



Construction Audit (Transportation and Public Works) Safe Routes to School Improvements

Mayor

Mattie Parker

March 28, 2025

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City of Fort Worth Department of Internal Audit

100 Fort Worth Trail
Fort Worth, Texas 76102

Audit Staff

Patrice Randle, City Auditor

Brian Burkland, Assistant City Auditor

Vanessa C. Martinez, Audit Manager

William K. M. Mafi, Senior Auditor

[†] Audit Committee Chair

^{††} Audit Committee Member





The Construction (Transportation and Public Works) Safe Routes to School Improvements Audit was conducted as part of the Department of Internal Audit's Fiscal Year 2024 Annual Audit Plan.

Audit Objective

The objective of this audit was to determine whether the construction project was completed in accordance with contract terms and applicable laws.

Audit Scope

Our audit included a review of Safe Routes to School Improvements Construction Contract No. 57089. Our audit period covered the construction commencement date (April 11, 2022) through the notice of construction completion date (September 1, 2023).

Activity beyond this period was reviewed as deemed necessary.

Opportunities for Improvement

Timely requests of final statement of project costs

Execution of maintenance bonds

Executive Summary

As part of the FY2024 Annual Audit Plan, the Department of Internal Audit conducted a construction audit of the Safe Routes to School Improvements Project. The project was managed by the City's Transportation and Public Works Department. The Texas Department of Transportation (TxDOT) monitored the project to ensure federal and state requirements were met.

Internal Audit concluded that construction was performed and completed in accordance with contract terms, applicable laws, and within budget. However, we noted the following as opportunities for improvement.

- The City of Fort Worth did not receive a final accounting of project costs, although the project had been closed for over one year.
- City and state maintenance bond requirements were contradictory.

Our audit findings are discussed in further detail within the [Detailed Audit Findings](#) section of this report.

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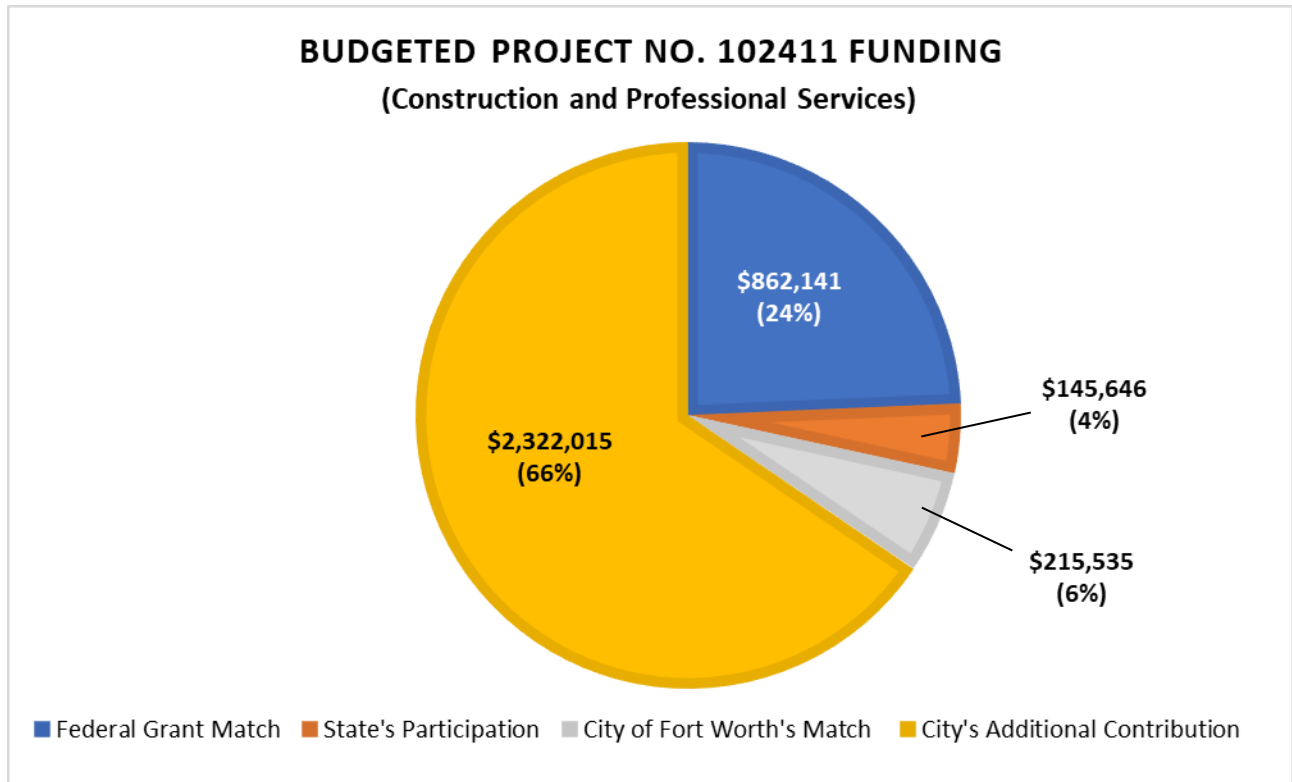
Background

