

**GENERAL SERVICES
DEPARTMENT
CONTRACT MANAGEMENT
and TRENDS AUDIT**



OFFICE OF THE CITY CONTROLLER

**CHRIS HOLLINS
CITY CONTROLLER**

**FY2026
Report #2026-05
March 25, 2026**



CHRIS HOLLINS

City Controller

The Honorable John Whitmire, Mayor
City of Houston, Texas

SUBJECT: GENERAL SERVICES DEPARTMENT (GSD) CONTRACT MANAGEMENT AND TRENDS

The Audit Division has completed its audit of the General Services Department's (GSD) contracting trends and related contract management processes.

The objective of the audit was to assess GSD's process for assigning projects to contractors and to evaluate the effectiveness of its related contract management activities. Texas Government Code Chapter 2261 Contracting Standards and Oversight, City of Houston (CoH) Code of Ordinances Section 15-55 Conflict of Interest, and City of Houston Administrative Policy (AP) 5-9 Competitive Sealed Bids served as the governing guidance for the audit. The review covered Fiscal Year 2021 through September 2023, with limited testing for City Cost Index (CCI) updates extended into Fiscal Year 2024.

Audit procedures performed did not identify any audit findings. GSD's Job Order Contracting (JOC) and Task Order Contracting (TOC) processes were generally in compliance with applicable provisions of the Texas Government Code and the City's administrative policies.

While no findings were noted, we did identify several opportunities to further strengthen internal controls and enhance the consistency of contracting processes. These items are discussed in the Observations section of the report.

We appreciate the assistance of GSD management and staff during this project.

Respectfully submitted,

Chris Hollins
City Controller
City of Houston, Texas

xc: City Council Members
Dr. Cynthia Wilson, Chief of Staff, Mayor's Office
Clyde J. Messiah, Jr., Director, General Services Department
Enid Howard, Executive Staff Analyst, General Services Department
Richard Vella, Assistant Director, General Services Department
James Reddington, Senior Division Manager, General Services Department
Eric Rhoden, Division Manager, General Services Department
Aubrey Hooper, Chief Administrative Officer, Office of the City Controller
Jennifer Pierce, Deputy Director, Audit Division, Office of the City Controller

TABLE OF CONTENTS

Audit Report.....	4
Introduction	4
Background	4
Audit Objective and Scope.....	4
Conclusion	4
Acknowledgment.....	5
Audit Team.....	5
Detailed Findings.....	6
Management Acknowledgment Statement.....	7
Appendix 1: Observations	8
Observation #1: Conflict of Interest Certifications	8
Observation #2: CCI Pricing in Contracts	8
Observation #3: Invoice Support Documentation	8
Observation #4: Contract Policy and Procedures	8
Appendix 2: Internal Controls	9
Appendix 3: Contract Management Process.....	10
Appendix 4: Procedures and Standards	12
Audit Procedures Performed	12
Audit Standards	12

AUDIT REPORT

INTRODUCTION

The Office of the City Controller’s Audit Division has completed a performance audit of the General Services Department’s (“GSD” or “the Department”) contracting processes for assigning projects to contractors and the related contract management processes. The audit was included in the annual audit plan for Fiscal Year (“FY”) 2024.

BACKGROUND

The General Services Department was established in 1999 to support the construction, maintenance, and management of the City’s building assets. Since inception, GSD has expanded into a full-service department that provides comprehensive facilities for more than 300 City facilities. As part of its operational objectives, GSD assists departments in identifying appropriate real estate solutions, including planning, design, and construction, to ensure facilities remain functional, safe, and habitable for City operations.

GSD is led by a director, who has been delegated procurement authority by the City for design, construction, and maintenance activities. To fulfill its mission, GSD oversees the solicitation, award, execution, and administration of construction-related contracts. These contracts are typically awarded through a competitive procurement process.

GSD utilizes Task Order Contracting (“TOC”) and Job Order Contracting (“JOC”) delivery methods. Contracts are awarded through a single competitive sealed proposal process, after which selected contractors remain on call to perform individual projects, referred to as work orders, throughout the contract term.

Maintaining an approved contractor pool allows GSD to address urgent facility needs without initiating a full procurement cycle for each project. This approach supports efficiency by enabling multiple-year repairs, renovations, and repetitive projects to be completed under one competitively awarded contract.

As part of the contract solicitation process, GSD utilizes the Unit Price Book (“UPB”), developed and maintained by Gordian, a recognized provider of construction cost data. The UPB contains standardized line items covering labor, materials, supplies, equipment, and defined construction tasks. Each line item contains a description and a corresponding unit price based on local market conditions.

AUDIT OBJECTIVE AND SCOPE

The objective was to examine GSD’s practices for assigning projects to contractors and the related contract management processes. The scope of this audit was contractor payments from Fiscal Years 2021 through 2023, except for the sample testing of City Cost Index (“CCI”), was extended to FY2024.

CONCLUSION

Based on procedures performed, the audit found no detailed audit findings. GSD’s JOC/TOC program generally complied with the applicable provisions of Texas Government Code, Chapter 2254 with regard to assigning projects to contractors and the related contract management processes.

