

TALSON

— SOLUTIONS LLC

**Construction Contract
Closeout Audit
Waldron Road
(Purdue Rd to SPID)
Project No. 21057**



May 13, 2026

Project Summary

The Project featured selective replacement of concrete pavement panels, inclusive of new curbs, re-striping, minor signage, and full joint replacement along the entire roadway from Purdue Road to San Padre Island Drive (SPID).

Engineer of Record:	Halff Associates, Inc.
Construction:	JE Construction Services, LLC awarded \$2.29 million; \$159,000 of allowances
Notice to Proceed:	November 7, 2022
Substantial Completion:	June 5, 2023 (210 days from NTP)
February 2026 Status:	<ul style="list-style-type: none">• Payment Estimate No. 12 for the final release of retainage in the amount of \$110,557 was paid in June 2024.• Two change orders were issued decreasing the contract value to \$2.21 million due to unused contractual allowances.

Audit Scope & Work Performed

Scope:

- Assess JEC compliance with contract requirements, including closeout obligations, deliverables, and reporting
- Assess the City's compliance with internal project closeout policies and procedures, and receipt of required contract deliverables
- Evaluate the solicitation process for appropriateness and alignment with industry best practice
- Evaluate project administration practices of JEC, Halff, and the City

Work Performed:

- Reviewed contract documentation including general and supplemental conditions between the City and JEC and project documentation (e.g. Payment Estimates, Certified Payroll, Warranty, as-built drawings, etc.)
- Conducted virtual and in-person interviews, and visited the project site
- Reviewed change orders for reasonableness of pricing and compliance to the contract
- Reviewed Professional Services Agreement between the City and Halff, including Scope of Services, and task list with a billing breakdown by phase



Audit Results

Results:

- No financial risk or evidence of fraud, illegal acts or ethical violations
- 2 Findings related to contractual obligations
- Engineering Services partially agrees to both findings
- Recommendations have been provided for consideration by the City for implementation and corrective actions

For the purpose of the audit, the definition of a *Finding* and an *Observation* are:

Finding: an issue where the City or other is non-compliant with a contractual provision, a stated policy or procedure. A finding may also be identified as an impact to the schedule or budget, or an immediate control risk.

Observation: the auditor has determined that the issue poses a potential of becoming a finding. An observation might also be a process enhancement.



Audit Finding No. 1

Finding No. 1 – M/DBE Compliance Reporting:

The M/DBE goals for this project were set at 45% minority participation and 15% MBE participation. These goals are applicable to all City awarded construction contract work, including approved change orders, regardless of federal participation per General Conditions Article 23.

Non-compliance was noted due to:

- 1) Final M/DBE participation reporting supported by paid subcontractor invoices was not submitted to the City Engineer (per Article 23.04).
- 2) JEC did not submit reporting summarizing minority workforce participation compared to contract goals reporting supported by bi-weekly payroll submissions.

Recommendation:

The City should either enforce the existing Article 23 requirements or update the M/DBE and Minority Participation provisions to align with current business practices and recent federal and state guidelines, including consideration of veteran-owned businesses (VOSB/SDVOSB).

Management Response: Partially Agree

Corrective Action: Engineering Services partially agrees with the recommendation and has re-evaluated Article 23, MBE and Minority Participation and updated the form and provided it for review.



Audit Finding No. 2

Finding No. 2 – Evidence of Continuing Insurance Coverage:

Contract Article 6.05, 6.12, and 29.04 requires the submission of continuing insurance coverage for Commercial General Liability insurance at final payment and for each year after final payment for a period of three (3) years.

JEC did not submit the Continuing Commercial General Liability insurance for the period of the third year of coverage (July 2025 to July 2026).

Recommendation:

The City should require the Contractor to provide proof of ongoing insurance coverage with the final payment request, prior to releasing final payment, and annually thereafter as required by the contract.

Management Response: Partially Agree

Corrective Action: Engineering Services partially agrees. The Contractor did not submit proof of continued insurance coverage; however, Engineering Services and the Legal Department determined the requirement provides limited value and poses low project risk. As a result, the contract language has been revised.

OPEN DISCUSSION

The audit was conducted with guidance and support from both the City of Corpus Christi's Auditor's Office and Engineering Services

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