

OFFICE OF THE CITY CONTROLLER



**PUBLIC WORKS AND ENGINEERING DEPARTMENT
CONTRACT COMPLIANCE REVIEW
SCI CONSTRUCTORS, INC.
FOR THE PERIOD OF JUNE 30, 1999
THROUGH JANUARY 31, 2000**

Sylvia R. Garcia, City Controller

Judy Gray Johnson, Chief Deputy City Controller

Steve Schoonover, City Auditor



SYLVIA R. GARCIA

OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

September 21, 2001

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

SUBJECT: Public Works and Engineering Department
Contract Compliance Review – SCI Constructors, Inc.
(Report No. 00-15)

Dear Mayor Brown:

In accordance with the City's contract with Mir•Fox & Rodriguez, P.C. (MFR), MFR has completed a review of the Public Works and Engineering Department's contract number 50775 between the City and SCI Constructors, Inc. (SCI) for the Westview Terrace/Pine Terrace project.

MFR limited their review to determining if SCI'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. Their report, attached for your review, noted that MFR could not determine if SCI's construction services were performed in compliance with the terms of the Construction Contract. Draft copies of the matters contained in the report were provided to Department officials. The views of the responsible Department officials as to action taken or being taken are appended to the report as Exhibit I.

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

Respectfully submitted,


Sylvia R. Garcia
City Controller

xc: City Council Members
Albert Haines, Chief Administrative Officer
Gerard Tollett, Chief of Staff, Mayor's Office
Thomas J. Rolen, Director, Public Works and Engineering Department
Philip Scheps, Director, Finance and Administration Department

August 24, 2001

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

Dear Controller Garcia:

We have completed a review of the construction contract number 50775 (Construction Contract) in the amount of \$435,873 between the City of Houston (City) and SCI Constructors, Inc. (SCI). The Construction Contract represents a unit price contract for the Westview Terrace/Pine Terrace project. The City also awarded contract number 50776 (Testing Contract) to Hercules Engineering & Testing Services, Inc. (Hercules) in the amount of \$50,000 to provide engineering testing services as required by the Construction Contract. Both the Construction Contract and Testing Contract were approved by City Council on June 30, 1999. The Construction Contract was substantially completed on December 29, 1999 and as of January 31, 2000 the City had paid \$141,344 for the construction services. Although significant testing had been performed by Hercules as of January 31, 2000, no payments had been made for such services.

Our review was limited to determining if SCI'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 objectives of our review included:

- Determining that the contractors met the objectives of their contract and were in compliance with the terms of their contract.
- Determining that Public Works & Engineering (PW&E) personnel responsible for the administration of the contracts were in compliance within the City's policies and procedures to ensure that the work performed by the contractors was within the scope of the contract approved by the City and that the construction contractor's work was adequately tested.
- Determining that goods and services acquired through the provisions of the contracts were in compliance with the City and State of Texas procurement laws.
- Determining if PW&E's systems of internal control related to the contracts were adequate.
- Determining if funds have been appropriately charged to the proper contracts.

Honorable Sylvia R. Garcia, City Controller
August 24, 2001
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The scope of our review was from June 30, 1999 to January 31, 2000 and consisted of the following procedures:

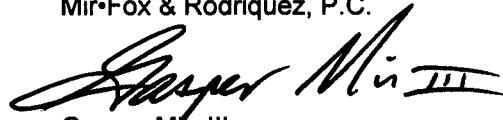
- Reviewing RCA's, contracts, schedule of values, change orders, work directives, proposed modifications, correspondence files, engineering testing contracts and related reports.
- Reviewing bid tabulation documentation, insurance and bond information, daily inspection reports, as built drawings, testing contractor results, and punch lists for adequacy and compliance with City policies and procedures.
- Testing supporting documentation to payments made by the City.
- Identifying the source of funds used to pay contracts being tested and determining the appropriateness of such funding.
- Reviewing related engineering contracts for compliance with contract terms and the City policies and procedures.

Our procedures were performed through March 29, 2000 and have not been updated since then. As more fully described in the attached finding and recommendation, several of the 97 engineering tests performed failed. Accordingly, we could not determine if SCI's construction services were performed in compliance with the terms of the Construction Contract. The finding described and noted in this report is the only significant matter that came to our attention. Since the completion of our fieldwork, PW&E management has been working to ascertain the causes and/or reasons for the failed tests identified. Attached is their response dated August 21, 2001(Exhibit I).

Mir•Fox & Rodriquez, P.C. is pleased to have assisted you with this project and we appreciate the assistance and cooperation of the Public Works & Engineering Department.

Very truly yours,

Mir•Fox & Rodriquez, P.C.

