OFFICE OF THE CITY CONTROLLER

PUBLIC WORKS & ENGINEERING DEPARTMENT
CONTRACT COMPLIANCE REVIEW
BRH-GARVER, INC. – CONTRACTOR
FOR THE PERIOD JANUARY 1, 1995
THROUGH JANUARY 2, 1998

Sylvia R. Garcia, City Controller

Judy Gray Johnson, Chief Deputy City Controller

Steve Schoonover, City Auditor

Report No. 98-19

OFFICE OF THE CONTROLLER
CITY OF HOUSTON
TEXAS

SYLVIA R. GARCIA

March 6, 1998

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

SUBJECT: Public Works & Engineering Department
Contract Compliance Review
BRH-Garver, Inc. - Contractor

Dear Mayor Brown:

In accordance with the City's contract with Mir•Fox & Rodriquez, P.C. (MFR), MFR has completed a review of the Public Works and Engineering Department's Greater Houston Wastewater Program's (GHWP) contract with BRH-Garver, Inc. (Garver), contract number 34421.

MFR limited their review to determining if Garver's construction services were performed in compliance with the Construction Contract terms and that engineering testing services were performed as required by the Construction Contract. Their report, attached for your review, notes exceptions regarding engineering testing services performed and accounting for fees paid for such services. Draft copies of the matters contained in the report were provided to Department officials. The views of the responsible Department officials as to actions taken or being taken are appended to the report as Exhibit 1.

We appreciate the cooperation extended to the MFR auditors by City and GHWP personnel during the course of the review.

Sincerely,

Sylvia R. Garcia
City Controller

xc: City Council Members
John Baldwin, Deputy Director, Public Works & Engineering Department
Wendell Barnes, Deputy Director, Public Works & Engineering Department
Richard Lewis, Director, Finance & Administration Department
Jimmie Schindewolf, Director, Public Works & Engineering Department

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PHONE: 713-247-1440 • FAX: 713-247-3124

Mir & Fox
Rodriguez, P.C.
Certified Public Accountants

Member of the American Institute of Certified Public Accountants

January 12, 1998

Honorable Sylvia R. Garcia, City Controller
City of Houston
901 Bagby, 8th Floor
Houston, Texas 77002

Dear Controller Garcia:

In connection with the Greater Houston Wastewater Program (GHWP), we have completed a review of the construction contract number 34421 (Construction Contract) in the amount of $1,293,283 between the City of Houston (City) and BRH-Garver, Inc. (Garver). The Construction Contract represents a lump sum and unit price contract award for the relief sewers upstream of Belmont (Conley) Lift Station. The City retained Montgomery Watson Americas, Inc. (MWA) as the Engineer and Program Manager of the GHWP. MWA and its program management consultants provided oversight to the construction process. In conjunction with this construction project, the City also awarded Bandy & Associates, Inc. (Bandy) contract number 34420 (Testing Contract) in the amount of $25,000 to provide engineering testing services as required by the Construction Contract.

Our review was limited to determining if Garver's construction services were performed in compliance with the Construction Contract terms and that the engineering testing services were performed as required by the Construction Contract. The scope of our review was for the period of January 1, 1995 through January 2, 1998, and consisted of the following procedures:

- Obtained an understanding of the construction project by reviewing the Construction Contract, Testing Contract, change orders, Request for Council Action, submittal files, engineering test reports and invoices, minutes of GHWP meetings, and correspondence files.
- Identified significant issues related to the Construction Contract and reviewed supporting documentation.
- Selected and analyzed a sample of Bandy's invoices and compared them to the engineering test reports and Testing Contract.
- Interviewed GHWP personnel, reviewed and analyzed Engineering Construction Reports (ECRs) and supporting documentation.
- Interviewed Garver personnel and examined a sample of their invoices, shipping reports, and other supporting documentation.

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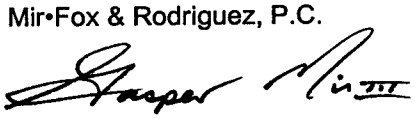
Our procedures were performed through the date of this report and have not been updated since that date. Based on the procedures performed, we determined that Garver's construction services were performed in compliance with the terms of the Construction Contract. In addition, the required engineering testing services were performed as required by Construction Contract 34421. However, certain exceptions were noted relating to the documentation of the engineering testing services performed and the accounting for the fees paid for such services. Our findings are described on the following pages and are the only significant matters that came to our attention.

