



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER CO#115606

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DATE: 07/16/2013

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT REF: RENDON-
BLOODWORTH ROAD PROJECT, PRECINCT 1**

COMMISSIONERS COURT ACTION REQUESTED:

It is requested that the Commissioners Court receive and file the Auditor's Report of the Review of the Rendon-Bloodworth Road Project located in Precinct 1.

BACKGROUND:

The Auditor's Office performed a review of the Rendon-Bloodworth Road Project located in Precinct 1. Specifically, the Auditor's Office reviewed purchase orders, payments, outstanding invoices and goods receipts related to R.D. Howard Construction, Rinker Materials, Hanson Pipe and Precast, F.B. McIntire Equipment Company and TXI Operations. The Auditor's Office also interviewed a number of County employees from Precinct 1, the Transportation Department, the Purchasing Department, and other departments. Although no evidence of duplicate or improper payments to a vendor was found, the audit report includes two conditions requiring management's attention.

The report was discussed with County management on July 15, 2013.

FISCAL IMPACT:

There is no direct fiscal impact associated with this item.

SUBMITTED BY: Auditor

PREPARED BY: S. Renee Tidwell
APPROVED BY:



TARRANT COUNTY

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July 8, 2013

The Honorable Roy Charles Brooks, Commissioner, Precinct 1
The Honorable District Judges
The Honorable Commissioners Court
Tarrant County, Texas

Re: Auditor's Report – Review of the Rendon-Bloodworth Road Project, Precinct 1

SUMMARY

We performed a review of the controls over the Rendon-Bloodworth Road Project located in Precinct 1. Specifically, we reviewed purchase orders, payments, outstanding invoices, and goods receipts related to R.D. Howard Construction, Rinker Materials, Hanson Pipe and Precast, F.B. McIntire Equipment Company, and TXI Operations. We also interviewed a number of County employees from Precinct 1, the Transportation Department, the Purchasing Department, and other departments. Although we found no evidence of duplicate or improper payments made to a vendor, management should consider the following conditions:

Observation 1 Changes made to the scope of contracted work were not formally documented.

Observation 2 Procedures related to recording a “goods receipt” into the County’s financial system were not adequate.

According to our review of memos, emails, and other documentation, we also confirmed that the County performed work on private property along Rendon-Bloodworth Road. *The County Administrator’s Office is reviewing this issue in detail and will provide a written report to the Commissioners Court.*

In response to the allegations made toward R.D. Howard Construction, we found **no** evidence of wrongdoing. We believe that R.D. Howard Construction had proper approvals from Tarrant County for the changes made to the scope of services described by purchase order #4500144149. County officials from Precinct 1, the Purchasing Department, and the Transportation Department met with the TxDOT Inspector and R.D. Howard Construction on the morning of May 24, 2012 to discuss changes to the scope of the project. Later that day, R.D. Howard Construction sent an email to Precinct 1 detailing the deductions and additions of work described in the purchase order. Precinct 1 forwarded this email to the Purchasing Department referencing the change to the scope of work and that the value of the original purchase order remained the same. Although there were no “values” assigned to the deductions and additions to the scope, we found no evidence that County officials requested this information at that time. Furthermore, Precinct 1 management provided R.D. Howard Construction a written “notice to proceed” on the project.

We discussed these issues with County management on July 15, 2013.

OBSERVATIONS AND RECOMMENDATIONS

Observation 1 Changes made to the scope of contracted work were not formally documented.

Background

Purchase order #4500144149 was issued to R.D. Howard Construction on May 22, 2012 totaling \$36,702 for services related to the Rendon-Bloodworth Road project. According to a memo prepared by the Purchasing Department dated July 2, 2012, a meeting was held on May 24, 2012 with the Texas Department of Transportation (TxDOT), R.D. Howard Construction, Precinct 1, the Purchasing Department, and the Transportation Department. The memo stated that TxDOT's proposed changes to the scope of work related to the project were not included in the original purchase order. The memo also indicated that since the County would provide the "sloping ends" for the project (removing this line item from the scope of work), R.D. Howard Construction would provide the additional concrete with no price increase to the purchase order. R.D. Howard Construction provided an email on May 24, 2012 describing the changes to the scope of work. On May 25, 2012, Precinct 1 management sent an email to R.D. Howard Construction as an official "notice to proceed" on the project.

