

**OFFICE OF THE CITY CONTROLLER**



**HOUSTON AIRPORT SYSTEMS DEPARTMENT (HAS)**

**FISCAL YEAR 2013 FOLLOW-UP PROCEDURES**

**Ronald C. Green, City Controller**

**David A. Schroeder, City Auditor**



**OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS**

**RONALD C. GREEN**

March 20, 2013

The Honorable Annise D. Parker, Mayor

**SUBJECT: REPORT #2013-08  
HOUSTON AIRPORT SYSTEMS DEPARTMENT (HAS) – FY2013 AUDIT FOLLOW-UP PROCEDURES**

Mayor Parker:

The Office of the City Controller's Audit Division has completed its follow-up procedures related to the FY2012 remediation efforts performed by Houston management. As part of providing independent and objective assurance services related to efficient and effective performance, compliance, and safeguarding of assets, we perform follow-up procedures to ensure that corrective actions are taken related to issues reported from previous audits.<sup>1</sup>

During FY2011, the Audit Division changed the Audit Follow-Up Process to utilize a risk-based approach, which contains two primary components:

- Management Status/Self-Reporting
- Fieldwork Testing/Verification

Based on the procedures performed above, we obtained sufficient and appropriate evidence to render our conclusions as follows:<sup>2</sup>

- There were a total of 84 findings contained in the five (5) reports issued during the scope period.<sup>3</sup> Our test work determined that eight (8) had been Closed. The remaining 76 findings are **Ongoing (not remediated)**
- In reviewing the remediation process associated with the 76 findings previously reported that are ongoing, 42 were deemed inadequate, yielding an overall assessment of **Inadequate (High Risk and Impact)**

NOTE: Most of the content of this follow-up was related to Report 11-04, which was a Performance Audit of a large construction contract that the City entered into as executed on September 28, 2005.

### ***SIGNIFICANT REPORTABLE DEFICIENCIES***

During the **MANAGEMENT STATUS/SELF REPORTING** process of this Follow-Up Audit, HAS created significant delays and irregularities in support of their overall remediation process, specifically as it related to issues identified in Report 2011-04. The result of the process executed by HAS reflected the following significant deficiencies:

- An official response from executive management was never received to support their change in position (GAS 7.32 – 7.38)(IIA 2500, PA 2500-01)
- Re-performed testing procedures were deficient in design and execution (GAS 6.03; 6.06 – 6.35; 6.52)(IIA 2300, 2310, and 2320)
- Existing evidence available from the original audit that was performed by construction audit specialists was not used to re-perform (GAS 6.03; 6.36; 6.40 – 6.44)(IIA 2210.A2)
- Non-validated and inconsistent data was used to perform procedures (GAS 6.69 – 6.72) (IIA 2300, 2310, and 2320)

<sup>1</sup> IIA Standard 2500 - requires a process that "...auditors evaluate the adequacy, effectiveness, and timeliness of actions taken by management on reported observations and recommendations...."

<sup>2</sup> See Exhibit 1 for the Detailed Remediation Assessment -"FY2012 Audit Follow-Up Procedures Matrix"

<sup>3</sup> Audit Report 11-04 contained 98 findings, of which 69 were relevant to the current follow-up procedures.



OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS

RONALD C. GREEN

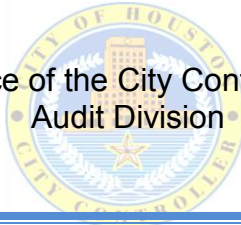
- Some resources that were used that lacked independence (GAS 3.02 – 3.32) and construction audit experience which yielded unreliable and inconsistent results (GAS 6.45 – 6.46)(IIA 1210, 1210.A1 and 2230)
- The process, as a whole, involved numerous meetings, additional external costs, and substantial amount of time (approximately 445 additional hours incurred by the Audit Division within the Office of the City Controller). (GAS 6.03; 6.05)(IIA 1220.A1)

**These procedures and changes in position represent significant irregularities and deficiencies in the remediation and monitoring process. These factors, taken as a whole raise the risk of potential fraud, waste and/or abuse of City funds.** (GAS 6.31 – 6.32; 7.21 – 7.23)

Respectfully submitted,

Ronald C. Green  
City Controller

cc City Council Members  
Mario Diaz, Director, Houston Airport Systems  
Chris Brown, Chief Deputy City Controller, Office of the City Controller  
Kertecia Mond, Chief Auditor, Houston Airport Systems  
Waynette Chan, Chief of Staff, Mayor's Office  
David Schroeder, City Auditor, Office of the City Controller



---

***TABLE OF CONTENTS***

**TRANSMITTAL LETTER ..... i**

**EXECUTIVE SUMMARY..... 1- 3**

    BACKGROUND..... 1

    AUDIT SCOPE AND OBJECTIVES ..... 2

    PROCEDURES PERFORMED ..... 2

    AUDIT METHODOLOGY ..... 3

    CONCLUSIONS ..... 3

    SIGNIFICANT REPORTABLE DEFICIENCIES ..... 3

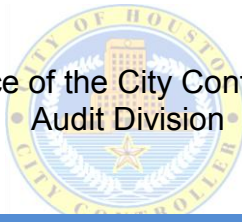
    ACKNOWLEDGEMENT AND SIGNATURES..... 4

---

**EXHIBIT 1**

**DETAILED REMEDIATION ASSESSMENT ..... 5-25**

NOTE: SEE ATTACHMENT FOR ADDITIONAL DETAILS.



---

## **BACKGROUND**

The Office of the City Controller's Audit Division has completed its follow-up procedures related to the FY2012 remediation efforts performed by management. As part of providing independent and objective assurance services related to efficient and effective performance, compliance, and safeguarding of assets, we also perform follow-up procedures to ensure that corrective actions are taken related to issues reported from previous audits.<sup>1</sup>

The Audit Division (Division) Audit Follow-Up Process utilizes a risk-based approach, which contains two primary components:

- Management Status/Self-Reporting
- Fieldwork Testing/Verification

### **MANAGEMENT STATUS/SELF REPORTING:**

During the 3<sup>rd</sup> quarter of the fiscal year, the current list of findings is reviewed and ranked according to three levels of risk (high, medium, and low). They are organized and identified by department and sent for management's self-reported status as to progress of remediation based on their responses in the Audit Report. This information is then assessed by the audit team considering (1) responsiveness to the original issue and (2) resolution of the issue identified.

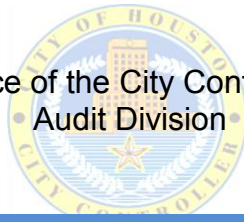
### **FIELDWORK/TESTING VERIFICATION PHASE:**

During the first quarter of the subsequent fiscal year, the information obtained through the management status phase is used as a basis to select departments for follow-up testing. Using the results of weighted risk-ranked findings, while also ensuring complete review of all City Departments, 4-5 are then selected for follow-up. All findings for those departments are then tested for status (Ongoing, Closed, or Disagreed) and assessment of remediation process (Adequate or Inadequate and a ranking of High, Medium, or Low remediation risk), with consideration of the accuracy of management's self-reported status.

An **Inadequate** rating is assessed when the status of the findings are not as reported by management and/or the issues have not been addressed as originally committed to by the responsible management (consideration is given for changing environment that may require a different approach to solving the issue). If a department's remediation efforts have been assessed as **Inadequate**, a rating of magnitude is also attached, based on the risk ranking of the associated finding(s). For example, a rating of **Inadequate – Low Risk and Impact** indicates that the remediation efforts are not sufficient; however, the risk to the City is Low.

---

<sup>1</sup> IIA Standard 2500 - requires a process that "...auditors evaluate the adequacy, effectiveness, and timeliness of actions taken by management on reported observations and recommendations...."



---

## ***AUDIT SCOPE AND OBJECTIVES***

We identified ***all*** findings issued in ***all*** reports through the Office of the City Controller ***since FY2009*** (this includes reports issued by outside professional services firms as well as those performed and issued exclusively by Audit Division professional staff).

Based on the Process described above the six departments selected were:

- Public Works and Engineering Department (PWE)
- Houston Public Library (HPL)
- Houston Emergency Center (HEC)
- Houston Police Department (HPD)
- Mayor's Office
- Houston Airport System (HAS)

This report provides the results of the follow-up process as it relates to HAS and includes 84 individual findings issued via five (5) formal audit reports during the period July 1, 2008 through March 31, 2012. Of the 84 findings, 69 were communicated via Report No. 2011-04, HAS Construction Contract Performance Audit of Project 417F Phase 1<sup>2</sup>. At the date Report 2011-04 was issued (April 13, 2012), general consensus, commitments and agreement to resolutions were reached. The original reporting process included a lengthy validation and verification process involving the Controller's Audit Division, HAS, and the Vendor (Clark Construction).

The objectives of our Follow-Up Procedures were to determine:

1. The Remediation Status for each open item
2. If a process was in place to resolve the department's universe of findings.

## ***PROCEDURES PERFORMED***

Audit procedures performed to meet the audit objectives and provide a basis for our conclusions were as follows:

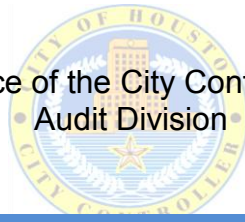
- Obtained and reviewed Management's Self-reporting of Findings status;
- Determined and requested the documentation necessary to support the status reported by management;
- Performed Interviews with Management and relevant staff; and
- Reviewed supporting documentation and other evidence provided for sufficiency and appropriateness.

