

**OFFICE OF THE CITY CONTROLLER  
AUDIT DIVISION**



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Experis  
Finance

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Houston, TX 77002

**REPORT NO. 2016-02**

**CITY OF HOUSTON – HOUSTON AIRPORT SYSTEM  
Construction Contract Performance Audit of**

**Project 417F Phase II and III  
Ticketing Building Renovation & Roadway Repairs at  
William P. Hobby Airport  
Houston, Texas**

**October 30, 2015**



OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS

RONALD C. GREEN

October 30, 2015

The Honorable Annise D. Parker, Mayor  
City of Houston, Texas

**SUBJECT: 2016-02 Houston Airport System (HAS) Construction Contract  
Performance Audit of Project 417F – Phase II and Phase III**

Mayor Parker:

The Controller's Office, along with the contracted professional services of Experis Finance ("Experis"), formerly dba Jefferson Wells International, Inc. has completed a Construction Contract Performance Audit of Project 417F – Phase II and Phase III – Ticketing Building Renovation and Roadway Repairs at William P. Hobby Airport, Houston, Texas. Clark Construction Group – Texas, L.P. ("Clark") was selected as the prime contractor to enter in a Construction Manager at Risk Agreement with the City of Houston ("CMAR Agreement").

The Audit Division and Experis jointly conducted and completed a performance audit of Project 417F Phase I (New East Concourse, West office Building and Main Terminal Expansion) and issued Report No. 2011-04 on April 13, 2011. The completion of the expansion project with Phase II and Phase III, at a Project Value of \$87.4 Million is the scope of our audit.

The **primary** objectives of this audit were to determine that:

- Costs charged to the Project by Clark were in accordance with the terms and conditions of the Agreement, including labor, materials, equipment, equipment rentals, disposable tools, and overhead costs represented value received and were justifiably charged to the Project;
- Payments made to Clark agreed to amounts billed to the City were timely, adequately supported, and did not contain overpayments and/or overcharges; and
- The Construction Manager at Risk billings and tests conducted of those costs were in keeping with the contract terms, adequately supported, and timely.

There were **significant** issues identified throughout the audit that are outlined in the attached report, some of which I would like to highlight in this transmittal as follows:

- There were **\$1.4 Million** in Potential Overcharges, which included costs billed through Clark's *Application for Payment #97* that were **\$545,021** greater than the Schedule of Reimbursable Costs; and Clark used an overstated hourly rate for charging salary payroll hours resulting in an overbilling of **\$275,290**, to which the City of Houston is entitled to reimbursement;
- Clark **did not** provide supporting documentation for rates used in the calculation of *Contractor Controlled Insurance Program (CCIP)* totaling **\$1,549,910** and *Off-Site Liability Insurance* totaling **\$164,477**, which was charged to the project; and
- Clark also **did not** provide supporting documentation for the Subguard Insurance costs totaling **\$118,790**, which was charged to the project.



OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS

RONALD C. GREEN

We would like to express our appreciation for the time and effort expended by those parties at HAS and Clark during the course of the audit.

Respectfully submitted,

Ronald C. Green  
City Controller  
Houston, Texas

xc: Mario Diaz, Director, Houston Airport System  
City Council Members  
Christopher Newport, Chief of Staff, Mayor's Office  
Andy Icken, Chief Development Officer, Mayor's Office  
Kelly Dowe, Chief Business Officer, Mayor's Office  
Harry Hayes, Chief Operations Officer, Mayor's Office  
Shannon Nobles, Deputy Director, Office of the City Controller  
Courtney E. Smith, City Auditor, Office of the City Controller



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## EXECUTIVE SUMMARY

### Background

The Office of the City Controller's Audit Division ("Audit Division") and Experis Finance ("Experis") formally DBA as Jefferson Wells International jointly conducted a construction contract performance audit for the City of Houston ("COH" or "the City") Houston Airport System's ("HAS's") Project 417F Phase II & Phase III – Ticketing Building Renovation and Roadway Repairs at William P. Hobby Airport ("the Project"). All phases of the project have been completed.

The City entered into a Construction Manager at Risk Agreement ("CMAR Agreement" or "Agreement") with Clark Construction Group – Texas, L.P. ("Clark") dated September 29, 2005 for the execution of the project at William P. Hobby Airport.

The Audit Division and Jefferson Wells International (now Experis Finance) jointly conducted a performance audit of Project 417F Phase I (New East Concourse, West Office Building and Main Terminal Expansion) and issued Report No. 2011-04 on April 13, 2011. The Ticketing Building Renovation (Phase II) was added to the scope of work performed by Clark with Amendment #3 dated May 7, 2009. Roadway Repairs (Phase III) were added to the scope of work performed by Clark with Amendment #4 dated August 16, 2011.

