Improvements	3 (17)	400	133	134	\$4,590,426	\$1,986		\$152,092
2	Contract Award for Kirby Drive Relief Storm Sewer	9 (15)	500	12	16	\$8,293,397	(\$13,346)		\$15,952
3	Knollwood Village Storm Sewer Improvements	2 (8)	365	(64)	6	\$2,785,524	\$298,148	A	\$317,407
4	NSR No. 436A Briargrove Subdivision II	2 (4)	560	12	67	\$6,170,474	\$248,158		\$254,756
5	Construction of W. Fuqua from S. Belt to Campden Hill	3 (11)	720	123	123	\$7,590,553	(\$68,917)		\$71,439
6	Almeda Genoa Rd: Paving, Sanitary, Signals, and Water Improvements	4 (18)	730	554	555	\$7,782,994	\$855,544	A	\$855,544

**APPENDIX A**  
**COMPARES ACTUAL VARIANCES FROM ORIGINAL BUDGET TO AUTHORIZED CHANGES**  
**DAYS AND DOLLARS**

Item Number	Project Name	Number of Change Orders (Total Number of Project Modifications Within the Change Orders)	Original Budgeted Number of Days Granted for Construction Completion	Number of days Over + Under () Original Budget	Authorized Changes to Original Budgeted Days	Original Budgeted Contract Amount	Amount spent Over + Under () Original Budget		Authorized Changes to Original Budgeted Dollar Amounts
7	Construction of Telephone Rd Reconstruction from Lawndale to Gulf Fwy	3 (8)	360	152	153	\$4,880,005	(\$79,172)		\$129,535
8	Kirby Dr Reconstruction from IH-610 to La Concha. (Phase 1)	1 (9)	150	(2)	0	\$8,111,191	\$127,691	B	\$127,691
8a	Kirby Dr Reconstruction from La Concha to S.Main. (Phase 2)	1 (14)	139	(27)	0	\$3,080,433	\$175,592	B	\$175,592
8b	Kirby Dr Reconstruction from S. Main to south of Brays Bayou and the storm sewer outfall along S. Main to Brays Bayou. (Phase 3)	0	137	0	0	\$2,181,954	\$0	B	\$0
9	Infrastructure Improvements to St. George Place Subdivision (Formerly Lamar Terrace	1 (4)	520	(46)	0	\$3,885,047	(\$341,596)		\$11,827

**APPENDIX A  
 COMPARISON OF ACTUAL VARIANCES FROM ORIGINAL BUDGET TO AUTHORIZED CHANGES  
 DAYS AND DOLLARS**

Item Number	Project Name	Number of Change Orders (Total Number of Project Modifications Within the Change Orders)	Original Budgeted Number of Days Granted for Construction Completion	Number of days Over + Under ( ) Original Budget	Authorized Changes to Original Budgeted Days	Original Budgeted Contract Amount	Amount spent Over + Under ( ) Original Budget		Authorized Changes to Original Budgeted Dollar Amounts
10	For Neighborhood Sewer System Improvements in Junction City & Pinewood Village	2 (5)	360	217	217	\$2,388,615	<b>(\$189,608)</b>		<b>(\$85,433)</b>
11	4808 Neighborhood Sanitary Sewer Improvement - Various Locations	2 (3)	300	93	106	\$1,460,739	<b>\$30,200</b>		\$54,213
12	10483 Water Main Rehabilitation @ Harrisburg/Broadway, Lawndale	1 (2)	230	19	382	\$1,133,385	<b>(\$40,232)</b>		\$22,610
13	For Construction of 84-Inch Water Main along Kelley and Kasmere	8 (12)	365	523	524	\$8,275,529	<b>\$281,025</b>	C	\$243,188
14	84-Inch Water Main along Kelly and Gold from East of US 59 HOV Lane to West of UPRR	4 (5)	330	<b>(1)</b>	0	\$5,181,874	<b>(\$23,702)</b>		\$71,094