## ***AUDIT METHODOLOGY***

We conducted Follow-Up Procedures in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Government Accountability Office (GAO) and The International Standards for the Practice of Internal Auditing as promulgated by The Institute of Internal Auditors. Those standards require that we plan and perform our work to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained meets these standards to support our findings and conclusions based on our audit objectives.

---

<sup>2</sup> The City entered into the construction contract with Clark on September 28, 2005. The Audit Report identified 98 total findings of which 69 were relevant to the current follow-up.



---

## CONCLUSIONS

Based on the procedures performed above, we obtained sufficient and appropriate evidence to render our conclusions as follows:<sup>3</sup>

- There were a total of 84 findings contained in the reports issued during the scope period. Our test work determined that eight (8) had been Closed. The remaining 76 findings are **Ongoing (not remediated)** (Objective 1).
- In reviewing the remediation process associated with the 76 findings previously reported that still apply, 42 were deemed inadequate, yielding an overall assessment of **Inadequate – High Risk and Impact** (Objective 2)

## SIGNIFICANT REPORTABLE DEFICIENCIES

During the **MANAGEMENT STATUS/SELF REPORTING** process of this Follow-Up Audit, HAS created significant delays and irregularities in support of their overall remediation process, specifically as it related to issues identified in Report 2011-04. The result of the process executed by HAS reflected the following significant deficiencies:

- An official response from executive management was never received to support their change in position (GAS 7.32 – 7.38)(IIA 2500, PA 2500-01)
- Re-performed testing procedures were deficient in design and execution (GAS 6.03; 6.06 – 6.35; 6.52)(IIA 2300, 2310, and 2320)
- Existing evidence available from the original audit that was performed by construction audit specialists was not used to re-perform (GAS 6.03; 6.36; 6.40 – 6.44)(IIA 2210.A2)
- Non-validated and inconsistent data was used to perform procedures (GAS 6.69 – 6.72) (IIA 2300, 2310, and 2320)
- Sufficient and appropriate evidence was not provided that refuted or substantiated a change in position from the original response(s) (GAS 6.56 – 6.66 emphasis 6.65) (IIA 2300, 2310, and 2320)
- Some resources were used that lacked independence (GAS 3.02 – 3.32) and construction audit experience which yielded unreliable and inconsistent results (GAS 6.45 – 6.46)(IIA 1210, 1210.A1 and 2230)
- The process, as a whole, involved numerous meetings, additional external costs, and substantial amount of time (approximately 445 additional hours incurred by the Audit Division within the Office of the City Controller). (GAS 6.03; 6.05)(IIA 1220.A1)

**These procedures and changes in position represent significant irregularities and deficiencies in the remediation and monitoring process. These factors, taken as a whole raise the risk of potential fraud, waste and/or abuse of City funds.** (GAS 6.31 – 6.32; 7.21 – 7.23)

---

3

See Exhibit 1 for the Detailed Remediation Assessment - "FY2012 Audit Follow-Up Procedures Matrix"



Office of the City Controller  
Audit Division

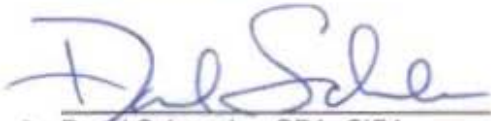


---

**SIGNATURES**

  
\_\_\_\_\_  
Scott Haiflich, CGAP  
Auditor-in-Charge

  
\_\_\_\_\_  
Arnie Adams, CFE, CIA  
Audit Manager

  
\_\_\_\_\_  
David Schroeder, CPA, CISA  
City Auditor



Original Report				HAS Follow-Up Response		Controller's Office Audit Division Follow-Up Assessment		
Item	Name	Observation	Amount	HAS Internal Audit Findings (HAS Management Updated Responses)	Amount to Credit HAS	CTR Audit Assessment of Updated Responses	Conclusion	Remediation Process
1	Overstated Salaried Labor Costs	Salary rates billed differ from the rate schedules in the contract. An initial request to review and test actual salary labor and burden costs for salary costs recorded in the job cost ledger was denied by Clark. The Audit Team requested HAS to intervene and persuade Clark to provide such documentation, however, HAS was not successful. Total salaried payroll for the time period tested totaled \$6,708,116, which is approximately 10% of total job costs billed. Alternatively, we tested the rates to the rate schedules in the contract for \$2,486,005 (excludes Phase 1 preconstruction) of the salaried payroll expenses and determined that HAS was overcharged \$181,299 (7.29%). Using the 7.29% extrapolated to the total salaried expenses (excluding Phase 1 preconstruction), HAS was overcharged \$460,073.69	\$ 460,073.69	HAS analysis and calculations based on 40-hour week, actual job titles/rates date-period specific, 100% population, and all transactions including adjustments/reversals showed Clark owed HAS \$91,359.07. Clark's calculations based on 37-hour week and most recent and highest job titles/rates showed that HAS owed Clark about \$223,427.39. Note that the contract showed only weekly rate in absolute amounts.	\$ 91,359.07	Ongoing - HAS did not use the same salaried payroll amount from the Job Cost Ledger as the controller's office. Further they used job rate schedules (provided by Clark) that were not included in approved amendments.	Ongoing Management has changed its original response. The data used by both HAPMT and HAS management was not validated and thus lead to unreliable conclusions. The response and status does not address the original issue nor does it outline a path for successful remediation.	Inadequate/ High
2	Overstated Hourly Labor Burden Costs	Hourly Labor Burden is overstated because several hourly employees did not participate in the medical insurance plan or vacation plan. In addition, burden costs for all hourly employees are overstated by Field Flat Burden (bonuses based on annual bonus for entire company) and Training Burden. Based on our sample, we calculate the burden rate was overstated by 7.6%. Based on labor costs totaling \$406,533.76 recorded in the job cost ledger, the burden overcharge is estimated to be \$30,896.57.	\$ 30,896.57	Internal Audit's opinion is burden costs are included in the markup percentage. This would be impossible to determine.	\$ -	Ongoing - Neither HAPMT, nor HAS obtained the original workpapers or evidence gathered and used by the CTR Audit Team. Therefore, there is no basis to respond nor modify or adequately support their position.	Ongoing HAS management changed their original response. The most recent HAS' response does not address the original issue nor does it outline a clear path for successful remediation.	Inadequate/ High

Original Report				HAS Follow-Up Response		Controller's Office Audit Division Follow-Up Assessment		
Item	Name	Observation	Amount	HAS Internal Audit Findings (HAS Management Responses)	Amount to Credit HAS	CTR Audit Assessment of Updated Responses	Conclusion	Remediation Process
3	Billed Costs in Clark's Payment Estimate #61, Greater Than Costs Recorded in Job Cost Ledger	The job cost ledger through 6/30/10 lists costs totaling \$65,688,627.90. Per Application for Payment #61 (the final application for payment for Ph. 1) for the period through January 31, 2010, the cost of work totals \$65,767,258.07 (Billed cost including fee of \$68,517,978.77 less the fee calculated in compliance with the agreement of \$2,750,720.70). This results in a difference of \$78,630.17.	\$ 78,630.17	HAPMT received the Billing in Excess of Costs from the Controller's Office. The Auditor's calculation computes correctly, however HAPMT is unable to determine the appropriate calculation based on the provided information.		Ongoing - Neither HAPMT nor HAS performed substantive procedures to validate or verify the accuracy of the original finding. The sequence of responses are also contradictory and inconclusive.	Ongoing  HAS Management's response is not based on the evidence provided, lacks independent analysis, and it does not address or seek to remediate the original issue identified.	Inadequate/ High
4	Miscellaneous Costs that Are Not Considered "Cost of the Work"	ConstructWare Journal Entry - Project Management System \$60,000 recorded in November 2005 and \$(50,000) recorded in January 2006. Clark has indicated that they plan on adding the \$50,000 back to the job cost ledger.	\$ 10,000.00	See response in HAPMT Findings.		Ongoing - Procurement of accounting software is expressly contained in the Construction Manager's Construction Phase Fee and not to be billed to HAS.	Ongoing  HAS Management's response is not based on the evidence provided, as cited from the contract language in the original finding and does not address or seek to remediate the original issue identified.	Inadequate/ Medium
5	Miscellaneous Costs that Are Not Considered "Cost of the Work"	Dell (invoice date - June 5, 2007) - (10) 1 GB Memory Modules	\$ 1,034.55	See response in HAPMT Findings.	\$1,034.55	Ongoing - Finding will be closed upon verification of credit receipt.	Ongoing  HAS is to receive the credit, finding will be closed upon verification of credit receipt.	Adequate/ Low

