



CITY OF SAN ANTONIO

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August 19, 2009

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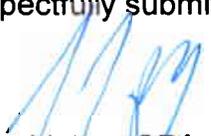
Mayor and Council Members:

SUBJECT: Aviation Department Audit of Construction Contract for New Parking Facility

We are pleased to send you the audit report of the Aviation Department construction contract for the new parking facility. This audit began in December 2008 and concluded with an exit meeting with department management in July 2009. Management's verbatim response is included in Appendix B of the report. The Aviation Department should be commended for its cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully submitted,


Barry Lipton, CPA, DABFA
Deputy City Auditor
City of San Antonio

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CITY OF SAN ANTONIO
OFFICE OF THE CITY AUDITOR



Audit of Aviation Department

Contract for Project 10 Volume 7
New Parking Facility – Garage Foundation, Structure & Systems
San Antonio International Airport

Project No. AU09-001

August 19, 2009

Executive Summary

As part of our Annual Audit Plan, we conducted an audit of the Aviation Department (Aviation), specifically the Contract for Project 10 Volume 7 (P10V7) New Parking Facility Garage Foundations, Structure & Systems at the San Antonio International Airport (SAIA). The audit objective, conclusions, and recommendations follow:

Were contracted services performed in accordance with the contract terms?

Yes, the contractor performed its services in accordance with the contract terms; however, we identified the following issues that should be addressed by Aviation:

1. The contract required the contractor to procure, install and test a closed-circuit television (CCTV) video surveillance system and intercommunication/duress alarm system in the garage. The contractor procured and installed the security system components; however, due to difficulties faced integrating the new system with the existing airport security system, Aviation removed the contractor's responsibility to interface and connect the security cameras to the CCTV system at the airport communications center. Currently, the garage security system is not fully functional.

We recommend Aviation expedite the CCTV security camera interface to ensure the security system is fully functional as soon as possible.

2. Aviation did not include an important contract template in the final contract documents for the construction project. This template, Additional General Conditions, includes among other things, the City's right to audit the contractor's records, description of the program manager's responsibilities and the prohibition of receiving or giving gifts and other conflicts of interest.

Contract language for cash allowances lacked sufficient detail to describe the appropriate use of these funds. In addition, the contract did not specify contractor profit and overhead percentages for cash allowance expenditures.

We recommend Aviation thoroughly review all final contract documents for all required sections, sufficient descriptions and clear contract language.

Management's verbatim response is in Appendix B on page 6.

Table of Contents

Executive Summary	i
Background.....	1
Audit Scope and Methodology	2
Audit Results and Recommendations	3
A. Parking Facility Security.....	3
B. Contract Language	3
Appendix A – Staff Acknowledgement	5
Appendix B – Management Response.....	6

Background

On October 12, 2006, the City Council approved Ordinance 2006-10-12-1184 authorizing a contract (contract) with Bartlett Cocke / Walbridge, a Joint Venture (BCW) for construction services for Project 10 Volume 7 (P10V7) New Parking Facility Garage Foundations, Structure & Systems (garage). BCW's bid was the lower of two qualified bids received for the project; however, both bids significantly exceeded the established budget for the project. Therefore, the Airport Expansion Team developed a less costly alternative concept for the garage, which required a complete redesign of the project. The redesigned garage utilized the existing long-term garage vehicle ramps and had better connectivity to the existing long-term parking garage. Construction began in February 2007 and was substantially complete by February 2009.

The contract was a lump sum calendar day contract for an initial amount of \$46,440,500. Based on the garage redesign, BCW submitted a cost reduction of \$3,886,024 in field alteration #1, reducing the contract value to \$42,554,476. The contract had 45 subsequent field alterations totaling \$1,890,371, three of which were pending approval as of June 15, 2009. The total value of the contract amounts to \$44,444,847 as of June 15, 2009.

The P10V7 contract was part of a multi-year; multi-phased Expansion Program at the SAIA.

Audit Scope and Methodology

The audit period was from February 2007 to June 2009.

We obtained and reviewed all contract documents associated with P10V7. We interviewed and obtained documentation from Aviation management and staff, Program Management staff and contractor representatives. We relied on computer-processed data in SAP to verify financial information and performed tests on selected documents and information. We do not believe that the absence of testing general and application controls had an effect on the results of our audit. Testing criteria included specific contract terms.

We conducted this contract audit from December 2008 to June 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit included tests of management controls that we considered necessary under the circumstances.