ACKNOWLEDGMENT

We thank GSD management and staff for their cooperation and assistance during this audit.

AUDIT TEAM

Deputy Director: Jennifer Pierce

Audit Manager: Olaniyi Oyedele, CPA

Lead Auditor: Mohammad Haroon

Auditor: Jessica Varner

Quality Assurance: Marleah Randon

DETAILED FINDINGS

No detailed findings were identified during the performance of this audit. Based on the audit procedures completed, the controls and processes tested were operating effectively, and no conditions were noted that warranted reporting as detailed findings.

MANAGEMENT ACKNOWLEDGMENT STATEMENT

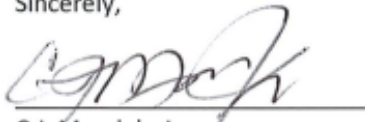
Date: 3/10/2026

Christopher G. Hollins
City Controller
Office of the City Controller

**SUBJECT: GENERAL SERVICE DEPARTMENT CONTRACT MANAGEMENT AND TRENDS –
MANAGEMENT ACKNOWLEDGEMENT**

I acknowledge that we have reviewed the above referenced report and we agree with the observations contained in the report. I also understand that this document will become a part of the final audit report that will be posted on the Controller's website.

Sincerely,



C.J. Messiah, Jr.,
Director, General Services Department

APPENDIX 1: OBSERVATIONS

During the audit, we identified certain matters for management consideration that we consider, both individually and in aggregate, to be opportunities for strengthening internal controls.

OBSERVATION #1: CONFLICT OF INTEREST CERTIFICATIONS

The City policy around conflict of interest (“COI”), AP 2-22, is somewhat ineffective, as it does not require COI disclosures from City employees, but only from elected City officials, § 6.1.5. Because of this, we found that there were no COI Certifications on file for GSD staff who had the potential to make or influence contracting decisions. GSD should implement a policy that requires annual filing of Conflict-of-Interest Certifications for all employees involved in contracts.

OBSERVATION #2: CCI PRICING IN CONTRACTS

A city cost index is a quarterly tool used in construction to compare localized materials, labor, and equipment costs against a national average or another city. It enables contractors, estimators, and project managers to adjust standard estimates to fit specific regional, city, or postal code pricing. This is necessary to control over- and underpricing while ensuring consistency and fairness. During the audit, we observed incorrect use of CCI by GSD which led to overpriced and, in some cases, underpriced contract projects. This situation occurred primarily because CCI changes every quarter, which makes it more challenging for GSD to validate the contractor-provided CCI in a timely manner. Misapplication of CCI undermines pricing accuracy and compliance with AP 5-9, increasing risk of financial loss and inequitable vendor payments. GSD should develop and implement a strategy that ensures that contractor price proposals are consistent with the unit pricing contained in the construction task catalog as agreed upon by GSD and the contractor.

OBSERVATION #3: INVOICE SUPPORT DOCUMENTATION

We identified vendor invoices lacking proper support documentation. Without proper documentation, the invoice review process is not fully valid or reliable. Specifically, missing documentation prevents proper validation of goods and services received and exposes the City to a higher likelihood of overpayment. GSD should enforce a standardized payment document checklist that is verified and completed prior to submission of invoice for payment.

OBSERVATION #4: CONTRACT POLICY AND PROCEDURES

During the audit, we observed that GSD lacked a comprehensive set of written policies and procedures to guide its contract administration process. Without documented policies, staff actions may be inconsistent, increasing risk of non-compliance and awarding contracts without best-value assurance. GSD should develop a comprehensive set of written policies and procedures governing JOC contracting process.

APPENDIX 2: INTERNAL CONTROLS

Internal controls are processes established by management to provide reasonable (not absolute) assurance that the organization's objectives will be achieved. Our work included procedures to identify the internal controls that were significant to the objectives of this audit and to determine the effectiveness of those controls. A deficiency in design exists when (a) the control is missing entirely or (b) the control is in place but is not properly designed. A deficiency in operation exists when (a) the control is properly designed but does not operate as designed or (b) the person performing the control does not possess the necessary competence to perform the control effectively.

The key controls related to this audit were categorized as follows:

- **Policies and Procedures**
 - Establishment of policies and procedures designed to guide the contract awards process.
- **Authorization and Approval**
 - Controls over review of selection of vendors.
 - Controls around authorization of vendor invoices.
- **Segregation of Duties**
 - Controls over separation of the functions relating to selection, review, and approval of vendors.
 - Controls over inspection, authorization and approval of work performed by vendors.

The scope of our work did not constitute an evaluation of the overall internal control structure of the City or that of GSD's JOC/TOC program. Management is responsible for establishing and maintaining a system of internal controls to ensure City assets are safeguarded, financial activity is accurately reported and reliable, and management and employees are following laws, regulations, policies, and procedures. The objectives are to provide management with reasonable, but not absolute assurance that the controls are in place and effective.