Original Report				HAS Follow-Up Response		Controller's Office Audit Division Follow-Up Assessment		
Item	Name	Observation	Amount	HAS Internal Audit Findings (HAS Management Responses)	Amount to Credit HAS	CTR Audit Assessment of Updated Responses	Conclusion	Remediation Process
6	Miscellaneous Costs that Are Not Considered "Cost of the Work"	FS Industries (invoice date May 19, 2008) - Forkliftable Building. The invoice for this purchase included two buildings totaling \$12,116.08. The total was recorded as job cost on this project, but one of the two buildings was shipped to Clark's San Antonio International Airport project. As such, there was an overcharge of \$6,057.54 to this project.	\$ 6,057.54	See response in HAPMT Findings.		Ongoing - Updates to management responses contradict earlier presentations of fact.	Ongoing  No information was provided to validate a credit given.	Inadequate/ Low
7	Miscellaneous costs that are not considered "Cost of the Work"	Software House (invoice date - July 16, 2008) - Software-AutoCAD	\$ 1,096.04	See response in HAPMT Findings.		Ongoing - Software is generally registered to a licensed user or group and not to machines or intangible objects. Nothing was provided to support proper ownership to allow this cost. This software is not part of the job cost, but rather is an overhead cost that should be absorbed by the CMAR fee.	Ongoing  HAPMT and HAS Management's response do not address or seek to remediate the original issue identified.	Inadequate/ Low
8	Miscellaneous costs that are not considered "Cost of the Work"	Moffitt (invoice dated January 5, 2009) - Executive Search Costs for recruitment of Clark Safety Engineer in January 2009	\$ 21,900.00	See response in HAPMT Findings.	\$21,900.00	Ongoing - HAPMT and HAS management responses agree with the original finding.	Ongoing  HAS to receive the credit, finding will be closed upon verification of credit receipt.	Adequate/ Medium
9	Miscellaneous costs that are not considered "Cost of the Work"	Project Management - Phase 1 Closeout Management Journal Entry dated October 12, 2009.	\$ 1,491.43	HAPMT received the Salaried Payroll Testing work paper from the Controller's Office. HAPMT tied the title of the employees listed in the work paper to rates listed in Amendment 1 Exhibit 6. Only one employee's name was listed in the contract document. Based on the auditor's work paper, the contract rates calculate accurately and total an overcharge of \$1,491.43.	\$1,491.43	Ongoing - HAPMT and HAS management responses agree with the original finding.	Ongoing  HAS to receive the credit, finding will be closed upon verification of credit receipt.	Adequate/ Low
10	Insurance and Bond Costs that are not considered "Cost of the Work"	Excess Liability Insurance - 4th Quarter 2007 GL<\$5k Claims Reimbursement Journal Entry dated December 31, 2007	\$ 1,017.27	See response in HAPMT Findings.	\$1,017.27	Ongoing - HAPMT and HAS management responses agree with the original finding.	Ongoing  HAS to receive the credit, finding will be closed upon verification of credit receipt.	Adequate/ Low

Original Report				HAS Follow-Up Response		Controller's Office Audit Division Follow-Up Assessment		
Item	Name	Observation	Amount	HAS Internal Audit Findings (HAS Management Responses)	Amount to Credit HAS	CTR Audit Assessment of Updated Responses	Conclusion	Remediation Process
11	Insurance and Bond Costs that are not considered "Cost of the Work"	Excess Liability Insurance - 1st Quarter 2008 GL<\$5k Claims Reimbursement Journal Entry dated April 28, 2008	\$ 2,218.24	See response in HAPMT Findings.	\$2,218.24	Ongoing - HAPMT and HAS management responses agree with the original finding.	Ongoing  HAS to receive the credit, finding will be closed upon verification of credit receipt.	Adequate/ Low
12	Insurance and Bond Costs that are not considered "Cost of the Work"	Excess Liability Insurance - 4th Quarter 2008 GL<\$5k Claims Reimbursement Journal Entry dated December 31, 2008	\$ 5,000.00	See response in HAPMT Findings.	\$5,000.00	Ongoing - HAPMT and HAS management responses agree with the original finding.	Ongoing  HAS to receive the credit, finding will be closed upon verification of credit receipt.	Adequate/ Low
13	Insurance and Bond Costs that are not considered "Cost of the Work"	Excess Liability Insurance - 4th Quarter 2008 GL<\$5k Claims Reimbursement Journal Entry dated December 31, 2008	\$ 1,868.55	See response in HAPMT Findings.	\$1,868.55	Ongoing - HAPMT and HAS management responses agree with the original finding.	Ongoing  HAS to receive the credit, finding will be closed upon verification of credit receipt.	Adequate/ Low
14	Insurance and Bond Costs that are not considered "Cost of the Work"	Excess Liability Insurance - Phase I Close-out Journal Entry dated October 13, 2009	\$ 40,173.00	HAPMT was provided calculated Liability Rates, based on expected revenues and policy premiums from 2005-2009, used for all Clark CMAR projects across the country. HAPMT received invoice documentation supporting premiums billed to Clark for some, but not all insurance providers.	\$40,173.00	Ongoing - The responses assume the estimation process and documentation is sufficient. The finding is based on a lack of evidence to support a manual "close-out" journal entry.	Ongoing  While the amount is accurately reflected as a credit owed to HAS, both HAMPT and HAS' responses do not address the original issue nor does it outline a clear path for successful remediation.	Inadequate/ Medium
15	Insurance and Bond Costs that are not considered "Cost of the Work"	Miscellaneous Insurance - Phase II Precon Journal Entry dated October 12, 2009	\$ 40,000.00	HAPMT received the Builder's Risk policy from Zurich-American Insurance Company, indicating a total deposit premium of \$132,741. HAPMT also received six invoices from Zurich to Clark, four of which were billed to HAS, entirely to Phase 1, as Insurance in the original schedule of values. Clark stated that the amounts in the invoices were billed to HAS incrementally throughout Phase 1 of the project. Clark stated that all costs will be reconciled upon project completion.	\$40,000.00	Ongoing - The responses assume the estimation process and documentation is sufficient. The finding is based on a lack of evidence to support a manual journal entry.	Ongoing  While the amount is accurately reflected as a credit owed to HAS, both HAMPT and HAS' responses do not address the original issue nor does it outline a clear path for successful remediation.	Inadequate/ Medium

Original Report				HAS Follow-Up Response		Controller's Office Audit Division Follow-Up Assessment		
Item	Name	Observation	Amount	HAS Internal Audit Findings (HAS Management Responses)	Amount to Credit HAS	CTR Audit Assessment of Updated Responses	Conclusion	Remediation Process
16	Insurance and Bond Costs that are not considered "Cost of the Work"	1 Year Maintenance Bond - Phase I Close-out Journal Entry dated October 12, 2009	\$ 10,000.00	See response in HAPMT Findings.	\$10,000.00	<b>Ongoing</b> - The responses provided do not specifically address the remediation, but rather relate to Clark's modified response.	<b>Ongoing</b>  While the amount is accurately reflected as a credit owed to HAS, both HAMPT and HAS' responses do not address the original issue.	<b>Inadequate/Low</b>
17	Insurance and Bond Costs that are not considered "Cost of the Work"	Insurance Deductibles - Phase I Close-out Journal Entry dated October 13, 2009	\$ 50,000.00	HAPMT received the Builder's Risk policy from Zurich-American Insurance Company, indicating a total deposit premium of \$132,741. HAPMT also received six invoices from Zurich to Clark, four of which were billed to HAS, entirely to Phase 1, as Insurance in the original schedule of values. Clark stated that the amounts in the invoices were billed to HAS incrementally throughout Phase 1 of the project. Clark stated that all costs will be reconciled upon project completion.	\$50,000.00	<b>Ongoing</b> - The responses assume the estimation process and documentation is sufficient. The finding is based on a lack of evidence to support a manual "close-out" journal entry.	<b>Ongoing</b>  While the amount is accurately reflected as a credit owed to HAS, both HAMPT and HAS' responses do not address the original issue nor does it outline a clear path for successful remediation.	<b>Inadequate/Medium</b>
18	Hurricane Ike costs that are not considered "Cost of the Work"	Hilton San Antonio Airport - Rooms, meals, beverages, etc. for 4 Clark employees for 3 nights each for the period 9/15/08 through 09/18/08.	\$ 2,112.98	See response in HAPMT Findings.	\$59.00	<b>Ongoing</b> - Finding will be closed upon verification of credit receipt.	<b>Ongoing</b>  HAS is to receive the credit, finding will be closed upon verification of credit receipt.	<b>Adequate/Low</b>



Original Report				HAS Follow-Up Response		Controller's Office Audit Division Follow-Up Assessment		
Item	Name	Observation	Amount	HAS Internal Audit Findings (HAS Management Responses)	Amount to Credit HAS	CTR Audit Assessment of Updated Responses	Conclusion	Remediation Process
19	Hurricane Ike costs that are not considered "Cost of the Work"	Senior Project Manager's Expense Report (JB000101) for the period September 11, 2008 through November 22, 2008 includes rooms, meals, beverages, etc. for several Clark employees in San Antonio and Houston; and airfare from San Antonio to/from Houston. Hotel room costs include 8 room nights (\$299 a night plus tax) at the Westin La Cantera Resort in San Antonio and 9 room nights (\$269 a night plus tax) at the Houston Marriott Medical Center Hotel.	\$ 7,983.54	See response in HAPMT Findings.	\$38.90	<b>Ongoing</b> - While additional costs are reasonable during an emergency situation, the time period of the expense reports extended beyond the emergency period. Additionally, the amounts and locations are not "customary" but rather appear to be excessive.	<b>Ongoing</b>  <b>HAS is to receive the credit, finding will be closed upon verification of credit receipt.</b>	<b>Adequate/Low</b>
20	Houston costs that are not considered "Cost of the Work"	Project Executive's Expense Report (LG000029) included \$1,300 for January 26, 2008 - Tony's Restaurant in Houston included dinner and drinks for 8 people. The business purpose shown on the expense report was "Houston Hobby Airport Expansion", but the restaurant receipt included a hand-written notation that said "Marketing - Continental Airlines Houston". Included in the \$1,300.00 was \$514.00 for alcoholic beverages.	\$ 1,300.00	See response in HAPMT Findings.	\$1,300.00	<b>Ongoing</b> - Finding will be closed upon verification of credit receipt.	<b>Ongoing</b>  <b>HAS is to receive the credit, finding will be closed upon verification of credit receipt.</b>	<b>Adequate/Low</b>
21	Houston costs that are not considered "Cost of the Work"	Project Executive's Expense Report (KC000016) for March 2006 - Alcoholic beverage at Remington Bar (Houston)	\$ 11.00	See response in HAPMT Findings.	\$11.00	<b>Ongoing</b> - Finding will be closed upon verification of credit receipt.	<b>Ongoing</b>  <b>HAS is to receive the credit, finding will be closed upon verification of credit receipt.</b>	<b>Adequate/Low</b>

