



**City of El Paso
Capital Improvement
Department
Management Assessment Report**

Prepared by the
Internal Audit Office
August 3, 2015



Internal Audit Office

Mayor
Oscar Leeser

City Council

District 1
Peter Svarzbein

District 2
Larry Romero

District 3
Emma Acosta

District 4
Carl L. Robinson

District 5
Dr. Michiel R. Noe

District 6
Claudia Ordaz

District 7
Lily Limón

District 8
Cortney C. Niland

City Manager
Tommy Gonzalez

DATE: August 3, 2015

TO: Tommy Gonzalez, City Manager

FROM: Edmundo S. Calderon, Chief Internal Auditor

SUBJECT: Capital Improvement Department - Management Assessment

As you have requested, the Internal Audit Office has conducted a management assessment of the Capital Improvement Department (CID).

Our Assessment is divided into 6 areas:

- Department Leadership
- Staffing
- Communication
- Procedures
- Training
- Reimbursement Requests

Please review the Management Assessment at your convenience. If you have any questions or concerns, please do not hesitate to contact me.

cc: Nancy Bartlett, Chief Performance Officer
Mark Sutter, Chief Financial Officer
Monica Lombraña, Aviation Director/On-Loan Administrator
Financial and Audit Oversight Committee

City of El Paso
Internal Audit Office
Capital Improvement Department Management Assessment Report

OBJECTIVES

We performed an assessment of the overall process of administering, monitoring, and submitting for reimbursement of TXDOT funded construction projects. We interviewed Capital Improvement Department (CID) personnel, initiated meetings with TXDOT representatives, met with City Management, and reviewed 2 applications for reimbursement to TXDOT. We did not perform in-depth review of the supporting documentation submitted to TXDOT for reimbursement.

BACKGROUND

As a result of a site monitoring visit that was conducted by Texas Department of Transportation (TXDOT) on May 27-28, 2015, an assessment was requested by the City Manager to review the current TXDOT funded projects administered and monitored by the Capital Improvement Department.

On May 28, 2015, a meeting between TXDOT representatives and CID Management and staff was held. During this meeting, the results of the site monitoring visit were verbally communicated which outlined deficiencies with required supporting documentation and lagging reimbursement requests.

Based on our assessment, we have identified 6 issues regarding Leadership, Staffing, Communication, Procedures, Training, and Billing/Reimbursement Requests.

OBSERVATION 1

Department Leadership

There appears to be poor leadership tone from Capital Improvement Department Management. From the various interviews conducted, it appears the City Engineer lacks the necessary leadership skills needed to manage the department. There was no sense of urgency regarding the lack of reimbursement requests and communicating these issues to the City Manager's Office. The lack of communication exists within the department and with external parties such as TXDOT representatives. The City Engineer did not ensure that documented Policies and Procedures existed for TXDOT funded projects.

It also appears that the Capital Improvement Department Director does not command the respect of the department staff and appeared to be overwhelmed with his position. Many CID Department staff members were unaware that the City Engineer reported to the CID Director. They were under the impression that the CID Director reported to the City Engineer. CID Department staff was never informed of the reporting lines for the department.

The Project Managers involved with TXDOT funded projects also appeared to exhibit a lack of communication skills with internal staff and TXDOT representatives. TXDOT information requests went unanswered for long periods of time. Supporting documentation appears to be incomplete, non-existent, or not produced timely which indicates a lack of a quality control process.

RECOMMEDATION

We recommend that the Capital Improvement Department:

- Create P&P Manuals specific to TXDOT Funded Projects
- Create Quality Control Process for all Capital Improvement Projects
- Develop a plan to develop the CID Director
- Seek an outside consultant with TXDOT, MPO, and Capital Improvement experience to provide assistance in the management of Capital Improvement Projects

OBSERVATION 2

Staffing

The Capital Improvement Department does not seem to have the appropriate staff to ensure that projects are administered and monitored appropriately. Staff experience is also a concern. Construction projects have several different Project Managers assigned which does not ensure consistency throughout the life of the project. The lack of Project Manager consistency has helped create the current problem of incomplete/missing supporting documentation.

We were unable to obtain an internal Organizational Chart until a draft was provided on July 16, 2015. The Organizational Chart has not been finalized and shared with management and staff.

RECOMMEDATION

We recommend that the Capital Improvement Department conduct an evaluation of its staffing needs. An evaluation of experience levels for Project Managers should be conducted. Consideration should be given in assigning Project Managers to individual projects from “Cradle to Grave”. This would help avoid delays on projects. In addition create an official Organization Chart that will establish the necessary reporting lines for all staff members. The use of an outside consultant with TXDOT, MPO, and Capital Improvement experience can assist in this area.

