



AGENDA MEMORANDUM

Action Item for the Audit Committee Meeting of November 4, 2025

DATE: October 27, 2025
TO: Roland Barrera, Audit Committee Chair
FROM: George Holland, CIA, CISA, CCA, City Auditor
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Motion to accept F25-008 Engineering – Packery Channel and Sidewalk Restoration Follow-Up Report

CAPTION:

Motion to accept F25-008 Engineering – Packery Channel and Sidewalk Restoration Follow-Up Report.

PURPOSE:

Discuss follow-up results for F25-008 Engineering – Packery Channel and Sidewalk Restoration Follow-Up Report.

BACKGROUND:

As part of our annual audit plan, we followed up on the AU24-A5 Packery Channel and Sidewalk Restoration Audit dated September 5, 2024. The primary objective of the follow-up review is to verify that management has taken effective action to address the findings and recommendations from the original audit.

The original audit primarily focused on contractual compliance by Callan Marine LTD. (Callan Marie) but also included assessing the City’s construction and engineering management of capital program areas, including construction cost and change management, project administration, progress status, and cost reporting. Talson’s audit objectives were to verify Callan Marine’s compliance with the Contract, adherence to established controls and procedures, and assess the completeness and allowability of construction costs.

In the original Audit, activities revealed that the Project did not achieve Substantial Completion by the revised milestone date of April 5, 2023. The City issued a Notice of Substantial Completion on May 3, 2024, or after a 380-calendar-day delay, with an expectation that Callan Marine would complete the remaining work in June 2024. Communication of Project details and administration of financial controls between the City, Callan Marine, and HDR Engineering, Inc. (HDR) was deemed adequate and timely with minor exceptions. As part of the audit, Talson noted the preparation of a Risk Analysis Worksheet to monitor the identification and mitigation of Project risks.

The original audit made five recommendations for improvement across four areas for department management. The four areas included construction cost and change management, project administration, progress status, and cost reporting.

Management accepted the recommendations from the original audit and agreed to implement the necessary process changes.

In August 2025, management indicated that four of the five recommendations had been implemented. Auditors subsequently reviewed the information submitted and found that four of the four testable recommendations have been implemented.

ALTERNATIVES:

The Audit Committee may reject all or part of this audit report as presented.

FINANCIAL IMPACT:

N/A

FUNDING DETAIL:

N/A

RECOMMENDATION:

Staff recommends that the Audit Committee accept the F25-008 Engineering – Packery Channel and Sidewalk Restoration Follow-Up Report.

LIST OF SUPPORTING DOCUMENTS:

- F25-008 Engineering – Packery Channel and Sidewalk Restoration Follow-Up Report