Mir•Fox & Rodriguez, P.C. is pleased to have assisted you with this project, and we appreciate the assistance and cooperation of the Garver and GHWP personnel.

Very truly yours,

Mir•Fox & Rodriguez, P.C.



Gasper Mir, III
Principal

GM/sf

Findings and Recommendations for the Greater Houston Wastewater Program
BRH-Garver, Inc. Construction Contract

Background

According to GHWP policy, the on-site inspector is required to record, on the daily ECR, the actual quantity and type of work performed by the construction contractor and engineering testing services as well as any significant items related to the work on-site. We understand that GHWP guidelines require approximately 1.5 inspectors be assigned to every two GHWP construction projects. However, certain large projects may require one full time inspector while one inspector may be assigned to two smaller construction projects.

Finding and Recommendation

Finding:

We reviewed the ECRs prepared by the on-site GHWP inspector for construction contract number 34421 and noted the following:

- On eight occasions, the GHWP on-site inspector noted, on the daily ECRs, that Bandy had performed certain test services; GHWP was not able to provide a copy of Bandy's reports describing the results of the tests.
- Bandy issued seven reports that were not noted by the on-site GHWP inspector on the daily ECRs.
- The City paid for flagmen services during the period of January 25, 1995 through February 17, 1995; however the on-site GHWP inspector did not note, on the daily ECRs, the period in which a flagman was present at the site.

We understand that the GHWP inspector had been assigned five construction projects during 1995. During September 1996, we noted that the same GHWP inspector had responsibility for nine construction projects of which four were active. In December 1997, the same GHWP inspector was responsible for four construction projects and also served as the GHWP lead inspector on three other GHWP construction projects.

GHWP is at risk of not complying with its own policies and procedures pertaining to the total number of construction projects assigned to one inspector. Due to the potential lack of time available to the GHWP inspector, the City may be at risk of accepting and paying for inadequate quality of construction.

Recommendation:

To reduce the risks to the City of accepting and paying for inadequate quality of construction, GHWP should adhere to its policies and procedures relating to the number of construction projects assigned to a GHWP inspector. Each GHWP inspector should also be required to reconcile the number of engineering test reports to their daily ECRs to ensure that all reports have been accounted for and that the appropriate corrective action has been taken by the construction contractor.

Background

On July 21, 1994 the City awarded testing contract number 34420 in the amount of $25,000 to Bandy for the testing of all subsurface investigations, material control inspections, mix designs, sampling and testing as required and authorized by the City for construction contract number 34421.

Finding and Recommendation

Finding:

According to the City's Financial Management System (FMS), the City paid Bandy $16,870 for engineering testing services on contract number 34420. However, of the $16,870 reflected in FMS as being paid to Bandy in connection with construction contract number 34420, $7,659 related to engineering testing services performed on GHWP construction contract number 36513, a contract awarded to Reliance Construction, Inc. We had inadequate information and documentation to determine the reason why the $7,659 in engineering testing services was incorrectly processed and recorded in the City's FMS. The City is at risk of not complying with its policies and procedures related to engineering testing services and the recording of the related payments.

Recommendation:

To reduce the risk of noncompliance with the City's policies and procedures for the procurement of engineering testing services, PW&E should conduct an operational audit of the PW&E groups primarily responsible for engineering testing services. Consideration should be given to the policies and procedures related to awarding and monitoring the contracts for engineering testing services to ensure that the services are performed within the scope of the contract. In addition, the process for reviewing and approving the engineering testing services contractor invoices should be audited and revised where necessary to ensure that amounts are recorded in the appropriate FMS account.

CITY OF HOUSTON

Post Office Box 1562 Houston, Texas 77251-1562

Lee P. Brown, Mayor

CITY COUNCIL MEMBERS: Bruce Tatro Michael J. Yarbrough Martha J. Wong Jew Don Boney, Jr. Rob Todd Ray F. Driscoll Jean Kelley Felix Fraga John E. Castillo Annise D. Parker Joe Roach Orlando Sanchez Chris Bell Carroll G. Robinson CITY CONTROLLER: Sylvia R. Garcia

Chief of Staff
Office of the Mayor

JIMMIE SCHINDEWOLF, P.E.