The Safe Routes to School Improvements project (City Project No. 102411) was completed near the Mary Louise Phillips Elementary School (City Council District 3) and the Christene C. Moss Elementary School (City Council District 5 prior to City redistricting, City Council District 8 after redistricting). To complete the project, the City executed an advance funding agreement with the State of Texas. Funding under this agreement was for professional services (e.g., engineering, design, etc.) and construction.

Advance Funding Agreement: The Advance Funding Agreement (AFA) between the City and the State of Texas distributed responsibilities and assigned \$3,545,337.00 in funding. Per the AFA, Texas Department of Transportation (TxDOT) was to monitor construction and verify that federal and state requirements, construction industry standards, and pertinent laws (e.g., American Disability Act) were met. The City was responsible for managing the contract. As contract manager, the City was responsible for contracting engineering and architectural services, managing the bidding and construction process, etc.

The \$3,545,337.00 was to be funded as follows:

- An 80/20 federal/City match, totaling \$1,077,676.00. Federal grant funds were \$862,141.00 (80%), while the City’s estimated participation was \$215,535.00 (20%).
- The City of Fort Worth (CFW) was to also contribute an additional \$2,322,015.00. All City funds were from 2018 Bond Program Funds.
- The State’s participation totaled \$145,646.00 for indirect costs such as accounting, auditing, budgeting, purchasing, etc.



Source: Advance Funding Agreement

Construction Contract: The CFW publicly advertised and awarded construction to the lowest bidder, Northstar Construction, LLC. The construction contract (Contract # 57089) was executed on February 9, 2022 in the amount of \$1,449,726.40.

The following pictures depict construction improvements near Christene C. Moss and Mary Louise Phillips elementary schools.



Source: Internal Audit photo near Christene C. Moss Elementary School, taken on September 11, 2024



Source: Internal Audit photo near Mary Louise Phillips Elementary School, taken on November 11, 2024



Objective

The objective of this audit was to determine whether the construction project was completed in accordance with contract terms and applicable laws.

Scope

Our audit included a review of Safe Routes to School (SRTS) Improvements Construction Contract No. 57089, which was a part of City Project No. 102411.

Our audit period covered the construction commencement date (April 11, 2022) through the notice of construction completion date (September 1, 2023). Activity beyond this period was reviewed as deemed necessary.

Methodology

To achieve the audit objective, the Department of Internal Audit performed the following:

- interviewed Transportation and Public Works (TPW) Department, Financial Management Services (FMS) Department, the FWLab, and TxDOT personnel;
- reviewed contract terms and related laws;
- determined compliance with contract requirements (e.g., bonding and insurance, disadvantaged business enterprises, and prevailing wage rates), as well as CFW written policies and procedures;
- compared quantities charged to (and paid by) the City, to quantities bid by the contractor;
- reconciled number of construction days per contract and change order to the actual number of construction days;
- reviewed daily inspection logs, Site Engineer's Observation Reports, and laboratory material quality inspection reports/notes;
- reviewed final inspection and project closeout processes; and,
- evaluated internal controls related to construction contracts and projects.

We conducted this performance audit in accordance with generally accepted government auditing standards, except for peer review¹. 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.

¹ Government auditing standards require audit organizations to undergo an external peer review every three years. A peer review was due in June 2024, but is not planned until FY2025, for the three-year period ending December 31, 2023.

Audit Results

Based on our audit results, we concluded that the Safe Routes to School (SRTS) Improvements Project was advertised and awarded in compliance with CFW policies and Texas law; construction was consistent with plan diagrams and complied with TxDOT and federal grant requirements; and laboratory inspection reports indicated conformance with specified standards. Furthermore, Northstar Construction, LLC (the construction contractor) complied with insurance, prevailing wage rates, subcontracting, and payment and performance bond requirements specified within the contract.

