



## **City Auditor Executive Summary Street Project Contracts**

### **Why We Did This Audit**

On July 29, 2022, the Mayor and City Council did approve the City Auditor's Audit Plan for the 2023 fiscal year. The Audit Plan requires comparing street project contracts against scope, payments, and completed work. The City Auditor's Office worked with City Leadership to identify Best Practices and sound Internal Controls.

### **What we used to Evaluate the Street Project Contracts**

The City Auditor's Office selected eleven (11) Street Projects. We used the contracts, project scope, contractor invoices, and payments to test compliance with State and Local laws, City of Galveston Procurement, and Contract Management Handbook "Written" Policies and Procedures.

### **Methodology and Observation**

Our methodology included collecting information, performing selected tests and other procedures, analyzing and evaluating the results against established criteria, and interviewing management and staff from the Department. The payments to contractors we tested were adequately supported, approved, and calculated.

While the contracts included the provisions required by the City of Galveston's Policies and Procedures, including the essential contract clauses specified in the City of Galveston Contract Management Guide, they did not include a provision that establishes the City's Rights to Audit.

### **Opportunity for Improvement**

The City Auditor's Office found an Opportunity for Improvement in the Construction Contracts. The City of Galveston, Contract Management Guide, provides a framework for public contracting practices that can help protect the City's taxpayers' interests. The City does not have a policy that requires its construction contracts to include a right-to-audit provision. The City can include a provision to require a contractor with a construction contract to make its records available to the Construction Department and City Auditor's Office for inspection, audit, examination, investigation, or review during the City's defined record retention period. The City should have access rights to all contractor records related to the contract.

Establishing the City's right to audit within a contract is critical to ensuring that the Department and the City Auditor's Office have (1) the ability to audit a contractor's construction work and costs and (2) access to all information necessary to verify that a contractor has complied with the terms of its contract.



# City of Galveston

City Auditor's Office  
Audit CMS2023-2  
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### **CDBG Contracts**

Currently, the general conditions for CDBG-funded projects include the required language in their contracts. This language does not go in the contracts for City-funded projects.

60. Access to Records: The U.S. Department of Housing and Urban Development (HUD), Inspectors General, the Comptroller General of the United States, the Texas Department of Agriculture (TDA), and the City, or any of their authorized representatives, shall have access to any documents, papers, or other records of the Contractor which are pertinent to the TxCDBG award, in order to make audits, examinations, excerpts, and transcripts, and to close out the City's TxCDBG contract with TDA.

61. Retention Records: The Contractor shall retain all required records for three (3) years after the City makes its final payment and all pending matters are closed.

### **City Auditor's Suggestion**

The City Auditor's Office suggests that the City include the right-to-audit and retention records provision in all City construction contracts. The two provisions from the CDBG-funded projects would be easy to change and include in all City-funded projects. The City Attorney's Office should be consulted on these changes before making them.

### **City Manager's Comment**

The Manager supports the Auditor's recommendation and has directed purchasing and legal to include the recommended language in all future City and IDC construction contracts.