Original Report				HAS Follow-Up Response		Controller's Office Audit Division Follow-Up Assessment		
Item	Name	Observation	Amount	HAS Internal Audit Findings (HAS Management Responses)	Amount to Credit HAS	CTR Audit Assessment of Updated Responses	Conclusion	Remediation Process
22	Travel costs that are not considered "Cost of the Work"	Project Executive's Expense Report (KC000016) for March 2006 - Allocation of 2 airline tickets for flights on American Airlines (Dallas-Santa Ana-Dallas-Hobby-Dallas) and (Dallas-Hobby-Dallas-Santa Ana-Dallas)	\$ 600.00	See response in HAPMT Findings.	\$600.00	Ongoing - Finding will be closed upon verification of credit receipt.	Ongoing  HAS is to receive the credit, finding will be closed upon verification of credit receipt.	Adequate/Low
23	Travel costs that are not considered "Cost of the Work"	Project Executive's Expense Report (KC000025) for April 2006 - Allocation of airline ticket on American Airlines (Hobby-Atlanta-Miami-Washington DC-Dallas) Business Purpose per expense report - Washington DC	\$ 551.65	See response in HAPMT Findings.	\$551.65	Ongoing - Finding will be closed upon verification of credit receipt.	Ongoing  HAS is to receive the credit, finding will be closed upon verification of credit receipt.	Adequate/Low
24	Travel costs that are not considered "Cost of the Work"	Project Executive's Expense Report (KC000034) for June and July 2006 - 2 airline tickets on American Airlines (Dallas-Los Angeles, Santa Anna-Dallas) and (Dallas-Santa Ana, Los Angeles-Dallas) Business Purpose per expense report - Clark, LAX Tom Bradley	\$ 2,277.30	See response in HAPMT Findings.	\$2,277.30	Ongoing - Finding will be closed upon verification of credit receipt.	Ongoing  HAS is to receive the credit, finding will be closed upon verification of credit receipt.	Adequate/Low
25	Travel costs that are not considered "Cost of the Work"	Project Executive's Expense Report (KC000054) for January to March 2007 - Airline tickets on American Airlines (several Dallas-Hobby-Dallas flights, 2 of the tickets are for a family member ) and other charges - Dallas airport parking, mileage to Houston, etc. Expenses for the family member totaling \$355.20 are not Cost of the Work.	\$ 355.20	See response in HAPMT Findings.	\$355.20	Ongoing - Finding will be closed upon verification of credit receipt.	Ongoing  HAS is to receive the credit, finding will be closed upon verification of credit receipt.	Adequate/Low



Original Report				HAS Follow-Up Response		Controller's Office Audit Division Follow-Up Assessment		
Item	Name	Observation	Amount	HAS Internal Audit Findings (HAS Management Responses)	Amount to Credit HAS	CTR Audit Assessment of Updated Responses	Conclusion	Remediation Process
26	Travel costs that are not considered "Cost of the Work"	Project Executive's Expense Report (KC000054) for January to March 2007 - No support was provided for these expenses	\$ 572.16	See response in HAPMT Findings.	\$572.16	Ongoing - Finding will be closed upon verification of credit receipt.	Ongoing  HAS is to receive the credit, finding will be closed upon verification of credit receipt.	Adequate/ Low
27	Travel costs that are not considered "Cost of the Work"	Project Executive's Expense Report (KC000066) for May 2007 - Airline tickets, meals, cabs, etc. Airfare on American Airlines (Dallas-Washington DC-Dallas 2 tickets - for himself and a family member) Business Purpose per expense report - Officers Meeting.	\$ 1,037.98	See response in HAPMT Findings.	\$1,037.98	Ongoing - Finding will be closed upon verification of credit receipt.	Ongoing  HAS is to receive the credit, finding will be closed upon verification of credit receipt.	Adequate/ Low
28	Travel costs that are not considered "Cost of the Work"	Project Executive's Expense Report (KC000066) for April 2007 - Airline ticket on American Airlines (Houston to Dallas one-way)	\$ 164.90	See response in HAPMT Findings.	\$164.90	Ongoing - Finding will be closed upon verification of credit receipt.	Ongoing  HAS is to receive the credit, finding will be closed upon verification of credit receipt.	Adequate/ Low
29	Travel costs that are not considered "Cost of the Work"	Project Executive's Expense Report (LG000029) for January - February 2008 - 6 airline tickets on Southwest Airlines to/from Houston and San Antonio (4 tickets) or Dallas (2 tickets)	\$ 273.50	See response in HAPMT Findings.	\$273.50	Ongoing - Finding will be closed upon verification of credit receipt.	Ongoing  HAS is to receive the credit, finding will be closed upon verification of credit receipt.	Adequate/ Low
30	Not Used							
31	Travel costs that are not considered "Cost of the Work"	Hilton San Antonio Airport Hotel Invoice dated April 2008 - 5 individuals, 2 nights each	\$ 1,389.30	See response in HAPMT Findings.		Ongoing: Definitive documentation to support the five individual's attendance at the training was not provided by Clark or evaluated by HAPMT/HAS.	Ongoing  HAMPT and HAS Management's response does not adequately address or seek to remediate the original issue identified.	Inadequate/ Low

Original Report				HAS Follow-Up Response		Controller's Office Audit Division Follow-Up Assessment		
Item	Name	Observation	Amount	HAS Internal Audit Findings (HAS Management Responses)	Amount to Credit HAS	CTR Audit Assessment of Updated Responses	Conclusion	Remediation Process
32	Travel costs that are not considered "Cost of the Work"	Senior Project Manager's Expense Report (JB000102) for October 2008 - airline tickets on Continental Airlines (Houston-Raleigh, Washington, DC-Houston) and Southwest Airlines (Raleigh-Baltimore) Business Purpose per expense report - PM Steering Committee	\$ 482.00	See response in HAPMT Findings.	\$482.00	Ongoing - Finding will be closed upon verification of credit receipt.	Ongoing  HAS is to receive the credit, finding will be closed upon verification of credit receipt.	Adequate/ Low
33	Travel costs that are not considered "Cost of the Work"	Senior Project Manager's Expense Report (JB000103) for October and November 2008 - airline change fee, meals, car rental, gas, cabs (Maryland); airline ticket on Southwest Airlines (Houston-Los Angeles-Houston) Business Purpose per expense report - PM Steering Committee	\$ 559.59	See response in HAPMT Findings.	\$559.59	Ongoing - Finding will be closed upon verification of credit receipt.	Ongoing  HAS is to receive the credit, finding will be closed upon verification of credit receipt.	Adequate/ Low
34	Travel costs that are not considered "Cost of the Work"	Senior Project Manager's Expense Report (JB000104) for December 2008 - hotel, meals, beer, cabs, etc. Business Purpose - PM Steering Committee Meeting in Los Angeles	\$ 315.46	See response in HAPMT Findings.	\$315.46	Ongoing - Finding will be closed upon verification of credit receipt.	Ongoing  HAS is to receive the credit, finding will be closed upon verification of credit receipt.	Adequate/ Low
35	Travel costs that are not considered "Cost of the Work"	Senior Project Manager's Expense Report (JB000105) for January 2009 - airline ticket on Continental Airlines (Houston-Baltimore-Houston); and hotel, etc. (Maryland) Business Purpose per expense report - PM Steering Committee	\$ 411.36	See response in HAPMT Findings.	\$411.36	Ongoing - Finding will be closed upon verification of credit receipt.	Ongoing  HAS is to receive the credit, finding will be closed upon verification of credit receipt.	Adequate/ Low