The SRTS construction contract with Northstar Construction, LLC was amended with one change order totaling \$58,721.00. The change order, which increased the contract award amount from \$1,449,726.40 to \$1,508,447.40, related to work such as removing trees in the right-of-way and adjusting irrigation and water service. The construction project was completed at a total cost of \$1,419,427.05, resulting in overall cost savings of \$89,020.35. These savings resulted from actual quantities being less than initially estimated.

Construction Contract No. 57089	
Description	Amount
Initial Contract Amount	\$ 1,449,726.40
Change Order	\$ 58,721.00
Total Budget	\$ 1,508,447.40
Total Expenditures	\$ 1,419,427.05
Total Cost Savings	\$ 89,020.35

Source: Auditor-Generated

- On November 16, 2023, TxDOT notified the City of TxDOT’s recommendation (to another TxDOT division) to provide the City with a statement of costs. However, as of the end of our audit fieldwork (December 2024 and over 13 months later), the City had not received a statement of costs. A “draft” statement of costs, dated January 17, 2024, showed \$167,596.54 as the “Amount of Refund Due to Local Entity”.
- During our audit, we noted that the City’s Standard Construction Specification Documents required a maintenance bond. However, since TxDOT did not require a maintenance bond, no maintenance bond was required or secured. TxDOT requirements superseded those specified in the City contract.
- We also concluded that although the contractor satisfactorily completed construction on February 16, 2023, and provided surety payment dated March 22, 2023, the City’s Letter of Final Acceptance was not issued until August 2, 2023. Since the City’s delay was attributed to ensuring project clearance by TxDOT, we did not consider this a reportable finding. In addition, we concluded that total project costs in a CFW budgetary document were overstated by \$215,535.00, the amount of the “intra-fund” transfer of the City’s 20% match from the 2018 Bond Fund into the grant fund. Since the transfer was performed to illustrate the City’s funding portion of the project and we saw no evidence of this report being used to identify and/or determine contract underruns that could be used on other projects, we did not consider this a reportable exception. However, should this report be used to identify project costs over/underruns, actual expenditures noted within the report could be misleading. For example, at the close of this project, the PeopleSoft Project Budget Summary reported total project expenditures of \$2,657,592.23. However, expenditures for the project totaled \$2,442,057.23. See [Exhibit I](#).

Overall Risk Evaluation

High	Medium	Low
Untimely request/receipt of final statement of project costs		
	No maintenance bond	



Detailed Audit Findings

1. The final accounting of project costs was not completed in a timely manner.

On November 16, 2023, TPW was notified that TxDOT had recommended (to another TxDOT division/section) that a statement of costs be provided to the City. Although TxDOT's November 16, 2023 letter referenced the statement of costs and a July 12, 2023 TxDOT final inspection date, the City had not obtained a final accounting of project costs as of the end of our audit fieldwork (December 2024, and over 13 months or 396 days later).

Section 3.J. of the AFA states that "Upon completion of Project, State will perform a final accounting of Project costs. Any funds due to Local Government, State, or the Federal Government will be promptly paid by the owing party". Internal Audit observed TxDOT's "draft" final accounting of project costs within a statement dated January 17, 2024. The draft statement showed \$167,596.54 due to the local entity (i.e., City of Fort Worth).

TPW indicated the City did not have a written process for following up, and Internal Audit found no evidence that the City followed up with TxDOT to ensure prompt accounting of project costs. As a result, the City may not receive monies due. Delayed receipt of monies owed to the City could result in delayed funding for other construction projects. In this specific instance, if TxDOT's draft final accounting of project costs is valid, over \$167,000.00 has been delayed but is due to the City.

Recommendation 1A: *The Transportation and Public Works Director should request that TxDOT provide a final accounting of the Safe Route to School Improvements Project No. 102411 and then ensure that any refunds due to the City are received.*

Auditee's Response: Concur. Transportation and Public Works will continue to engage with TxDOT to ensure that the final accounting from TxDOT is received and any refunds are processed in a timely manner within the department.

Target Implementation Date: May 25, 2025

Responsibility: Monty Hall, Assistant Transportation and Public Works Director

Applicable Department Head: Lauren Prieur, Transportation and Public Works Director

Applicable Assistant City Manager: Jesica McEachern

Recommendation 1B: *The Transportation and Public Works Director should require that staff identify other TxDOT contracts for which an AFA was executed, but no final accounting of total project costs has been received, then request an accounting of those total project costs and any refunds due to the City.*

Auditee's Response: Concur. The Transportation and Public Works Department receives quarterly statements from TxDOT that depict the status of our agreements with them, including those in financial closeout.