**APPENDIX A**  
**COMPARISON OF ACTUAL VARIANCES FROM ORIGINAL BUDGET TO AUTHORIZED CHANGES**  
**DAYS AND DOLLARS**

Item Number	Project Name	Number of Change Orders (Total Number of Project Modifications Within the Change Orders)	Original Budgeted Number of Days Granted for Construction Completion	Number of days Over + Under ( ) Original Budget	Authorized Changes to Original Budgeted Days	Original Budgeted Contract Amount	Amount spent Over + Under ( ) Original Budget	Authorized Changes to Original Budgeted Dollar Amounts
15	For 54# Water Main along Ella Blvd, Wheatley St & W Montgomery from W. 43 St to Dolly Wright Rd	9 (15)	365	280	280	\$6,687,312	(\$158,401)	\$144,810
16	Contract Award for 72" Water Line along W. 12th St, North Post Rd & Westview Dr. from 1,000 Ft. East of Hempstead Rd	5 (5)	223	199	200	\$11,271,101	\$13,523	\$113,868
<b>TOTALS</b>		<b>60 (155)</b>	<b>6,754</b>	<b>2,261</b>	<b>2,763</b>	<b>\$95,750,551</b>	<b>\$1,081,796</b>	<b>\$2,675,703</b>

A) Projects exceeded the original budgeted amount by 5%. When a project exceeds the 5% threshold, additional City Council approval for the extra funding must be obtained. The projects that exceeded the 5% limit received the required City Council approval.

B) Project Numbers 8, 8a, and 8b are being built under one contract and broken down into four phases. (Phase four was not included for testing purposes, because it is for ongoing tree maintenance, and as such does not have a completion date). The total amount approved for the four phases is \$13,430,557; therefore the change orders must equal or exceed \$731,135 in order to exceed the 5% limit requiring City Council's additional approval for spending extra money on the project.

C) Since this Project did not exceed the 5% threshold as described in footnote 1 above, the Engineers were not required to receive additional Council approval for the 3.4% overage. City Council approved final payment to Contractor on May 21, 2003, accepting the final cost. Therefore, we considered this project to be properly authorized and within acceptable spending levels.

## **APPENDIX B**

<b>List of City Departments / Divisions Responsible for Maintaining Original Bid Documents Appendix B</b>		
Item Number	Description	Responsible Division / Department for Maintaining Originals
1	Form of Proposal (Document 00310)	City Secretary
2	Security Deposit of 10% (Document 00315)	City Secretary
3	Schedule of Unit Price Work (Document 00405)	City Secretary
4	Bidder's Statement of M/WBE Status (Document 00430)	City Secretary
5	Fair Campaign Ordinance (Document 00431)	City Secretary
6	Bidder's Statement of Residency (Document 00432)	City Secretary
7	Affidavit of Non-Interest (Document 00433)	City Secretary
8	Affidavit of Ownership or Control (Document 00438)	City Secretary
<b>9</b>	<b><i>Notice of Intent to Award Contract (Document 00445)</i></b>	<b><i>PW&amp;E Design</i></b>
10	Agreement (Document (00510)	Controller
11	Resolution of Corporation (Document 00511)	Controller
12	Performance Bond (Document 00610)	Controller
13	Statutory Payment Bond (Document 00611)	Controller
14	One Year Maintenance Bond (Document 00612)	Controller
15 *	One Year Surface Correction Bond (Document 00613)	Controller
16	Affidavit of Insurance (Document 00615)	Controller
<b>17</b>	<b><i>List of Proposed Subcontractors and Suppliers, Part A – MWBE/PDBE/DBE Participation Plan (Document 00620)</i></b>	<b><i>PW&amp;E Design</i></b>
<b>18</b>	<b><i>Executed Subcontractor(s), Letter(s) of Intent, or documentation of good faith efforts to meet the MWBE/PDBE/DBE Participation Plan</i></b>	<b><i>PW&amp;E Design</i></b>
<b>19</b>	<b><i>List of Proposed Subcontractors and Suppliers, Part B – Non- MWBE/PDBE/DBE (Document 00620)</i></b>	<b><i>PW&amp;E Design</i></b>