Original Report				HAS Follow-Up Response		Controller's Office Audit Division Follow-Up Assessment		
Item	Name	Observation	Amount	HAS Internal Audit Findings (HAS Management Responses)	Amount to Credit HAS	CTR Audit Assessment of Updated Responses	Conclusion	Remediation Process
36	Travel costs that are not considered "Cost of the Work"	Project Executive's Expense Report (LG000059) for October and December 2009 - 2 airline tickets, on Southwest Airlines (Hobby-Dallas-Hobby) and (San Antonio-Hobby-San Antonio); Dallas car rental; San Antonio and Washington DC meals, cabs, etc. Washington DC description listed as Officers Meeting. One of the Business Purposes per expense report was listed as San Antonio International Airport Expansion.	\$ 1,607.96	See response in HAPMT Findings.	\$1,607.96	Ongoing - Finding will be closed upon verification of credit receipt.	Ongoing  HAS is to receive the credit, finding will be closed upon verification of credit receipt.	Adequate/ Low
37	Overstated Rental Costs for Vehicle	Rental costs from May 2006 to July 2008 for a 1999 Ford F150 Pickup Truck were charged to the project. At the time that this rental was charged to the project, this vehicle should have been totally depreciated by Clark. Only fuel, maintenance and insurance should have been the actual costs charged to the project.	\$ 14,475.00	See response in HAPMT Findings.	\$0.00	Ongoing - None of the responses provided support "reasonable cost" as identified in the contract. Reasonable costs on a fully depreciated vehicle is related primarily to maintenance and actual consumption.	Ongoing  HAS Management's response is not based on the evidence provided and lacks independent analysis nor does it address or seek to remediate the original issue identified.	Inadequate/ Medium
38	Overstated Rental Costs for Jobsite Office Complex	Job Site Complex - The monthly rental charge for the job site trailers increased in June 2008 from \$2,500 a month to \$3,500 a month. Therefore, an additional \$1,000 was charged for 13 months for a total of \$13,000 to the project.	\$ 13,000.00	See response in HAPMT Findings.	\$0.00	Ongoing - None of the updated responses provided by HAPMT or HAS recognize that the rent was an agreed rate, subject to an approval process to support any subsequent changes in those rates.	Ongoing  HAPTM and HAS Management's responses are not based on the contract language, the evidence provided and lacks independent analysis. Therefore, it does not address or seek to remediate the original issue identified.	Inadequate/ Medium

Original Report				HAS Follow-Up Response		Controller's Office Audit Division Follow-Up Assessment		
Item	Name	Observation	Amount	HAS Internal Audit Findings (HAS Management Responses)	Amount to Credit HAS	CTR Audit Assessment of Updated Responses	Conclusion	Remediation Process
39	Not Used							
40	Incorrect Calculation on Change Order to Clark Subcontractor - Jimerson Underground	Clark Change Order No. 4 to Jimerson Underground - The correct change order amount should have been \$131,636.01 instead of the \$137,085 amount issued. Jimerson used an incorrect markup of 10% on its sub-contractor's work which resulted in an over-pricing of \$5,448.99.	\$ 5,448.99	See response in HAPMT Findings.	\$5,448.99	Ongoing - Finding will be closed upon verification of credit receipt.	Ongoing  HAS is to receive the credit, finding will be closed upon verification of credit receipt.	Adequate/ Low

Original Report					HAS Follow-Up Response		Controller's Office Audit Division Follow-Up Assessment		
No.	Item	Name	Observation	Amount	HAS Internal Audit Findings (HAS Management Responses)	Amount to Credit HAS	CTR Audit Testing Results	Conclusion	Remediation Process
41	PRU1	Missing Supporting Documentation for Hourly Labor Workers Compensation Burden Costs	Supporting documentation (rates from the Workers Compensation insurance policies) for hourly labor Workers Compensation burden costs was requested from Clark several times during the audit. Clark did not provide the requested information. Based on our sample, we calculate the burden rate for Workers Compensation was 10.1%. Based on labor costs totaling \$406,533.76 recorded in the job cost ledger, the Workers Compensation burden for hourly employees is estimated to be \$41,059.91.	\$ 41,059.91	See response in HAPMT Findings.		Ongoing - CTR Audit was not provided the information obtained by HAPMT. Based on time and efficiency, CTR Audit, will perform testing during the next follow-up cycle.	Ongoing  Finding will be closed upon verification	Adequate / Low

Original Report					HAS Follow-Up Response		Controller's Office Audit Division Follow-Up Assessment		
No.	Item	Name	Observation	Amount	HAS Internal Audit Findings (HAS Management Responses)	Amount to Credit HAS	CTR Audit Testing Results	Conclusion	Remediation Process
42	PRU2	Missing Supporting Documentation for General and Excess Liability Insurance Costs	Excess Liability Insurance - Support for the rates used in the calculation to record costs in the job cost ledger were not provided.	\$ 376,333.86	Clark should provide the missing supporting documentation or reimburse HAS	\$376,333.86	Ongoing - While HAPMT and HAS management responses agree with the original finding, the timing of the credit due is in question.	Ongoing  HAS to receive the credit, finding will be closed upon verification of credit receipt.	Adequate / High

Original Report					HAS Follow-Up Response		Controller's Office Audit Division Follow-Up Assessment		
No.	Item	Name	Observation	Amount	HAS Internal Audit Findings (HAS Management Responses)	Amount to Credit HAS	CTR Audit Testing Results	Conclusion	Remediation Process
43	PRU3	Missing Supporting Documentation for Journal Entry made to Insurance & Bond Costs	Builders Risk Insurance - Phase 1 Closeout Management Journal Entry dated October 12, 2009	\$ 15,120.00	Clark should provide the missing supporting documentation or reimburse HAS	\$15,120.00	Ongoing - While HAPMT and HAS management responses agree with the original finding, the timing of the credit due is in question.	Ongoing  HAS to receive the credit, finding will be closed upon verification of credit receipt.	Inadequate/ Medium
44	PRU4	Missing Supporting Documentation for Journal Entry made to Insurance & Bond Costs	Protective Liability Insurance - Phase 1 Closeout Management Journal Entry dated October 12, 2009	\$ 13,524.00	Clark should provide the missing supporting documentation or reimburse HAS	\$13,524.00	Ongoing - While HAPMT and HAS management responses agree with the original finding, the timing of the credit due is in question.	Ongoing  HAS to receive the credit, finding will be closed upon verification of credit receipt.	Inadequate/ Medium



Original Report					HAS Follow-Up Response		Controller's Office Audit Division Follow-Up Assessment		
No.	Item	Name	Observation	Amount	HAS Internal Audit Findings (HAS Management Responses)	Amount to Credit HAS	CTR Audit Testing Results	Conclusion	Remediation Process
45	RP1	Clark Construction Group Project Executive - Related-Party Transaction	Rent on a condominium in Houston was paid by Clark to Ezad Corp. from July 2006 through September 2009. The lease of the condo was signed by Clark's Project Executive. The Project Executive signed the lease agreement dated July 1, 2006 for both Ezad Corp (the lessor) and Clark Construction (the lessee). The Harris County Appraisal District website (HCAD.org) for the Tax Year 2005 indicated that the condominium described in the lease agreement was owned by the Project Executive. The Harris County Appraisal District website for the Tax Year 2010 indicated that the condominium was owned by a family member of the Project Executive as of August 26, 2010. This transaction appears to be in direct contravention of Clark's conflict of interest policy.	\$ 73,125.00	See Clark's response.	\$ 73,125.00	Ongoing - HAPMT and HAS management responses agree with the original finding.	Ongoing  HAS to receive the credit, finding will be closed upon verification of credit receipt.	Adequate/ High
46	RP2	Clark Construction Group Project Executive - Related-Party Transaction	A Caterpillar Skid Steer Loader Model 236B was purchased from Paramount Fine Homes (invoice date - April 25, 2007). The Dallas Better Business Bureau website (www.dallas.bbb.org) lists the Clark Project Executive as President of Paramount Fine Homes. Both Ezad Corp. and Paramount Fine Homes have the same street address in Plano, TX. This transaction appears to be in direct contravention of Clark's conflict of interest policy.	\$ 30,000.00	See Clark's response.	\$ 30,000.00	Ongoing - HAPMT and HAS management responses agree with the original finding.	Ongoing  HAS to receive the credit, finding will be closed upon verification of credit receipt.	Adequate/ Medium

Original Report					HAS Follow-Up Response		Controller's Office Audit Division Follow-Up Assessment		
No.	Item	Name	Observation	Amount	HAS Internal Audit Findings (HAS Management Responses)	Amount to Credit HAS	CTR Audit Testing Results	Conclusion	Remediation Process
47	RP3	Clark Construction Group Project Executive - Related-Party Transaction	Clark purchased a computer, plotter, and AutoCAD from Paramount Fine Homes (check date - February 5, 2008) and charged those costs to the project. The Dallas Better Business Bureau website (www.dallas.bbb.org) lists the Clark Project Executive as President of Paramount Fine Homes. Both Ezad Corp. and Paramount Fine Homes have the same street address in Plano, TX. This transaction appears to be in direct contravention of Clark's conflict of interest policy.	\$ 11,484.40	See Clark's response.	\$ 11,484.40	Ongoing - HAPMT and HAS management responses agree with the original finding.	Ongoing HAS to receive the credit, finding will be closed upon verification of credit receipt.	Adequate/ Medium
48	RP4	Clark Construction Group Project Executive - Related-Party Transaction	Clark purchased a 40 foot storage container for \$2,500 from Paramount Fine Homes (invoice date - February 4, 2008) and charged the costs to the project. The Dallas Better Business Bureau website (www.dallas.bbb.org) lists the Clark Project Executive as President of Paramount Fine Homes. Both Ezad Corp. and Paramount Fine Homes have the same street address in Plano, TX. This transaction appears to be in direct contravention of Clark's conflict of interest policy. In addition, the invoice indicates that \$1,500 was charged to Terminal "D" IAH - 112831 (another project) for a bookcase and secretarial section (not included in amount column).	\$ 2,500.00	See Clark's response.	\$ 2,500.00	Ongoing - HAPMT and HAS management responses agree with the original finding.	Ongoing HAS to receive the credit, finding will be closed upon verification of credit receipt.	Adequate/ Low