The Agreement is a Cost of the Work plus Fee Contract with a Guaranteed Maximum Price ("GMP"). The agreed upon CMAR construction phase fee is 5% of Cost of the Work (except Pass Through Allowances). The 5% fee was to include all profit and overhead items, specifically excluding salaried workers directly assigned to the Project.

Clark, through Application for Payment #97, has billed the City total completed and stored to date of \$84,582,674 for the period through November 30, 2012. The total is less than the GMP of \$87,487,957. According to HAS, as of March 2015, Clark has been fully paid by HAS except for retainage of \$2,174,867 that HAS is holding from Phases I, II & III.

The audit engagement with Experis consisted of two parts: Part I – Planning the audit and Part II – Performing fieldwork and preparing the final report with conclusions.

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### Audit Objectives

The primary objectives of this audit were to:

1. Determine whether costs charged to the Project by Clark were in accordance with the terms and conditions of the Agreement, including labor, materials, equipment, equipment rentals, disposable tools, and whether overhead costs were for value received and were justifiably charged to the Project;
2. Review costs charged to HAS for issues identified in the Phase 1 audit (Report No. 2011-04 issued April 13, 2011);
3. Determine whether payments made to Clark agreed to amounts billed to the City, were timely, adequately supported, and did not contain overpayments and/or overcharges; and
4. Examine Construction Manager at Risk billings and conduct tests of those costs so as to conclude whether the charges were in keeping with the contract terms, adequately supported, and timely.



## Scope

The scope of this closeout construction contract performance audit was the Project Value / Contract Price (GMP) through Application for Payment #97 dated November 30, 2012 and the Schedule of Reimbursable Costs (supported by detail cost schedules) provided by Clark in February 2014 as outlined below:

### Project Timeline (Phase II and Phase III)

Management's decision to add scope to the project resulted in Amendment #3, which was signed by the COH in May 2009. A subsequent amendment (Amendment #4) with several change orders was added to the project timeline with a planned substantial completion in August 2012. See Table 1 – Project Value below.

### Project Value is based on the following:

TABLE 1 – Project Value	
Amendment #3 - Ticketing Building Renovation	\$ 76,380,785
Amendment #4 - Roadway Repairs	\$ 4,933,465
Change Order #3 - Work Change Directives	\$ 1,144,858
Change Order #4 - Work Change Directives	\$ 333,398
Change Order #5 - Work Change Directives	\$ 17,146
Change Order #7 - Work Change Directives	\$ 58,623
Budget Shift from Phase I to Phase II as agreed by HAS & Clark	\$ 4,619,682
<b>Contract Price (GMP) at 11/30/12 (Application for Payment #97)</b>	<b>\$ 87,487,957</b>

## Audit Procedures Performed

- Reconciled the amount billed by Clark according to the final Application for Payment #97 to the Schedule of Reimbursable Costs (supported by detail cost schedules) provided by Clark;
- Examined billings and conducted tests of those costs to invoices and/or supporting documentation;
- Verified that costs tested were billed in compliance with the terms and conditions of the Agreement;
- Considered potential fraud, waste, and/or abuse indicators and modified procedures as required; and
- Reconciled payments made by HAS to Clark and the retainage withheld balance according to HAS records to Clark's Application for Payment #97.



The Schedule of Reimbursable Costs included:

TABLE 2 – Schedule of Reimbursable Costs		
Cost Type	Amount	Subject to Detailed Testing
Subcontracts	\$67,778,678	\$ 0
Salary Labor	\$ 5,710,570	\$ 5,710,570
Hourly Labor	\$ 441,283	\$ 441,283
Owned Equipment	\$ 334,641	\$ 334,641
Consumables, Materials, 3 <sup>rd</sup> Party Rentals	\$ 3,071,412	\$ 3,071,412
Bond	\$ 707,056	\$ 707,056
Builder's Risk	\$ 439,885	\$ 439,885
CCIP	\$ 1,549,610	\$ 1,549,610
Liability	\$ 204,400	\$ 204,400
Subguard	\$ 118,790	\$ 118,790
Fee	\$ 3,934,146	\$ 3,934,146
<b>Total Reimbursable Costs</b>	<b>\$84,290,471</b>	<b>\$ 16,511,793</b>
Texas Bond Dividends	\$ (252,818)	\$ (252,818)
<b>Net Reimbursable Costs</b>	<b>\$84,037,653</b>	<b>\$ 16,258,975</b>

Based on the risk assessment for this engagement, which was prepared in Part I – Planning the audit, and cost recoverable issues noted in the Phase I audit, we excluded Subcontract Costs totaling **\$67,778,678** from our detail testing of costs to supporting documentation. Therefore, **\$16,258,975 (19.3%)** was subject to detail testing of invoices and/or supporting documentation. The Net Reimbursable Cost of **\$84,037,653** was reconciled to the amount billed on Application for Payment #97.