A handwritten signature in black ink, appearing to read "Gasper Mfr, III". The signature is fluid and cursive, with the last name "Mfr" and the Roman numeral "III" clearly visible.

Gasper Mfr, III
Principal

GM/jh

Finding and Recommendation for the SCI Constructors, Inc., Construction Contract

Background

According to Section II, Part A of the engineering testing contract, "The Laboratory shall submit 2 copies typed or printed showing all tests results, and where required, recommendations for the guidance and direction of the City. Where material tests are involved, the report shall show conformity with or failure to meet the relevant construction specifications."

"Material test reports on construction shall be made periodically as the test results are accumulated."

"Subsurface investigation reports will be made only on completion of the investigation."

Finding:

For construction contract 50775, we reviewed all 97 engineering tests performed by the Testing Contractor under their contract number 50776. We noted that of the 97 tests reviewed, several tests failed. The reports relating to the failed tests did not provide any guidance on the significance of the failed tests or the need for the City to have these tests repeated. In addition, PW&E did not have a process in place to track and monitor the significance of the failed tests.

Recommendation:

To ensure that the construction services met the requirements of the construction contract and that the Testing Contractors are in compliance with their City contracts, PW&E should require its Testing Contractors to provide guidance and recommendations pertaining to the test performed, particularly on failed tests. PW&E should develop a process to track and monitor the significance of failed tests on a project. In addition, the City Engineer should determine if materials need to be replaced or work corrected in order for the construction contractor to be in compliance with the Construction Contract.

EXHIBIT 1



CITY OF HOUSTON

Post Office Box 1562 Houston, Texas 77251-1562

Lee P. Brown, Mayor

CITY COUNCIL MEMBERS: Bruce Tatro Carol M. Galloway Mark Goldberg Jew Don Boney, Jr. Rob Todd Mark A. Ellis Bert Keller Gabriel Vasquez
John E. Castillo Annise D. Parker Gordon Quan Orlando Sanchez Chris Bell Carroll G. Robinson CITY CONTROLLER: Sylvia R. Garcia

August 21, 2001

Mir - Fox & Rodriguez, P.C.
1900 One Riverway
Houston, Texas 77056

Attn: Mr. Gasper Mir

Re: Department of Public Works and Engineering
Contract Compliance Audit Response Report

Dear Mr. Mir:

We have completed our response to your Contract Compliance Audit for Public Works and Engineering/ Construction Division in reference to contract #50775. Listed below is our response to your findings.

RESPONSE:

Sixty (60) Hot Mix Asphaltic Concrete (HMAC) pavement core samples were procured and tested during the construction of the overlay. The contract plans and specifications were ambiguous in that both 93% and 91% minimum densities were specified. Fifteen core samples did not meet the requirement for compaction to 93% density as noted on the project plans and specifications. After corrective measures by the Contractor, these 15 locations were recored and retested. Six samples still did not meet the 93% density, however, only two samples did not meet the lesser 91% density requirement as also specified by the project's specification. The quality control for the HMAC was performed in accordance with the Texas Department of Transportation (TxDOT) Standard Specification, which requires field compaction to a maximum of 9% air void (i.e., 91% compaction). One of the two failed core samples was suspect and the second attained 90% compaction.

Views of Responsible
Officials

EXHIBIT 1

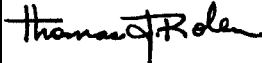
Mir - Fox & Rodriguez, P.C
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The role of the testing laboratory for all ongoing projects has been expanded to provide recommendations pertaining to failed tests. The testing laboratory has been directed to provide remedial recommendations. The testing laboratory will participate in the preconstruction and monthly meetings. In addition, the testing laboratory will provide a project evaluation, with recommendations if needed, at 60% and 100% project completion. These procedures will address a timely response and a reaction to any failed test.

Whereas test reports were reviewed previously, the actions taken were not always documented. Project Managers will document all future actions taken to address failed tests. Requests for action from the Project Managers to the Contractors will be documented. The Department of Public Works and Engineering is taking steps to ensure that all future projects will be properly documented and that testing standards will be aligned with the Texas Department of Transportation (TxDOT) Standard Specifications to meet the 91% density requirement and more importantly, the conflicting 93% density will henceforth be eliminated from future projects' plans and specifications.

If you have any further questions, please call Herbert Lum, P.E. at (713) 837-7194.

Cordially,



Thomas J. Rolen, P.E.
Director
Department of Public Works and Engineering

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Attachment

cc: Herbert Lum, P.E.
Carl Lowery
Anthony Crisci, P.E.
Michael K. Ho, P.E.
Godwin Okoro
File

Views of Responsible
Officials