Original Report				HAS Follow-Up Response		Controller's Office Audit Division Follow-Up			
No.	Item	Name	Observation	Amount	HAS Internal Audit Findings (HAS Management Responses)	Amount	CTR Audit Assessment of Updated Responses	Conclusion	Remediation Process
49	U1	Inadequate or Missing Supporting Documentation for Change Orders to Clark Subcontractors - Summary	We reviewed subcontract change orders totaling \$10,079,805 which represented over 22% of the total recorded subcontract costs of \$45,505,314 on the project through June 30, 2010. Of the \$10,079,805 in change orders reviewed we noted inadequate or missing documentation totaling \$5,448,660. The inadequate or missing documentation represents 54.1% of the	As follows	None Provided			See Detail at U1.1 through U1.19	
50	U1.1	Inadequate or Missing Supporting Documentation for Change Order to Clark Subcontractor - Fisk Electric	Clark Change Order No. 43 to Fisk Electric - Of the \$166,473 change order total, the documentation available in the change order file to support the \$149,554.60 for Fisk (as shown on page 3 of the subcontract change order documents) did not tie to that amount. In addition, supporting documentation for Fisk labor of \$1,912.22 (as shown on page 4 of the subcontract change order documents) was incomplete - the Fisk Standard Estimate Report on file only showed the estimated number of man-hours with no labor rates.	\$151,466.82	None Provided	\$ -	Ongoing - HAS and HAPMT responses were not complete nor was a definitive position stated by HAS.	Ongoing HAS Management's Did not respond to this issue.	Inadequate/ High
51	U1.2	Inadequate or Missing Supporting Documentation for Change Order to Clark Subcontractor - Fisk Electric	Clark Change Order No. 45 to Fisk Electric - Of the \$1,310,000 change order total, there is missing supporting documentation or incorrect rates that result in exceptions totaling \$617,739.	\$617,739.00	None Provided	\$ -	Ongoing - HAS and HAPMT responses were not complete nor was a definitive position stated by HAS.	Ongoing HAS Management's Did not respond to this issue.	Inadequate/ High
52	U1.3	Inadequate or Missing Supporting Documentation for Change Order to Clark Subcontractor - Fisk Electric	Clark Change Order No. 46 to Fisk Electric - Of the \$300,560 change order total, there is missing supporting documentation for the breakers @ \$6,755 and the permit and labels @ \$250 each for a total unsupported amount of \$7,255 before markups.	\$7,255.00	None Provided	\$ -	Ongoing - HAS and HAPMT responses were not complete nor was a definitive position stated by HAS.	Ongoing HAS Management's Did not respond to this issue.	Inadequate/ High
53	U1.4	Inadequate or Missing Supporting Documentation for Change Order to Clark Subcontractor - Beard Mechanical	Clark Change Order No. 7 to Beard Mechanical - The \$1,713,000 increase was supported with a lump-sum proposal from Beard composed of several lump-sum amounts for the various components of the work scope. There was no detailed support describing how those amounts were built up as required by the CMAR Agreement and subcontract general conditions for change orders.	\$1,713,000.00	None Provided	\$ -	Ongoing - HAS and HAPMT responses were not complete nor was a definitive position stated by HAS.	Ongoing HAS Management's Did not respond to this issue.	Inadequate/ High
54	U1.5	Inadequate or Missing Supporting Documentation for Change Order to Clark Subcontractor - Beard Mechanical	Clark Change Order No. 22 to Beard Mechanical - The \$224,630 increase was supported with a proposal from Beard for the specified work scope. Of the \$224,630 total we were able to find supporting documentation for all of the amount with the exception of pricing from Beard's sub-subcontractor Ashton. At the time of our review there was no documentation on file for Ashton's \$35,831.25 portion of the total change order. The CMAR Agreement and subcontract general conditions require such documentation for change orders.	\$35,831.25	None Provided	\$ -	Ongoing - HAS and HAPMT responses were not complete nor was a definitive position stated by HAS.	Ongoing HAS Management's Did not respond to this issue.	Inadequate/ High
55	U1.6	Inadequate or Missing Supporting Documentation for Change Order to Clark Subcontractor - Beard Mechanical	Clark Change Order No. 31 to Beard Mechanical - The \$651,000 increase was supported with a lump-sum proposal from Beard for the specified work scope. There was no detailed support describing how that amount was built up as required by the CMAR Agreement and subcontract general conditions for change orders.	\$651,000.00	None Provided	\$ -	Ongoing - HAS and HAPMT responses were not complete nor was a definitive position stated by HAS.	Ongoing HAS Management's Did not respond to this issue.	Inadequate/ High
56	U1.7	Inadequate or Missing Supporting Documentation for Change Order to Clark Subcontractor - Rago Ltd.	Clark Change Order No. 1 to Rago Ltd. - The \$450,000 "final negotiated price" increase was supported with a lump-sum proposal from Rago. There was no detailed support on file describing how that amount was arrived at.	\$450,000	None Provided	\$ -	Ongoing - HAS and HAPMT responses were not complete nor was a definitive position stated by HAS.	Ongoing HAS Management's Did not respond to this issue.	Inadequate/ High

Original Report				HAS Follow-Up Response		Controller's Office Audit Division Follow-Up			
No.	Item	Name	Observation	Amount	HAS Internal Audit Findings (HAS Management Responses)	Amount	CTR Audit Assessment of Updated Responses	Conclusion	Remediation Process
57	U1.8	Inadequate or Missing Supporting Documentation for Change Order to Clark Subcontractor - Patriot Erectors	Clark Change Order No. 24 to Patriot - There was no priced supporting documentation from the subcontractor on file for this change order.	\$85,299.00	None Provided	\$ -	Ongoing - HAS and HAPMT responses were not complete nor was a definitive position stated by HAS.	Ongoing HAS Management's Did not respond to this issue.	Inadequate/ High
58	U1.9	Inadequate or Missing Supporting Documentation for Change Order to Clark Subcontractor - Admiral Glass & Mirror	Clark Change Order No. 19 to Admiral - There was no supporting documentation from the subcontractor for this change order.	\$75,300.00	None Provided	\$ -	Ongoing - HAS and HAPMT responses were not complete nor was a definitive position stated by HAS.	Ongoing HAS Management's Did not respond to this issue.	Inadequate/ High
59	U1.10	Inadequate or Missing Supporting Documentation for Change Order to Clark Subcontractor - Admiral Glass & Mirror	Clark Change Order No. 22 to Admiral - The credit of \$65,000 and the adder of \$35,764 that netted to the credit of \$29,236 were both supported with lump-sum quotations from Admiral. There was no detailed supporting documentation on file describing how those amounts were arrived at.	(\$29,236.00)	None Provided	\$ -	Ongoing - HAS and HAPMT responses were not complete nor was a definitive position stated by HAS.	Ongoing HAS Management's Did not respond to this issue.	Inadequate/ High
60	U1.11	Inadequate or Missing Supporting Documentation for Change Order to Clark Subcontractor - Admiral Glass & Mirror	Clark Change Order No. 23 to Admiral - Clark could not find any documentation at all for this change order in their files.	\$207,292.00	None Provided	\$ -	Ongoing - HAS and HAPMT responses were not complete nor was a definitive position stated by HAS.	Ongoing HAS Management's Did not respond to this issue.	Inadequate/ High
61	U1.12	Inadequate or Missing Supporting Documentation for Change Order to Clark Subcontractor - Byrne Metals Corp.	Clark Change Order No. 1 to Byrne - The \$128,945 increase was supported with a lump-sum proposal from Byrne composed of three lump-sum amounts for the various work scopes. There was no detailed support describing how those amounts were built up as required by the CMAR Agreement and subcontract general conditions for change orders.	\$128,945.00	None Provided	\$ 7,428.00	Ongoing - HAS and HAPMT responses were not complete nor was a definitive position stated by HAS.	Ongoing HAS Management's Did not respond to this issue.	Inadequate/ High
62	U1.13	Inadequate or Missing Supporting Documentation for Change Order to Clark Subcontractor - Byrne Metals Corp.	Clark Change Order No. 10 to Byrne - The \$145,142 change order had a number of pieces of missing supporting documentation or improper calculations according to the contract. We were only able to confirm pricing on \$114,325.43 with the remaining \$30,816.57 being unsupported or in error.	\$30,816.57	None Provided	\$ -	Ongoing - HAS and HAPMT responses were not complete nor was a definitive position stated by HAS.	Ongoing HAS Management's Did not respond to this issue.	Inadequate/ High
63	U1.14	Inadequate or Missing Supporting Documentation for Change Order to Clark Subcontractor - ThyssenKrupp Airport	Clark Change Order No. 5 to ThyssenKrupp - Of the \$83,824 change order total, there is missing supporting documentation for the demolition of Terminal C passenger loading bridges for \$26,721.	\$26,721.00	None Provided	\$ -	Ongoing - HAS and HAPMT responses were not complete nor was a definitive position stated by HAS.	Ongoing HAS Management's Did not respond to this issue.	Inadequate/ High
64	U1.15	Inadequate or Missing Supporting Documentation for Change Order to Clark Subcontractor - CST Environmental	Clark Change Order No. 4 to CST Environmental - There was no supporting documentation from the subcontractor on file for this change order. We confirmed this with Clark's Procurement Manager - Purchasing.	\$651,063.00	None Provided	\$ -	Ongoing - HAS and HAPMT responses were not complete nor was a definitive position stated by HAS.	Ongoing HAS Management's Did not respond to this issue.	Inadequate/ High
65	U1.16	Inadequate or Missing Supporting Documentation for Change Order to Clark Subcontractor - CST Environmental	Clark Change Order No. 5 to CST Environmental - There was no supporting documentation from the subcontractor on file for this change order. We confirmed this with Clark's Procurement Manager - Purchasing.	\$102,897.00	None Provided	\$ -	Ongoing - HAS and HAPMT responses were not complete nor was a definitive position stated by HAS.	Ongoing HAS Management's Did not respond to this issue.	Inadequate/ High
66	U1.17	Inadequate or Missing Supporting Documentation for Change Order to Clark Subcontractor - Lucia	Clark Change Order No. 12 to Lucia - There was no supporting documentation from the subcontractor on file for this change order.	\$147,200.00	None Provided	\$ -	Ongoing - HAS and HAPMT responses were not complete nor was a definitive position stated by HAS.	Ongoing HAS Management's Did not respond to this issue.	Inadequate/ High