Item Number	Description	Responsible Division / Department for Maintaining Originals
<b>20</b>	<b><i>History of OSHA Actions and on the job Injuries (Document 00626)</i></b>	<b><i>PW&amp;E Design</i></b>
21	Certification by Bidder regarding Equal Employment (Document 00630)	Affirmative Action
22	Affidavit of Compliance with Affirmative Action Program (Document 00631)	Controller
23	Certification by Proposed Material Suppliers, Lessors, and Professional Service Providers regarding Equal Employment Opportunity (Document 00632)	Affirmative Action
24	Drug Policy Compliance Agreement (Document 00635)	Contract Compliance
25	Contractor's Drug-Free Workplace Policy (Document 00636)	Contract Compliance
26	List of Safety Impact Positions / or Contractor's Certification of No Safety Impact Positions (Document 00637)	Contract Compliance
27	Form of Business (Document 00645)	Contract Compliance
28 **	Name and Qualifications of Proposed Superintendent (No Document Number)	

***Bold Italic Font indicates the original documents PW&E's Engineering Branch are required to maintain in their files.***

\* Indicates documentation not always required.

\*\* Design and Construction Divisions agree this document should not be required. Document will be deleted as a required item.

# EXHIBIT I



## CITY OF HOUSTON

Public Works and Engineering  
Department

## Interoffice

Correspondence

**To:** Annise D. Parker  
City Controller

**From:** Director

**Date:** November 30, 2005

**Subject:** **CONSTRUCTION CONTRACTS REVIEW  
TEXAS STERLING CONSTRUCTION L.P.  
DRAFT REPORT**

As requested by your memo of November 8, our management responses to the findings and recommendation of the draft report follow:

### I. PROJECT VARIANCES.

Generally concur with the findings.

With respect to recommendation concerning updating of as-built drawings, we currently have a procedure in place to check status of as-built drawings as a routine agenda item of the construction progress meeting conducted on a monthly basis (reference: Construction Branch Standard Process 3.5) We will develop an internal standard and process for formal notification of deficiency to the contractor by the managing engineer if successive months elapse with the contractor failing to keep the drawings updated. We also will refine current City Standard Specification 01312 to additionally reflect this item for the monthly progress meeting agenda. Revised standards will be completed by the end of February 2006.

With respect to recommendation concerning database for project data, the Department has such through our Capital Improvement Program Management System (CIPMS) which was implemented in January 2004, but subsequent to most of the construction activity reflected at Appendix A. All of the cited fields are tracked in the system with the exception of subcontractor data. We will further consider how to record that data in conjunction with currently required submissions of subcontractor information for contract compliance purposes.

### II. CREATE A CHECKLIST FOR TRACKING REQUIRED BID DOCUMENTS.

Generally concur with the findings.

With respect to recommendation concerning maintaining a checklist for required documents, our standard contract documents have a checklist of such documents included at time of advertising. We will develop standard procedures for maintaining the checklist and for filing or transmittal of the record documents and filing of any retained copies. We expect to implement this in conjunction with implementation of an electronic project filing module of the CIPMS referenced above this fiscal year.

**Views of Responsible  
Officials**

# EXHIBIT I

Construction Contracts Review  
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If you have any questions, please contact Waynette Chan (713) 837-7128 or Godwin Okoro (713) 837-0347.

  
Michael S. Marcotte, P.E., DEE

*DWK*  
MSM:DWK:HJ

c: Daniel W. Krueger, P.E.  
Waynette Chan  
Godwin Okoro  
Tim Lincoln, P.E.

**Views of Responsible  
Officials**