Director of Public Works & Engineering

January 26,1998

Mr. Gasper Mir
Mir*Fox & Rodriguez
1300 Riverway
Houston, Texas 77056

Dear Mr. Mir:

In response to your audit report on Contract No. 34421, File No. 4411-1, I have the following reply:

On finding No. 1, we agree with some of the findings and we disagree with other findings.

On the first bullet point, "On eight occasions the GHWP on-site Inspector noted on the daily ECRs that Bandy had performed certain test services; however GHWP was not able to provide a copy of Bandy's report describing the results of the tests," our research shows the following: ("A" indicates agreement with the finding and "D" indicates disagreement)

9/12/95	D-Report # 294037-16 Performed four (4) Density tests on Cement Stabilized Sand and sampled the material for 24 hour compression tests.
9/13/95	D-Report # 294037-17 Performed Density tests on Cement Stabilized Sand but inadvertently dated this report 9/14/95.
10/09/95 10/11/95 10/12/95	A-According to Dr. Bandy, owner of Bandy and Associates, his records indicate that they did not send any technician to this project on either of these three days, even though the ECRs show they did, therefore no report was generated.
11/10/95 11/13/95 11/14/95	D-No lab testing performed on either of these days, as per Dr. Bandy of Bandy and Associates. ECR reports show NONE under Laboratory activities for these days.

On the second bullet point, "Bandy issued seven reports that were not noted by the on-site GHWP Inspector on the daily ECRs," our research shows the following: ("A" indicates agreement with the finding and "D" indicates disagreement)

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7/11/95	D-Report #294037-2 reflects five density tests on Cement Stabilized Sand. Daily ECR report, under category of Laboratory Activities, shows "Yes: Lab on site checking compaction."
9/20/95	D-Report #294037-18 Concrete pour Junction Box #5 wall. Daily ECR report, under Laboratory Activities, shows "Lab on site testing concrete."
9/26/95	A-Report #294037-19 Concrete pour for base of manhole at England and Perry Street station #20+50. ECR report shows under Laboratory Activities: NONE.
9/27/95	A-Report #294037-20 Concrete pour Invert in Junction Box #4. ECR report shows under Laboratory Activities: NONE.
10/3/95	A-Report #294037-21 Concrete pour for Top of Junction Box #5. ECR report shows under Laboratory Activities: NONE
10/4/95 report	D-Report #294037-22 Concrete Pour for base of manhole at State #26+50. ECR shows under Laboratory Activities: "Lab on site testing concrete poured."
11/2/95	D-Report #294037-25 Concrete pour England and Crosby. ECR report shows under Laboratory Activities; "Lab on site testing concrete."

On the third bullet point on Finding No. 1, "The City paid for flagmen during the period of January 25, 1995 through February 17, 1995; however the on-site GHWP Inspector did not note on the daily ECRs the period a flagman was present at the site," our research shows the following:

The City did not pay flagmen for the period January 25, 1995 through February 17, 1995. Therefore, there was no need for the Inspector to record flagmen on his ECRs. The City did pay for Traffic Control during this period. These payments are properly documented on the Inspector's ECR. (Flagmen are officers hired to direct traffic. Traffic control can consist of barricades, temporary pavement, signage, pavement restriping, traffic barriers etc.)

In reply to your recommendations, the Wastewater Program believes it has an adequate number of Inspectors. Generally we do have a ratio of 1.5 Inspectors to every two jobs. However, in some cases where jobs have limited activity, an Inspector could be assigned to several different jobs. We agree that some kind of reconciliation, such as a control log, would be helpful in ensuring that all testing reports are accounted for and corrective action taken.

On finding No. 2, GHWP does not have control over testing lab assignments or monitoring lab services, but the concerns you raised were immediately acted upon. The Public Works and Engineering Department has initiated a more thorough audit of the testing lab process to include all City actions such as assignment, monitoring, invoicing and management.

Should this additional audit find continued risk, we will proceed with a complete contract review. We do not consider this a GHWP issue but one associated with the Engineering Construction & Real Estate Group's Quality Control Section.

Sincerely,

Wendell L. Barnes, P.E.
Deputy Director
Department of Public Works and Engineering

WLB:fh

cc: Jimmie Schindewolf, P.E.
Richard C. Scott, P.E.
John Baldwin
Fred Perrenot, P.E.
Anthony Crisci, P.E.
Joe Basista, P.E.