Original Report				HAS Follow-Up Response		Controller's Office Audit Division Follow-Up			
No.	Item	Name	Observation	Amount	HAS Internal Audit Findings (HAS Management Responses)	Amount	CTR Audit Assessment of Updated Responses	Conclusion	Remediation Process
67	U1.18	Inadequate or Missing Supporting Documentation for Change Order to Clark Subcontractor - Lucia	Clark Change Order No. 14 to Lucia - The supporting documentation on file from Lucia was a single email with a lump-sum number totaling \$84,070. There was no back-up documentation for the pricing of that change order on file. Other documents that had been previously supplied by Lucia were struck-through as if indicating that they were not applicable.	\$84,070.00	None Provided	\$ -	Ongoing - HAS and HAPMT responses were not complete nor was a definitive position stated by HAS.	Ongoing HAS Management's Did not respond to this issue.	Inadequate/ High
68	U1.19	Inadequate or Missing Supporting Documentation for Change Order to Clark Subcontractor - Chamberlin Waterproofing	Clark Change Order No. 11 to Chamberlin - Clark could not find any documentation at all for this change order in their files.	\$312,000.00	None Provided		Ongoing - HAS and HAPMT responses were not complete nor was a definitive position stated by HAS.	Ongoing HAS Management's Did not respond to this issue.	Inadequate/ High
69	U2	Missing Supporting Timesheets for 2008 and 2009 Hourly Labor Costs	Hourly Labor Timesheets for 2008 & 2009 cannot be provided by Clark; therefore, labor costs recorded are not supported.	\$180,806.15	None Provided		Ongoing - HAS and HAPMT responses were not complete nor was a definitive position stated by HAS.	Ongoing HAS Management's Did not respond to this issue.	Inadequate/ High
70	U3	Not Used							
71	U4	Salary Employees Not Listed On Rate Schedules	In our testing, only 20 of the 61 Salary employees charged to the job cost ledger are listed on Exhibit "6" in the Agreement documents. We tested employees to the employees listed in Exhibit "6" for the 61 employees with salary costs totaling \$2,529,612. Of that amount, \$899,215 (35.55%) was paid to employees not listed in Exhibit "6". Using the 35.55% extrapolated to the total salaried expenses (excluding Phase 1 preconstruction), Clark has unsupported Salary charges of \$2,242,709.15.	\$2,242,709.18	None Provided		Ongoing - HAS and HAPMT responses were not complete nor was a definitive position stated by HAS.	Ongoing HAS Management's Did not respond to this issue.	Inadequate/ High
72	U5	Missing Timesheets Supporting a Journal Entry for Salary Labor Cost	Project Management - Phase 1 Closeout Management Journal Entry dated October 12, 2009. Clark transferred salary labor costs totaling \$89,396 from Phase 2 to Phase 1 job cost ledger. In reviewing the supporting calculation, \$1,491.43 is deemed to be a potential overcharge (Finding #18) due to rates billed are greater than rates in the contract. No timesheets supporting the hours transferred were prepared by Clark's employees; therefore, these labor costs recorded are not supported.	\$87,904.26	None Provided		Ongoing - HAS and HAPMT responses were not complete nor was a definitive position stated by HAS.	Ongoing HAS Management's Did not respond to this issue.	Inadequate/ High
73	U6	Not Used			None Provided				
74	U7	Not Used			None Provided				
75	U8	Not Used			None Provided				
76	U9	Missing Supporting Documentation for Costs charged to Motor Vehicle Expense	PHH-Vehicle Management Services invoice (#1529101) recorded June 25, 2007 - Clark could not find any documentation at all for this invoice in their files.	\$5,712.38	None Provided		Ongoing - HAS and HAPMT responses were not complete nor was a definitive position stated by HAS.	Ongoing HAS Management's Did not respond to this issue.	Inadequate/ Low



Original Report				Management's Response/Actions Taken as of 5/31/2012	Conclusion		
Item	Audit Report No.	Finding Title	Finding		Request for Information	Ongoing/Closed	Remediation Process
77	2009-18	QUARTERLY HOTEL RENT PAYMENT CALCULATIONS	(1) For the First Quarter 2005, rent calculations, \$28,295.48 was used instead of the correct amount of \$26,913.90 as a recoupment amount for the excess construction costs. □ (2) For the First Quarter 2005, rent calculations, \$56,591.11 was used instead of the correct amount of \$53,827.97 as a recoupment amount for the excess construction costs. □ (3) For the Second, Third, and Fourth Quarters 2005 rent calculations, \$332,600 was used instead of the correct amount of \$329,200 as MAG payments. In 2006, for all quarterly rent calculations, \$337,200 was used instead of \$332,600. Likewise, in 2007, for the First and Second Quarters, \$333,000 was used instead of the correct amount of \$337,200. □ The cumulative effect for 2005 resulted in an overpayment of \$3,399, another overpayment of \$4,601 in 2006, and an underpayment of \$1,938 in 2007, for a total net overpayment amount of \$6,062 for the audit scope period. This audit confirmed the overpayment amount and also identified the specific calculation errors that caused an overpayment of \$6,062 by Marriott (Appendix B).	Actions Taken: HAS has issued the appropriate credits. Please see documents marked Exhibit A for details explanation.  Date Completed/To Be Completed:  Supporting Documentation:	Please provide the documentation to support the \$6,062 credit to Marriott.	Closed  HAS received the appropriate credit amount on 8/19/2009.	Adequate/ Medium
78	2009-18	VENDING MACHINE FOOD SALES REVENUE PAYMENTS	The quarterly food and beverages revenues reported to the City do not include food sales from the vending machines located at Marriott. □ The City is entitled to \$1,444 (4%) of the food sales from vending machines and/or commissions paid to Marriott during the audit scope period.	Actions Taken: HAS recouped \$943 underpayment through 2007. Additional review by HAS has revealed continued underpayment of \$889 for 2008 - 2010 which is being corrected. HAS accounts receivable section will review quarterly detail to ensure future payment. See Exhibit A and True up on concessions file received from the Hotel.  Date Completed/To Be Completed:  Supporting Documentation:	Please provide the documentation to support the \$943 receipt of underpayment with an explanation as to why the amount recouped wasn't \$1,444, the underpayment amount identified in the finding. Also, please provide an explanation of the process/controls that have been implemented to ensure payment to HAS related to vending commissions.	Closed  HAS received the appropriate credit amount on 10/1/2009.	Adequate/ Low
79	2009-18	BUSINESS SERVICES CENTER CONCESSION RENTAL PAYMENTS	The quarterly hotel rent payments do not include concession revenue for the Business Service Center rental office space operated by Marriott. Marriott generates revenues from printing, copying, fax, and internet services from the Business Service Center. The City loses concession rental payments based on the square footage occupied by the Business Service Center. □ The City is entitled to \$8,357 (10%) of the sales generated by the Business Services Center during the audit scope period.	Actions Taken: HAS recouped \$10,357 underpayment through 2007. Additional review by HAS has revealed continued underpayment of \$3,097 for 2008 - 2010 which is being corrected. HAS accounts receivable section will review quarterly detail to ensure future payment. See Exhibit A and True up on concessions file received from the Hotel.  Date Completed/To Be Completed:  Supporting Documentation:	Please provide the documentation to support the \$10,357 receipt of underpayment through 2007 and the additional receipt of \$3,097 for the period 2008 - 2010. Also, please provide an explanation of the process/controls that have been implemented to ensure payment to HAS related to Business Service Center revenue.	Closed  HAS received the appropriate credit amount on 8/19/2009.	Adequate/ High
80	2009-18	VALET PARKING SERVICES CONCESSION PAYMENTS	The City was not paid concession on the square footage utilized by the Valet Services or 10% of the commissions collected by Marriott during the audit scope period. Valet parking is not specifically excluded in the Agreement. The City loses concession rental payment revenue based on the square footage being utilized by the Valet Parking Services or 10% of the commissions collected during the audit scope period. □ The City is entitled to \$6,897 (10%) of the valet parking commissions received by Marriott during the audit scope period.	Actions Taken: HAS recouped \$7,900 underpayment through 2007. Additional review by HAS has revealed continued underpayment of \$6,365 for 2008 - 2010 which is being corrected. HAS accounts receivable section will review quarterly detail to ensure future payment. See Exhibit A and True up on concessions file received from the Hotel.  Date Completed/To Be Completed:  Supporting Documentation:	Please provide the documentation to support the \$7,900 receipt of underpayment through 2007 and the additional receipt of \$6,365 for the period 2008 - 2010. Also, please provide an explanation of the process/controls that have been implemented to ensure payment to HAS related to Valet Parking Services (VPS) revenue.	Closed  HAS received the appropriate credit amount on 10/1/2009.	Adequate/ Medium
81	2009-18	PERCENTAGE PARKING RENTAL PAYMENTS	The Houston Airport Marriott is remitting the percentage parking rental payment on an annual basis instead of quarterly in arrears, as required in the Agreement. □ The City is losing the opportunity to use the quarterly percentage parking rental money or the interest income, estimated at \$338 per quarter that could have been earned in interest on the money if the payments had been made according to the Agreement.	Actions Taken: HAS is collecting parking rental payments quarterly.  Date Completed/To Be Completed:  Supporting Documentation:	Please provide documentation for the receipt of the Percentage Parking Rental payments on a quarterly basis for calendar years 2011 and 2012.	Closed  HAS is receiving quarterly payments for the percentage parking rental amounts.	Adequate/ Medium
82	2009-18	QUARTERLY PARKING RENTAL PAYMENTS	Based on detailed analyses of the parking annual rental payments and discussions with key personnel, the auditors noted the third quarterly payment of the 2005 annual parking rental for \$5,785 was not paid. This fact was communicated to management which concurred with the auditors' finding.	Actions Taken: The missing payment was received in 2008. See Exhibit B.  Date Completed/To Be Completed:  Supporting Documentation:	Please provide documentation to support the receipt of the missing \$5,785 payment from 2005.	Closed  HAS received the appropriate amount with Marriott check dated 10/8/2008.	Adequate/ High
83	2009-18	SUBMISSION OF REQUIRED DOCUMENTS AND ANNUAL REPORTS	Annual inspection certificates were not submitted to the HAS, as required by the Agreement, for 2005 and 2006. □ The status of all Ad Valorem taxes was not submitted to the City of Houston Attorney, as required by the Agreement, for 2005 and 2006. □ Annual financial statements that include balance sheets were not submitted by Marriott to the HAS, as required by the Agreement, for 2005 and 2006. The only audited statement submitted to the HAS by Marriott is the Statement of Gross Receipts for 2005 and 2006.	Actions Taken: See attached copies of 10K's and annual inspection reports and tax statements.  Date Completed/To Be Completed:  Supporting Documentation:	Please provide the documentation that supports the receipt of the most recent:  (1) A signed annual inspection certificate  (2) The status of all Ad Valorem taxes to the City of Houston Attorney  (3) Audited annual financial statements that include balance sheets.	Ongoing  HAS is not obtaining annual contract mandated information required by Sections 4.05, 6.08, and 8.06.	Inadequate/ Low
84	2010-16	LACK OF POLICIES AND PROCEDURES OVER INTERNAL CONTROLS	When reviewing support for the monthly billings by HAS for these services, it was noted that there was no support for the total hours worked and billed by HAS employees on behalf of HASDC. Upon further inquiry, it was indicated that HAS had no formal policies or procedures in place to document/record/retain records signifying the number of employee hours spend on HASDC related business. However in Oct 2009, HAS management (in charge of HASDC work) started vouching (attesting) and signing-off (approving) billable hours. According to HAS, the billings were prepared based on the amount of employee work hours provided by HASDC to HAS. The customer (HASDC) should not trigger billing itself based on self-reported consumption of vendor's services.	Actions Taken: See attached OPP 1-188:  Date Completed/To Be Completed:  Supporting Documentation:	Please provide Organizational Policy and Procedure (OPP I-188). Also, please provide the customer's requisition of services and the related approval to procure, (customer purchase order) for the most recent three monthly billings, including all supporting documentation (e.g., timesheets, support for out of pocket expenses, support for travel expenses, support for business development time spent, and support for any other amounts billed).  Also, please provide support for HAS management's (in charge of HASDC work) periodic vouching (attesting) and signing-off (approving) activity for billable hours.	Closed  A review of the policies provided indicated the following areas were addressed: <i>Work Approval, Tracking/ Billing of Time and Non-Travel Expenses, Travel Expenses, and Reporting.</i>	Adequate/ Medium