Observation

During our review, we found that changes made to the scope of work specified by purchase order #4500144149 *were not* formally documented. The original scope of the project required that the contractor, R.D. Howard Construction, "furnish and install two each double barrel 36" Safety End Treatments sets with walls and footings connected to pipe by County" in the amount of \$14,000. Per the email dated May 24, 2012 between the contractor and Precinct 1 management, this item was deducted from the scope of work, and five other items were added. The email described the additional scope, but it did not indicate a value for each item. The email also specifically indicated that there was no change in the price and that the purchase order value remained the same. Precinct 1 management also forwarded this email to the Purchasing Department on May 29, 2012.

We cannot determine whether the amount deducted from the contract amount is the same value of the services added to the contract. In order to estimate the value of the work provided by the contractor, the project would have to be excavated. Even then, a complete accounting might not be feasible due to the nature of the project. The item deducted from the purchase order was provided by another vendor under purchase order #4500144424 in the amount of \$12,236.50.

According to Precinct 1 management and the Purchasing Department, a formal process exists for change orders. However, the process was circumvented due to the accelerated time requirements related to the dangerous conditions along Rendon-Bloodworth Road.

Recommendations

As recommended by the Purchasing Department, *all* requisitions for road work and materials should include the project number. This will allow the Purchasing Department to monitor the County's compliance with State bidding laws.

We also recommend that *all* changes made to services provided under purchase order or contract should result in a supplement to the original purchase order or contract. The purpose of the change should be clearly documented and describe the changes to the scope of work, including the costs associated with each scope addition and deduction.

Furthermore:

1. Any County or precinct road project outside the normal course of business, including work on TxDOT roadways and work on private property, should be reviewed by the County Administrator's Office. The County Administrator should also evaluate the need to present the project to the Commissioners Court for review and approval.
2. The County should consider using the County's Transportation Department or an independent cost specialist or firm to determine the reasonableness of the changes and the associated costs.

Observation 2 *Procedures related to recording a "goods receipt" into the County's financial system were not adequate.*

Background

The "goods receipt process" is a way to track whether goods were received in acceptable condition. Upon receipt of a delivery ticket, authorized department staff enters the *goods receipt* into SAP, the County's financial system. If the *goods receipt* in SAP matches the vendor purchase order and invoice, the Auditor's Office will initiate payment to the vendor or contractor. Therefore, all County departments have a responsibility related to the payment of vendors.

Observation

During our review, we found that the process of entering a *goods receipt* into SAP was not adequate. The Precinct 1 administrative clerk entered the *goods receipt* into SAP upon receipt of a vendor's delivery ticket. However, we found that the delivery ticket related to purchase order #4500144424 was not signed and dated by a person on the project site as "Received in Good Order and Accepted." Since the clerk was not on the project site, she could not know whether the County had actually received the goods.

Furthermore, the clerk was unable to locate the vendor's delivery ticket related to purchase order #4500140553 upon our request.

Recommendations

Since *all* County departments have a responsibility related to the payment of vendors, the administrative clerks should ensure that an authorized individual has signed the delivery tickets before the *goods receipt* is entered into SAP.

Furthermore, we recommend that project files are complete and include all delivery tickets and other pertinent communication related to projects.

CLOSING REMARKS

We appreciate the cooperation of the vendors and County staff from Precinct 1, Purchasing, and the Transportation departments during our review. Please call me if you have any questions regarding the contents of this report.

Sincerely,



S. Renee Tidwell, CPA
County Auditor

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