



**PUBLIC WORKS & ENGINEERING DEPARTMENT
GREATER HOUSTON WASTEWATER PROGRAM
PAYMENT PROCESS REVIEW
JUNE 17, 1997**

**City of Houston
Office of the Controller**

Lloyd E. Kelley, City Controller

Steve Schoonover, City Auditor



OFFICE OF THE CONTROLLER
CITY OF HOUSTON
TEXAS

SYLVIA R. GARCIA

March 6, 1998

The Honorable Lee P. Brown, Mayor
City of Houston, Texas

SUBJECT: Public Works & Engineering Department
Construction Inspection Process Follow Up Review
Greater Houston Wastewater Program

Dear Mayor Brown:

In accordance with the City's contract with Mir•Fox & Rodriguez, P.C. (MFR), MFR has completed a follow up review of their construction inspection process report of the Public Works and Engineering Department's Greater Houston Wastewater Program (GHWP) as it relates to the quantity and quality of work performed.

MFR limited the follow up review to the observations and recommendations detailed in the report dated January 23, 1997, and the management responses dated June 16, 1997. Their report, attached for your review, identifies actions taken by the department in response to the initial report. Draft copies of the matters contained in the follow up report were provided to Department officials. The views of the responsible Department officials as to actions taken or being taken are appended to the report as Exhibit 1.

We appreciate the cooperation extended to the MFR auditors by City and GHWP personnel during the course of the review.

Sincerely,


Sylvia R. Garcia
City Controller

xc: City Council Members
John Baldwin, Deputy Director, Public Works & Engineering Department
Wendell Barnes, Deputy Director, Public Works & Engineering Department
Richard Lewis, Director, Finance & Administration Department
Jimmie Schindewolf, Director, Public Works & Engineering Department

January 12, 1998

Honorable Sylvia R. Garcia, City Controller
City of Houston
901 Bagby, 8th Floor
Houston, Texas 77002

Dear Controller Garcia:

In connection with the Greater Houston Wastewater Program (GHWP), we have completed a follow up review of our GHWP construction inspection process report dated January 23, 1997. The primary purpose of the GHWP inspection process is to verify the quantity and quality of work performed by the construction contractors and to provide consistent, uniform administration and inspection on construction projects undertaken by the GHWP. The City of Houston (City) retained Montgomery Watson Americas, Inc. (MWA) as the Engineer and Program Manager of the GHWP. MWA and its program management consultants provided oversight to the construction process.

Our follow up review was limited to the observations and recommendations detailed in the report dated January 23, 1997, and the responses from the GHWP dated June 16, 1997. Our procedures included interviews with certain GHWP personnel, as well as review and analysis of selected Engineering Construction Reports (ECRs) and Area Manager Site Visit Reports.

The first recommendation suggested that GHWP review the inspection documentation procedures and determine if additional training of inspectors was necessary. The GHWP response stated that a review would be made of the current inspection documentation procedure to decide if any modifications should be made and to determine the need for additional inspector training. During our follow up review, we noted that GHWP had performed a review of the inspection documentation procedures and has incorporated their modifications into a "construction management training" course for employees in the Engineering, Construction and Real Estate Group who have responsibility for managing components of construction contracts. The objectives of the training course are to inform employees of the procedures and responsibilities of the construction team and to establish procedural consistency pertaining to the management of the construction contracts. We understand that the training course will be finalized for presentation later this year. We encourage GHWP to provide training to its inspectors as soon as possible, particularly as regards to the proper documentation prepared by the inspectors pertaining to the performance of the engineering testing contractors.

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The second recommendation suggested that GHWP implement a process to evaluate the inspectors on a periodic basis using an established set of criteria for the various types of construction inspection tasks. In response to our original review, GHWP agreed with our recommendation and suggested that use of the monthly Area Manager Site Visit Report, which includes comments on the status of field diaries and files and a general review of the inspector's performance, would be a sufficient evaluation tool. We are satisfied with GHWP's use of the Area Manager Site Visit Report for evaluation purposes. During our follow up review, we noted that the monthly Area Manager Site Visit Reports were being completed and submitted to the GHWP construction manager's office and maintained in a binder sorted by each area manager. These monthly reports are reviewed by GHWP management and the results are communicated to the appropriate area manager or deputy construction manager. The GHWP, in turn, submits the general evaluation of the inspector's project performance to the inspector's employer upon request when the employer gives the inspector his annual performance review. However, the GHWP leaves it to the discretion of the area manager or the deputy construction manager to discuss the general evaluation with the individual inspectors.

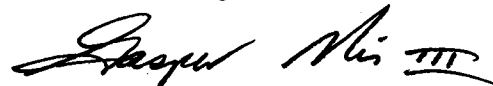
Our final recommendation was for GHWP to review and revise, where necessary, its documentation requirements for hours worked by an inspector to ensure that both GHWP and the City can adequately identify and verify the inspection services performed. GHWP management disagreed with our observations and recommendation and stated that inspectors are responsible for keeping a reasonable record of division of time between projects and that more detail was not necessary and would be impossible to administer. We noted in our follow up review that no significant changes have been made in the timekeeping procedures. Through discussions with GHWP personnel and review of selected documentation, we confirmed that inspectors' timesheets are approved by their direct supervisor who is responsible for verifying the accuracy of the timesheets. GHWP management stated that, in most cases, there was not necessarily a direct correlation between daily reports and timesheets. However, we still believe that due to inadequate documentation of inspection services being provided, both GHWP and the City are at risk of accepting and paying for services performed that do not meet the City's standards.

Our procedures were performed through the date of this report and have not been updated since that date.

Mir•Fox & Rodriguez, P.C. is pleased to have assisted you with this project, and we appreciate the assistance and cooperation of the GHWP personnel.

Very truly yours,

Mir•Fox & Rodriguez, P.C.



Gasper Mir, III
Principal

GM/sf



CITY OF HOUSTON

Post Office Box 1562 Houston, Texas 77251-1562

Lee P. Brown, Mayor

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Chief of Staff
Office of the Mayor

JIMMIE SCHINDEWOLF, P.E.

Director of Public
Works & Engineering

January 26, 1998

Mr. Gasper Mir
Mir*Fox & Rodriguez
1300 Riverway
Houston, Texas 77056

Dear Mr. Mir:

In response to your letter to the Controller on your follow-up review of the GHWP construction inspection process, I have the following comment:

We agree the documentation of testing laboratory services could be improved, including clarification of who calls the testing lab and when the lab is called out. We also agree that training of Inspectors and Project Managers as to their respective responsibilities with regard to testing is a sound recommendation. We have included an extensive section on testing in the Construction Management Training course referenced in the third paragraph on page 1 of the MFR letter.

As noted in the letter, we have acted on the MFR recommendations contained in the earlier inspection report.

Sincerely,

Wendell L. Barnes, P.E.

Deputy Director

Department of Public Works and Engineering

WLB:fh

cc: Jimmie Schindewolf, P.E.
Richard C. Scott, P.E.
John Baldwin
Fred Perrenot, P.E.
Anthony Crisci, P.E.
Joe Basista, P.E.