Audit Results and Recommendations

A. Parking Facility Security

The contract required the contractor to procure, install and test a closed-circuit television (CCTV) video surveillance system and intercommunication/duress alarm system in the garage. The contractor procured and installed the security system components; however, due to difficulties faced integrating the new system with the existing airport security system, Aviation removed the contractor's responsibility to interface and connect the security cameras to the CCTV system at the airport communications center. Currently, the security system is not fully functional. Without security camera connectivity to the communications center, safety at the SAIA is not optimal.

Recommendation:

Aviation should expedite the CCTV security camera interface to ensure the security system is fully functional as soon as possible.

B. Contract Language

B.1 Contract Clauses

The contract did not contain a template titled Section 00703, Additional General Conditions, which covers important issues such as:

Issue	Contract Template Language
The City's right to audit	Contractor is to maintain complete and accurate financial records of all costs incurred and make available for audit by City and Program Manager.
Authority delegated to Program Manager	The City delegates limited authority to the Program Manager in connection with the Contract.
Gratuities and conflicts of interest	Contractor shall not permit the offer or gift of any gratuities to or from agents of the City, Program Manager, or Architect. Contractor shall not permit any agents of the City, State of Texas, or subdivision to have direct or indirect interest in their business during his tenure and for one year thereafter.
Payment to subcontractors and suppliers	The Contractor shall promptly pay all subcontractors for work performed in accordance with their respective subcontracts no later than seven days after receipt of payment from the City. The Contractor will deliver a Waiver of Liens from every subcontractor with applications for payment.

The City's contract templates include standard clauses for City contracts. Omission of appropriate contract clauses exposes the City to financial risk and reduces consistency among contracts.

B.2 Cash Allowances

The contract defines cash allowances as "an estimated sum of money to be used only for a limited class of expenditures such as utility relocation costs, fees for special licenses or permits, or other 'pass through' costs that would be the same for any contractor." The original contract included five cash allowances totaling \$913,645. After the garage redesign, field alteration #1 added four new cash allowances for a new total of \$1,857,760. The total amount of cash allowances actually spent through June 15, 2009 was \$1,506,553.

Cash Allowance Descriptions

Field alteration #1, which added four cash allowances to the contract, lacked sufficient detail to describe appropriate usage of these additional funds. The original contract Section 01210 "Cash Allowances" listed each of the initial five cash allowances and provided descriptions of their appropriate usage. Lack of sufficient detail in cash allowance descriptions exposes the City to cost overruns.

Profit and Overhead Rates for Cash Allowances

Contract section 00751 "Special Conditions" did not indicate the profit and overhead percentage rates to include in cash allowances. Clear contract language is necessary to communicate the profit and overhead rates allowed; for example, Section 00751 "Special Conditions" specifies the overhead and profit percentage rates the contractor may charge the City for field alterations. Because the contract did not indicate the approved profit and overhead rates to include in cash allowances, the contractor followed and Aviation approved the rate schedule provided for field alterations. However, this methodology may not be appropriate because cash allowances are part of the original contract and field alterations represent changes to the original contract.

Recommendation:

Aviation personnel should ensure contracts have adequate review and contain all required sections, sufficient descriptions and clear contract language.

Appendix A – Staff Acknowledgement

Barry Lipton, CPA, DABFA, Deputy City Auditor
Theresa Cameron, CPA, CIA, Audit Manager
Dawn Oppermann, CPA, CIA, CGAP, Auditor in Charge
Sylvia Esparza, Auditor

Appendix B – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

Barry Lipton, CPA, DABFA
Deputy City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for the Audit of Contract for Project 10 Volume 7 (P10V7) New Parking Facility Garage Foundations, Structure & Systems at the San Antonio International Airport

Aviation Department has reviewed the audit report and has developed the Corrective Actions Plan below corresponding to report recommendations.

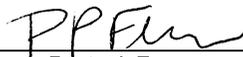
Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
A.	Parking Facility Security Aviation should expedite the CCTV security camera interface to ensure the security system is fully functional as soon as possible.	3	Accept	Debbie Drew, Information Services Manager	Aug 17, 2009
Action plan: The Parking Garage CCTV Integration Project has been assigned high priority by both ITSD and Aviation. The Project has been expedited and has a go-live date of August 17, 2009.					
B.	Contract Language Aviation personnel should ensure contracts have adequate review and contain all required sections, sufficient descriptions and clear contract language.	3 - 4	Accept	Frank R. Miller, Aviation Director	Completed
Action plan: Aviation personnel will ensure that the Assistant City Attorney located in the Aviation Department will provide reviews to ensure all required sections are included in future aviation contracts. The section, Additional General Conditions, cited by the audit as missing in this contract provides the descriptions and clear contract language discussed in the report.					

We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,



Frank R. Miller A.A.E.
Aviation Director



Penny Postoak Ferguson
Assistant City Manager
City Manager's Office