

City of Corpus Christi City Auditor's Office

FU25-F05 Williams Lift Station Review Follow-Up Report

**George H. Holland
City Auditor**

August 8, 2025



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EXECUTIVE SUMMARY

As part of our annual audit plan, we conducted a follow-up review of the AU23-001 Interim Audit Williams Lift Station Audit Report performed by Talson Solutions, LLC., dated January 24, 2024. The primary objective of the follow-up review was to verify that management has taken effective action to address the findings and recommendations from the original audit.

The original report performed by Talson Solutions, LLC., concluded that the project progressed positively, with effective communication between the City and subcontractors despite long-lead material delays. An audit by Talson Solutions, LLC. identified critical issues requiring immediate attention:

- **Contract Non-Compliance:** The subcontractor is excessively slow in executing change orders and processing payments.
- **Subcontract Agreement Discrepancy:** The subcontract agreement doesn't align with the City's primary contract.
- **Delayed Emergency Payments:** The subcontractor is not being paid in a timely manner for emergency repair work at another City facility.
- **Lack of Cost Verification:** The City is not independently verifying project costs to ensure fairness and reasonableness.
- **Insufficient Material Tracking Transparency:** There's a lack of clear documentation on how materials are tracked and reconciled against previously invoiced amounts.
- **Informal Change Order Process:** Change orders are being handled without a formal, documented process.
- **Deficient Progress Meeting Minutes:** Meeting minutes lack crucial details, including attendees, project status, documented verbal directions, and outstanding issues.
- **Undocumented Risk Assessment:** No documentation could be obtained to confirm if Engineering Services performed a formal risk assessment for the project.

The original report made seven 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 report and agreed to make appropriate changes in their processes and instructions.

On July 23, 2025, management indicated that four of the six agreed recommendations had been implemented. We reviewed the information submitted and concluded that four of the six testable recommendations have been implemented, and two are in progress.

A complete list of recommendations and current statuses can be seen on page 4. Additional information on "in progress" recommendations can be found in Appendix A.

Management agrees with the conclusions of this report, and we would like to commend them for their assistance during this process.

We conducted this follow-up review in accordance with the Global Internal Audit Standards. These standards require that we confirm that management has implemented our recommendations or management's action plans. We inquired about the progress on implementation, performed follow-up assessments using a risk-based approach, and updated our tracker and Five-Year Follow-Up Dashboard to reflect issues and report this at every Audit Committee Meeting.

FU25-F05 WILLIAMS LIFT STATION REVIEW

Recommendation No.	Recommendation	Management Assertion	Audit Status	Date of Implementation	Point of Contact
F.1 - Time Extension Requests	Did the City require all future time extension requests include a revised schedule showing the impacts or delays to ensure the critical path and the project completion date are affected by the delay?	Implemented	Implemented	5/8/2024	Jeffrey Edmonds
O.1 - Retention Withholding from Subcontractors by ACP	Did the City consider modifying the language within their respective future contract documents to include specific reference to the 2022 Texas Statute for government code; Title 10 General Government Code Section 2252.032?	In Progress	In Progress	12/31/2025	Janet Whitehead
O.2 - Timely Payment of Change Order	Were the Change Orders executed and paid timely in accordance with the contract?	Implemented	Implemented	6/30/2024	Arnulfo Garcia
O.3 - Independent Cost Verification	Did the City employ means to verify change proposal pricing and confirm the correct application of contract provisions for allowable costs as part of the approval process?	Implemented	Implemented	3/20/2024	Joseph Johnson
O.4 - Enhanced Tracking of Materials on Hand	Did the City enhance tracking of material on hand at the SOV line item level in addition to summary levels for improved transparency of work installed per billing period?	In Progress	In Progress	12/31/25	Arnulfo Garcia
O.5 - Construction Progress Meeting	Did the City prepare the meeting minutes in accordance with the contract provisions to ensure project progress, issues and directions given are recorded with sufficient detail that they can use in the resolution of potential claims or disputes?	Implemented	Implemented	3/15/2024	Joseph Johnson

Legend:

<i>Implemented</i>	Evidence supported documentation.
<i>In Progress</i>	Action or control in the process of being implemented.

APPENDIX A - ADDITIONAL FOLLOW-UP INFORMATION (IN PROGRESS)

A. Retention Withholding from Subcontractors by Association Construction Partner (ACP)

O.1 During Talson's review of ACP's job cost detail report, it was noted that ACP is withholding a ten percent (10%) retention from subcontractor payments. ACP's subcontract agreement specifies that ten percent (10%) will be withheld as retainage from payments. However, ACP's subcontract agreement is not in alignment with the contract between the City and ACP, wherein the retainage amount is established as five percent (5%).

An updated contract incorporating the attorney's recommendations was received on May 20, 2025. Currently, leadership is reviewing these recommendations. The revisions specifically address Texas Government Code Section 2252.032.

Recommendations:

1. The City and ACP should independently also consider modifying the language within their respective future contract documents to include specific reference to the 2022 Texas Statue for Government Code Section 2252.032: Retainage and ensure Contractors for public work projects comply with the provisions.

Management Assertion: In progress

Audit Status: In progress

B. Enhanced Tracking of Materials

O.4 Talson has identified an opportunity to enhance transparency by improving the tracking of materials on hand within the Pay Estimate workbook. Currently, the workbook tracks individual invoices and corresponding payments for materials at a system level, but it lacks direct linkage to specific Schedule of Values (SOV) items. This makes it difficult to ascertain how materials incorporated into the work are being tracked and subsequently deducted from previously invoiced and paid-for material on hand amounts. Improving this linkage will provide clearer insights into material consumption and inventory.

Engineering Services review of contracts and project documents identified a spreadsheet from JE Construction that could potentially enhance the department's pay application process. Engineering is currently evaluating whether this template can be integrated with their existing formula structure or if it would be more suitable as a standalone backup document.

Recommendations:

1. The City should enhance tracking of material on hand at the SOV Line-Item level in addition to summary levels in addition to summary levels for improved transparency of work installed per billing period.

Management Assertion: In progress

Audit Status: In progress

Staff Acknowledgement:

Amr Hussein, CIA,CFE, CISA Senior Auditor-in-Charge

Joseph P. Lopez, Auditor

APPENDIX B - MANAGEMENT RESPONSE



August 8, 2025

George H. Holland
City Auditor
Corpus Christi, Texas

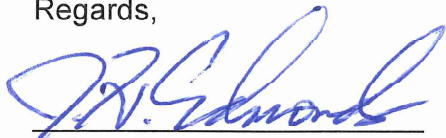
Re: FU25-F05 Williams Lift Station Follow-Up Review.

Engineering has carefully reviewed the follow-up report referenced above. As there are no recommendations for management, no responses are required.

☒ Agree

☐ Do Not Agree

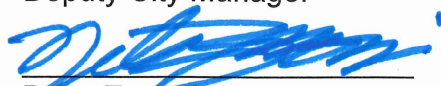
Regards,


Jeffrey Edmonds
Director of Engineering Services

8/12/25
Date


Michael Rodriguez
Deputy City Manager

8.15.25
Date


Peter Zanolini
City Manager

8.19.25
Date