## Summary Conclusion, Significant Issues, Recommendations, and Management Response

### Conclusion

We noted control weaknesses related to compliance with the Agreement that resulted in potential overcharges totaling **\$1,411,695** and potential recoverable unsupported costs totaling **\$2,014,227** on the applications for payment issued by Clark to HAS. See *Table 3 – Potential Recoveries* below. (Audit Objectives 1, 2, 3 and 4).

TABLE 3 – Potential Recoveries			
Description	Amount	Markups & Fee	Total
Section 1 – Potential Overcharges	\$ 1,319,846	\$ 91,849	\$ 1,411,695
Section 2 – Potential Recoverable Unsupported Costs	\$ 1,883,177	\$ 131,050	\$ 2,014,227



## Potential Overcharges

Potential overcharges of **\$1,411,695, including markups (insurance) and the 5.00% Construction Phase fee** (shown in *TABLE 3*) are described in detail in *Exhibit 1 – Detailed Findings Log, Section 1* of this report.

### The significant issues include:

- Costs billed through Clark’s Application for Payment #97 were **\$545,021** greater than costs listed on the Schedule of Reimbursable Costs (supported by detail cost schedules) (**Finding 1, Exhibit 1, Section 1**);
- An overstated hourly rate was used for charging salary payroll hours to the Project under Amendment #3. Clark used an hourly rate based on the weekly burdened rate in Amendment #3 divided by 38 hours instead of 40 hours. The impact is an overbilling of **\$275,290 (Finding 2, Exhibit 1, Section 1)**;
- Severance payments totaling **\$142,260** paid to eight terminated Clark Salary employees should not be charged to the Project (**Findings 3 & 4, Exhibit 1, Section 1**);
- Insurance costs charged for *Contractor Controlled Insurance Program (CCIP)* and *Off-Site Liability Insurance* were overstated by **\$107,712 (Findings 13 & 14, Exhibit 1, Section 1)**; and
- Relocation costs totaling **\$121,039** were not approved by HAS (**Finding 15, Exhibit 1, Section 1**).

## Potential Recoverable Unsupported Costs (PRU)

Potential Recoverable Unsupported costs of **\$2,014,227 including markups (insurance) and the 5.00% Construction Phase fee** shown in *TABLE 3* are described in detail in *Exhibit 1 – Detailed Findings Log, Section 2* of this report.

### The significant issues include:

- Clark did not provide supporting documentation for the rates used in the calculation of *Contractor Controlled Insurance Program (CCIP)* costs totaling **\$1,549,910**, which were charged to the Project (**Finding PRU1, Exhibit 1, Section 2**);
- Clark did not provide supporting documentation for the rates used in the calculation of *Off-Site Liability Insurance* costs totaling **\$164,477**, which were charged to the Project (**Finding PRU2, Exhibit 1, Section 2**); and
- Clark did not provide supporting documentation for the rate used in the calculation of *Subguard Insurance* costs totaling **\$118,790**, which were charged to the Project (**Finding PRU3, Exhibit 1, Section 2**).

## **Recommendations**

1. Clark should refund overcharges and amounts for unsupported costs to HAS;
2. HAS should seek to recover from Clark the amounts identified; and
3. HAS management should institute an audit process for verifying applications for payment throughout the project(s) and prior to completion.





## HAS Management Response to Conclusion/Recommendations ♦

### Response to Potential Overcharges and Potential Recoverable Unsupported Costs referenced in the Recommendations:

HAS believes \$1,023,962.19 is the justifiable amount for potential overcharges for Project 417F, as described in the Detailed Findings Log, Section 1 of this report. Below HAS responded to the significant issues and recommendations listed in the Construction Contract Performance Audit Report.

### **Recommendations 1 and 2**

- Clark should refund overcharged and unsupported costs to HAS;
- HAS should seek to recover from Clark the amounts identified;

### Response to the Recommendations 1 and 2

HAS has recouped all justifiable overcharged and unsupported costs from Clark listed below:

#### **The significant issues include:**

- Costs billed through Clark's Application for Payment #97 were **\$545,021** greater than costs listed on the Schedule of Reimbursable Costs (supported by detail cost schedules) (**Finding 1, Exhibit 1, Section 1**);
- Severance payments totaling **\$142,260** paid to eight terminated Clark Salary employees should not be charged to the Project (**Findings 3 & 4, Exhibit 1, Section 1**);
- Insurance costs charged for *Contractor Controlled Insurance Program* (CCIP) and *Off-Site Liability Insurance* were overstated by **\$107,712** (**Findings 13 & 14, Exhibit 1, Section 1**); and
- Relocation costs totaling **\$121,039** were not approved by HAS (**Finding 15, Exhibit 1, Section 1**);