APPENDIX 3: CONTRACT MANAGEMENT PROCESS

GSD uses the Job Order Contracting and Task Order Contracting delivery methods in its contract management process. This method allows for a single competitive sealed proposal process, after which selected contractors remain on call to perform individual projects throughout the contract term. This approach eliminates the need to undertake a competitive bidding process for every project and supports efficiency by enabling multi-year repairs, renovation, including repetitive projects to be completed under one awarded master contract.

Below is the summary of the contract process under JOC and TOC projects:

SPECIFIC PHASES OF CONTRACT MANAGEMENT PROCESS

PROJECT PHASE	DESCRIPTION
Project Request	<ul style="list-style-type: none"> • Project requests - with generalized scope of work - are submitted by various City departments (“clients”). • Project Manager (PM) determines need for design and/or construction services. • Minor Projects Division Manager assigns projects to a PM.
Engaging	<ul style="list-style-type: none"> • If design services and/or full building permit is needed, PM issues Request for Proposal to a design task order contract (TOC). • If the construction can be performed by pulling a trade permit, PM issues an RFP to construction contractor only (JOC). • Minor Projects Division Manager or another official selects the contractor for the construction or design project.
Scope Development	<ul style="list-style-type: none"> • PM coordinates a meeting at the project site, or “job-walk,” to review and define the scope of work with the applicable City department representative and the contractor. • PM includes other City department officials, e.g., GSD Property Management, Security Management, HITS, etc., if needed.
Proposal Submission / Review	<ul style="list-style-type: none"> • After the job-walk, PM gives the contractor seven days to submit a cost proposal. • After contractor submits the proposal, PM reviews the proposal to ensure compliance with the applicable contract. • If proposal requires revision, PM sends it back to the contractor and provides a deadline for resubmission.
Funding Set-Up	<ul style="list-style-type: none"> • If the project is funded through either the client’s operating funds or grant funds, PM drafts a supplemental allocation memo and sends it to the client department for signatures before submitting it for funding set-up. • Once the funding set-up is complete, PM receives an email with a PDF attachment, which includes information for PM to draft the work-order, as well as the proposal package.
Work-Order Draft / Execution	<ul style="list-style-type: none"> • PM drafts the work-order. • After the work-order has been completed, PM sends an email to begin the peer review and execution process. • A team lead reviews the draft work order and, if no modifications are needed, the document is sent for signatures/approval. The PM is the last GSD official to sign the work-order.
Project Kick-Off	<ul style="list-style-type: none"> • After execution of the work-order, PM coordinates a project kick-off meeting with all stakeholders who were present during the job-walk (scope development phase). • PM discusses, among other things: <ul style="list-style-type: none"> • Construction contracts: permit, scope of work, schedule of construction, materials lead time, access to facility / site, etc.

PROJECT PHASE	DESCRIPTION
	<ul style="list-style-type: none"> Design contracts: design schedule and phases per discipline, anticipated design submission for GSD's review, access to facility / site, etc.
Project Management	<ul style="list-style-type: none"> PM manages each project to ensure contract compliance and satisfactory completion. Construction contracts: PM conducts site visits, verifies scope and safety compliance for ongoing construction projects; reviews applications for payment, etc. Design contracts: PM ensures, among other things, that the design consultants have all necessary documentation to perform the work; PM reviews each phase of design (Schematic Design, Development, and Construction Documents) for compliance and accuracy; PM reviews applications for payment.
Project Close-Out	<ul style="list-style-type: none"> Construction contracts: <ul style="list-style-type: none"> After substantial completion of work, contractor notifies PM about project status and provides a self-performed punch list. PM conducts a walk-through and develops his own punch list and gives it to the contractor with a deadline to complete or redo the work. Once the deadline is reached, PM physically confirms that all scope of work is complete and that the work meets the necessary workmanship standards. Design contracts: <ul style="list-style-type: none"> Upon approval of 95% design drawings by the client, contractor submits design documents to City's Code Enforcement for permits. Contractor provides PM with Code Enforcement's project number to enable the PM to track Code Enforcement's review. Upon approval of the design documents, Code Enforcement provides a permit application for the general contractor to obtain a full building permit.

APPENDIX 4: PROCEDURES AND STANDARDS

AUDIT PROCEDURES PERFORMED

To obtain sufficient, appropriate evidence to achieve the engagement objectives and the related audit conclusions, we performed the following:

- Obtained and reviewed the statutory and operational framework to gain an understanding of the operations of the contract process.
- Examined the vendor selection process to ascertain whether the selection process is in accordance with the provisions of city's ordinances, executive orders and administrative policies.
- Performed inquiries of staff and key management personnel involved in the contract awards, management and administrative process
- Selected samples of contract awards and performed substantive tests to ascertain whether the contracts are priced appropriately.

AUDIT STANDARDS

We conducted this performance audit in accordance with the Generally Accepted Government Auditing Standards and in conformance with the Global Internal Audit Standards as promulgated by the Institute of Internal Auditors. 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 provided a reasonable basis for our findings and conclusions based on our audit objectives.