Original Report				Management's Response/Actions Taken as of 5/31/2012	Conclusion		
Item	Audit Report No.	Finding Title	Finding		Request for Information	Ongoing/Closed	Remediation Process
85	2010-16	UNBILLED BUSINESS DEVELOPMENT	One of the substantive tests performed was to review employee requests for 10 travel advances planned to be funded by HASDC. The audit objective was to determine if time spent by HAS employees attributable to HASDC was properly billed. The time spent on these trips could not be traced to the monthly billings. It was determined by HAS management that 6 of these were for trips that had been cancelled, with no advances being paid to the employees. HAS also determined that time spent on the other 4 trips was considered business development and therefore did not bill this time to HASDC. We performed an estimate of the potential unbilled services from our test population and noted approximately 56.5 hours or \$3,183 of potential unrecovered employee costs. □	<p>Actions Taken: OPP1-188 requires billing time spent for business development.</p> <p>Date Completed/To Be Completed:</p> <p>Supporting Documentation:</p>	<p>Please provide Organizational Policy and Procedure (OPP I-188). Also, please provide the customer's requisition of services and the related approval to procure, (customer purchase order) for the most recent three monthly billings, including all supporting documentation (e.g., timesheets, support for out of pocket expenses, support for travel expenses, support for business development time spent, and support for any other amounts billed).</p> <p>Also, please provide support for HAS management's (in charge of HASDC work) periodic vouching (attesting) and signing-off (approving) activity for billable hours.</p>	Ongoing	Adequate/ High
86	2010-16	Undistributed Net Revenues	Since the time HASDC was incorporated in December 2001, minimal Net Revenues have been distributed to HAS (\$45,829). As of the last audited financial statement (calendar year 2008), HASDC shows a cash balance of over \$1M dollars on hand.	<p>Actions Taken: HASDC will review the financial position, budget, and future needs with the Board of Directors on November 23, 2010 to determine if a distribution is appropriate.</p> <p>Date Completed/To Be Completed:</p> <p>Supporting Documentation:</p>	<p>Please provide the documentation that supports the HASDC 2010 review of the financial position, budget, and future needs with the Board of Directors.</p>	Ongoing	Inadequate/ High
87	2010-10	Inaccurate SAP Contract Data	MFR selected four of eight contracts for testing. For three of the four contracts tested, the payments were made after the contract end date recorded in SAP. (1)	<p>Actions Taken:</p> <p>Date Completed/To Be Completed:</p> <p>Supporting Documentation:</p>		Ongoing	Undetermined / Medium
88	2012-1	Franchise Fees and Related Party Transactions	Franchise fees are being deducted by the five sub-contracted restaurants owned by the parent company and partner to the joint venture. The franchise fee agreements that support the designation of "Branded" products were dated subsequent to the audit request. The franchise fees paid to the franchisor were adjusted based on costs incurred by the franchisor and not the percentage specified in the agreements. This activity reflects a related party transaction, not of arms length, which represents approximately \$294,500 less revenue to HAS for the period of February 2009 – January 2011.	<p>Actions Taken:</p> <p>Date Completed/To Be Completed:</p> <p>Supporting Documentation:</p>		Ongoing	Adequate/ High
89	2012-1	Audited Statements of Gross Sales	JDDA SSP does not provide HAS with an audited Statement of Gross Sales. As noted above, the contract language requires an "audit", while the Agreement between the Contractor and the CPA firm requested agreed upon procedures in the form of a "review". DAO CPA, P.C.'s (CPA) engagement with JDDA SSP included verifying that gross sales as compiled by JDDA SSP are mathematically correct. An audit includes additional substantive procedures not performed under this agreement and thus does not meet the requirement of the contract.	<p>Actions Taken:</p> <p>Date Completed/To Be Completed:</p> <p>Supporting Documentation:</p>	<p>Please provide the audit report dated June 30, 2012 for the period July 1, 2011 to June 30, 2012.</p>	Ongoing	Inadequate/ High
90	2012-1	Inadequate Insurance Coverage	<p>Our testing of the current insurance certificates revealed the following exceptions:</p> <ul style="list-style-type: none"> <li>- Two of 16 entities did not have Excess Liability Bodily Injury &amp; property damage combined limits of \$2mm each occurrence; \$4mm aggregate;</li> <li>- One of 16 did not have all risk covering Operator improvements, fixtures, removable fixtures, &amp; equipment (including fire, lighting, vandalism, &amp; extended coverage perils) Replacement Value;</li> <li>- Three of 16 did not have adequate Workers Compensation - Statutory;</li> <li>- One of 3 restaurants selling liquor did not have the Liquor Liability Insurance;</li> <li>- Fifteen of 16 did not have COH named as Additional Insured.</li> </ul>	<p>Actions Taken: Certificates evidencing coverage sent to Auditing on Dec. 6, 2012</p> <p>Date Completed/To Be Completed:</p> <p>Supporting Documentation:</p>	<p>Please provide the certificates supporting adequate insurance coverage.</p>	Closed	Adequate/ Medium
91	2012-1	Deductions of 14% Mixed Beverage Tax	SSP America's gross sales amount on liquor sales are reported to HAS with the 14% MBT deducted. Based on the definition provided by the TABC and the specific language in the current Agreement, the MBT should not be deducted as an adjustment to Gross Sales/Revenues. From the period July 2009 to December 2010, the affect of the MBT deduction from Gross Sales has resulted in approximately \$68,000 less revenue to HAS for this contract	<p>Actions Taken: Currently under review by Sr. Management</p> <p>Date Completed/To Be Completed:</p> <p>Supporting Documentation:</p>		Ongoing	Adequate/ High