Target Implementation Date: April 30, 2025



Responsibility: Monty Hall, Assistant Transportation and Public Works Director

Applicable Department Head: Lauren Prieur, Transportation and Public Works Director

Applicable Assistant City Manager: Jesica McEachern

Recommendation 1C: *The Transportation and Public Works Director, in cooperation with the Chief Financial Officer, should create and effectively communicate a process to ensure prompt requests and reviews of the final accounting of project costs.*

Auditee's Response: Concur. A documented procedure will be established of engaging with TxDOT on a regular basis to understand the status of final accounting of project costs. However, TPW has no control over the timeliness of TxDOT's actions.

Target Implementation Date: June 30, 2025

Responsibility: Monty Hall, Assistant Transportation and Public Works Director

Applicable Department Head: Lauren Prieur, Transportation and Public Works Director
Reginald Zeno, Chief Financial Officer

Applicable Assistant City Manager: Jesica McEachern

2. Maintenance bond requirements were contradictory.

Maintenance bonds serve as security to protect the City against any defects in any portion of the work described in contract documents. Article 5.02 B of the City's *General Conditions of the Standard Construction Specification Documents* requires the City contractor to furnish maintenance bonds in an amount equal to the contract price. However, no maintenance bond was executed for the Safe Routes to School Improvements contract. The City Attorney's Office indicated that a maintenance bond is not allowed on construction contracts where TxDOT funding is provided.

TxDOT's Standard Specifications for Construction and Maintenance of Highways, Streets, and Bridges excludes a maintenance bond from its list of required bonding. For example, TxDOT's bond listing includes performance and payment bonds.

Section 13.07 of the General Conditions states that if within two years after the date of final acceptance, any work is found to be defective, the contractor shall promptly repair/correct any defective work, without cost to the City and in accordance with the City's written instructions. Internal Audit concluded that without a maintenance bond and in instances of defective work, the City could incur unnecessary maintenance costs if the contractor goes out of business within the two-year warranty period. Alternatively, with a maintenance bond, the City would be able to make claims against the bond if the contractor went out of business during the two-year warranty period. TPW and City Attorney's Office staff indicated the City may be unable to require a maintenance bond since most, if not all, TxDOT projects do not allow the City to include a maintenance bond requirement.

Recommendation 2: *The Transportation and Public Works Director, in cooperation with the City Attorney's Office, should consult with TxDOT regarding the ability to include maintenance bonds in TxDOT related contracts. If the ability to include maintenance bonds in TxDOT-related contracts is*



unattainable, the Transportation and Public Works Director (in cooperation with the City Attorney's Office) should modify CFW contracts to include a blanket statement indicating that TxDOT requirements supersede those of the City, when there is a contradiction.

Auditee's Response: Concur. The city's contract templates should be updated to reflect that TxDOT's terms supersede the City's.

Target Implementation Date: September 30, 2025

Responsibility: Michael Owen, Senior Capital Projects Officer, Transportation and Public Works

Applicable Department Head: Lauren Prieur, Transportation and Public Works Director

Applicable Assistant City Manager: Jesica McEachern



Acknowledgements

The Department of Internal Audit would like to thank the Transportation and Public Works and Financial Management Services Departments, the FWLab, and the Texas Department of Transportation for their cooperation and assistance during this audit.



Exhibit I – Project Budget Summary

Revenue		Current Budget			Actuals (LTD)	Budget Remaining	% of Budget Received
<input type="checkbox"/> 31001	Grants Cap Projects Federal	\$1,077,676.00			\$1,077,676.00	\$0.00	100.00
Total Revenue:		\$1,077,676.00			\$1,077,676.00	\$0.00	100.00

Expenditure		Current Budget	Pre-Encumbrance	Encumbrance	Actuals (LTD)	Budget Remaining	% of Budget Spent
<input type="checkbox"/>	Bond Program	\$1,579,916.23	\$0.00	\$0.00	\$1,579,916.23	\$0.00	100.00
<input type="checkbox"/>	Grant Capital & Operating	\$1,077,676.00	\$0.00	\$0.00	\$1,077,676.00	\$0.00	100.00
<input type="checkbox"/>	New Capital Project Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.00
Total Expenditure :		\$2,657,592.23	\$0.00	\$0.00	\$2,657,592.23	\$0.00	100.00

Parameter	Value
Project	102411

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