OBSERVATION 3

Communication

There appears to be a lack of communication between the Capital Improvement Department (CID) and the City Manager's Office, internal staff or external parties. The City Engineer did not communicate the existence of and results of the May 27-28, 2015 site-monitoring visit by TXDOT representatives to City Manager Office. The results of the TXDOT site visit were communicated to the City Engineer. These results are the very issues the City Manager's Office is currently addressing.

According to interviews, it appears staff working on a project may not know that other staff members are working on the same project. Multiple TXDOT requests for information on project updates have gone unanswered. Requests from the Internal Audit Office have also gone unanswered by CID.

RECOMMEDATION

We recommend that an evaluation be conducted in CID regarding the method updates and issues are communicated to staff, the City Manager Office, and external parties. The current process is not operating effectively in addressing updates and issues. The use of an outside consultant with TXDOT, MPO, and Capital Improvement experience should be implemented to address the communication issues within CID.

OBSERVATION 4

Procedures

The Capital Improvement Department (CID) does not have a documented set of Policies and Procedures for TXDOT funded projects. Project files appear to be incomplete or are missing required support documentation such as Daily Reports, Material Testing Reports, Measurement/Inspection Reports, and other required TXDOT documentation. CID does not have a central depository for all records. Projects sometimes have design changes during the construction phase that are not documented or possibly approved.

It was determined during this assessment that previous TXDOT Monitors were not enforcing their reimbursement policies and were lax in requiring CID to submit the required forms or supporting documentation. This caused the department's reimbursement process to become deficient in collecting reimbursements from TXDOT.

RECOMMEDATION

We recommend that CID immediately create a set of Policies and Procedures for TXDOT funded projects. The lack of Policies and Procedures has caused delays in obtaining reimbursements from TXDOT. The use of an outside consultant with TXDOT, MPO, and Capital Improvement experience should be implemented as soon as possible to avoid any delays in obtaining reimbursements from TXDOT.

OBSERVATION 5

Training

The Capital Improvement Department (CID) staff needs training regarding TXDOT requirements. After repeated requests to CID for training records with no response, we are unable to verify the training completed by staff. We are also unsure whether a departmental training policy exists for professional and non-professional staff.

Without the requested documentation we are unable to determine if the training needs of the department are being met. We are aware of staff attending TXDOT training sessions but are unsure if the proper staff members attended. TXDOT does provide training to Local Governments but we are unsure which CID staff members attended.

RECOMMEDATION

We recommend that the CIP Department implement a formal training program for all staff members. The use of an outside consultant with TXDOT, MPO, and Capital Improvement experience should assist in this evaluation.

OBSERVATION 6

Reimbursement Request

The preparation of the reimbursement packet submitted to TXDOT is very complex and lengthy. The Capital Improvement Department (CID) is months behind in requesting reimbursements. Some of these projects have been substantially completed and there has been no reimbursement requests sent to TXDOT. For reimbursement requests that have been submitted, they lack proper support documentation or contain inconsistencies which have delayed reimbursement from TXDOT.

During our assessment we have determined that TXDOT has not been provided Daily Reports, Inspection Reports, Measurement Verifications, and Material Testing Reports. These documents play a key role in obtaining reimbursement from TXDOT.

CID appears to reimburse its contractors without verifying quantities, amounts billed, and confirming payrolls before payments are made. Verifications are made months after the contractor has been paid which makes it difficult to verify the information provided.

RECOMMEDATION

We recommend that CID implement a process to address the outstanding reimbursement request. TXDOT has identified 3 current projects that need immediate attention. City Management has identified 2 additional projects that reimbursements need to be requested from TXDOT. The use of an outside consultant with TXDOT, MPO, and Capital Improvement experience should be implemented to assist in addressing the past due reimbursements.

CONCLUSION

Based on the information obtained during our assessment, it is apparent that that Capital Improvement Department is in need of improving its procedures with TXDOT funded projects. It is our opinion that the Capital Improvement Department is in need of:

- Leadership
- Appropriate Staffing and Training
- Established Policies and Procedures related to TXDOT projects.

The current TXDOT Projects pending reimbursements are in dire need of attention. Our review has identified a lack of TXDOT documentation required for reimbursement. During our meeting with TXDOT representatives, the required documentation is critical in order to obtain the requested reimbursement.

City Management should consider the use of outside consultants with TXDOT, MPO, and Capital Improvement experience to provide immediate assistance in addressing the observations identified in this report.