

City of Corpus Christi City Auditor's Office

F25-010

Police Training Academy Construction Contract Closeout Follow-Up Report

**George Holland
City Auditor
December 12, 2025**



Executive Summary

As part of our annual audit plan, we performed a follow-up review Audit AU24-006 Engineering – Police Training Academy Construction Contract Closeout dated November 14, 2024. The primary objective of the follow-up review is to verify that management has taken effective action to address the observations and recommendations from the original audit.

The original closeout audit primarily focused on contractual compliance by Fulton-Coastcon General Contractors (Fulton), Turner Ramirez & Associates, Inc. (TRA). Additionally, the audit 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. Audit objectives were to verify Fulton's compliance with the Agreement, adherence to established controls and procedures, and assess the completeness and allowability of construction costs. The audit focused on the City, Fulton, and TRA's activities from Project commencement through August 2024.

In the original audit, there were no findings, and five observations were identified and discussed with the City. The following observations were identified:

- **Deficient Progress Meeting Minutes:** Meeting minutes lack crucial details, including attendees, project status, documented verbal directions, and outstanding issues.
- **Unforeseen Condition Allowance:** Engineering reallocated \$172,257 in savings to a new "Unforeseen Conditions" allowance, effectively bypassing the \$25,000 threshold for City Council approval on future changes. **Management disagreed with the Observation.**
- **Bond and Insurance Allowance:** The contractor improperly inflated the Bonds & Insurance line item to ~4% (exceeding the 2% contract limit) by bundling in unrelated costs, violating Section 01 23 10.
- **Bid Form Errors and Payment Disputes:** The City authorized payments for phantom bid items not found in the contract scope, reallocating funds based on a Contractor RFI rather than a formal correction.
- **Risk Assessment:** The risk analysis worksheet was undated, lacking specific mitigation strategies or evidence that risks are being monitored throughout the project lifecycle.

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

A complete list of recommendations and current statuses can be seen on pages 1-2. Additional information on recommendations can be found in Appendix A.

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.

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F25-010 Engineering Services

Police Training Academy Construction Contract Closeout Follow-Up Review

Issue No.	Recommendation & Action Items	Management Assertion	Audit Status
A. Meeting Minutes			
A.1	Did the City create a standardized meeting minute template to be used City-wide on all design and construction projects to ensure that meetings cover the topics listed in Article 20.04.B, Progress Meeting, and that project progress, issues, and directions are recorded in sufficient detail for resolving potential claims or disputes?	<i>Implemented</i>	<i>Implemented</i>
B. Bond and Insurance Bid Form			
B.1	Did the City take steps to better communicate the 2% cap and allowance aspect of the pay item on the bid form, and ensure all staff understood to check for bid conformance?	<i>Implemented</i>	<i>In Progress</i>
C. Bid Form Errors and Payment Disputes			
C.1	Did the City prior to soliciting bids, review the bid form for accuracy with the plans and specifications to ensure the bid items represents the work to be performed?	<i>Implemented</i>	<i>Implemented</i>
D. Risk Assessment			
D.1	Did the City ensure that Project Managers are following and adhering to QA.2 Risk Management Procedure specific to the development of a risk register, the completion of the risk analysis spreadsheet, documentation of risk meetings and workshops, and the monthly updating of risks to the Project until risks have been retired or mitigated?	<i>Implemented</i>	<i>Implemented</i>

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

Staff Acknowledgements:

Amr Hussein CIA, CFE, CISA - Audit Manager
Joseph P. Lopez MSFE - Auditor

Appendix A: Additional Follow-Up Information

B. Bond and Insurance Bid Form

In the original audit, Talson identified that, when developing their bid price, Fulton exceeded the allowable 2% for the bond and insurance line item and included other costs at approximately 4%.

While Engineering agreed with the finding regarding the Bond and Insurance Bid, they disagreed with the proposed recommendation. Management subsequently offered an alternative approach. Upon review, the City Auditor's Office validates this alternative and supports the implementation.

Engineering Services is implementing a 5% limit on bid selection mobilization and a 2% limit on bonds and insurance. Approval and payment are contingent upon the **submission and validation of required documentation**.

Recommendation:

The City and Fulton should identify and verify the costs for general conditions/ general requirements that were included in Bid Item A2 – Bonds and insurance and agree on a method for payment of these costs or reallocation of the costs, if deemed appropriate, and at the discretion of Engineering Services.

Management's Assertion: Implemented
Audit Status: In Progress

Appendix B: Management's Response

December 12, 2025

George H. Holland
City Auditor
Corpus Christi, Texas

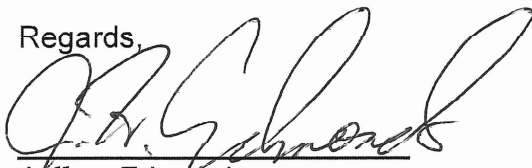
Re: F25-010 Engineering Services – Police Training Academy Construction Contract
Closeout Follow-Up Review

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

☒ Agree

☐ Disagree

Regards,



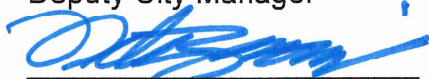
Jeffrey Edmonds
Director of Engineering Services

12/15/2025
Date



Michael Rodriguez
Deputy City Manager

12.18.25
Date



Peter Zanoni
City Manager

1.7.26
Date