HAS does not propose to recover the following amounts because HAS found that the amounts below were justifiable within the parameters of the contract:

#### **The significant issues include:**

- HAS allowed for **\$275,290** for actual hours billed to the project at the hourly rate specified in Amendment 3 (**Finding 2, Exhibit 1, Section 1**);
- HAS allowed CMAR fee of 5% (**\$50,025**), due to Clark not charging the additional 5% fee on Change Orders/Work Change Directives. HAS agreed to not reduce the fee based on final cost (**Subtotal, Exhibit 1, Section 1**);

HAS does not propose to recover the following amounts regarding Potential Recoverable Unsupported Costs because HAS accepted the documentation that Clark provided below:

#### **The significant issues include:**

- Clark provided supporting documentation for the rates used in the calculation of *Contractor Controlled Insurance Program* (CCIP) costs totaling **\$1,549,910**, which were charged to the Project (**Finding PRU1, Exhibit 1, Section 2**);
- Clark provided supporting documentation for the rates used in the calculation of *Off-Site Liability Insurance* costs totaling **\$164,477**, which were charged to the Project (**Finding PRU2, Exhibit 1, Section 2**); and
- Clark provided supporting documentation for the rate used in the calculation of *Subguard Insurance* costs totaling **\$118,790**, which were charged to the Project (**Finding PRU3, Exhibit 1, Section 2**).

♦ HAS Management Response embedded in the Executive Summary is from the Director of HAS (See Exhibit 2).  
NOTE: For individual responses to each item/finding provided by Clark, HAS, Experis Finance and the assessment of responses from the Audit Division, see Exhibit 1 – Detailed Findings Log.



### **Recommendation 3**

- HAS management should institute an audit process for verifying applications for payment throughout the project(s) and prior to completion.

#### **Response to Recommendation 3**

HAS implemented Project Management Officers, who verifies application of payment with the inspectors and contractors before the invoices are sent to the Contract Management Office for processing. The Contract Management Office reviews the invoices again for accuracy and completeness as it relates to the contract. This new process ensures all applications for payment are verified throughout the project and prior to completion.

### **Audit Division Assessment of Management Response to Conclusions 1 & 2**

We acknowledge that the management response represents agreement with approximately **\$1,023,962** of the **\$1,411,695** potential overcharges identified in our audit and summarized in Exhibit 1 – Summary. The response also accepts in total, unsupported charges of **\$2,014,227** which are detailed in Exhibit 1 – Detailed Findings Log, Section 2.

#### **Significant issues in each section are:**

##### **Section 1 - Potential Overcharges**

In Amendment #3 Clark submitted hourly labor rates based on a 38 hour work week rather than a 40 hour work week resulting in a billing rate that was 5% higher. Clark subsequently billed up to 40 hours per week for salary employees. The higher rate resulted in an overbilling of **\$275,290**. Further analysis performed on the data determined that the labor rates in Amendment #3 are burdened at a rate of 75% which would include the costs of non-productive time such as holidays and vacation (**Finding 2**).

##### **Section 2 - Unsupported Costs**

Clark's applications for payment included unsupported costs of **\$1,883,177**. While we agree that the CMAR allows Clark to charge certain costs to the project, Generally Accepted Governmental Auditing Standards require that we obtain sufficient and appropriate evidence to independently validate costs charged. The spreadsheet provided was not accompanied by supporting documentation such as invoices, claims, or policies which did not allow the audit team to perform testing procedures to validate these charges.

### **Audit Division Assessment of Management Response to Conclusion 3**

HAS Management's response as presented sufficiently addresses the issue identified in Conclusion 3. We agree with their commitment to improve the contractor invoice review process.



Experis  
Finance

*Experis Finance is not a public accounting firm and does not provide attest services or otherwise report on financial statements. The procedures we performed were in accordance with International Standards for the Professional Practice of Internal Auditing as promulgated by the Institute of Internal Auditors. This report is intended solely for the use of the City of Houston's internal management and is not intended to be, and should not be, provided to or used by any other parties without the prior written consent of Experis Finance.*

Respectfully Submitted,

*October 23, 2015*

\_\_\_\_\_  
Experis Finance

\_\_\_\_\_  
Date

The Audit Division within the Office of the City Controller, executed procedures in adherence to the Generally Accepted Government Auditing Standards issued by the Government Accountability Office and the International Standards for the Practice of Internal Auditing as promulgated by the Institute of Internal Auditors. The engagement was performed as a co-sourced project involving both Experis Finance and the City of Houston.

\_\_\_\_\_  
Courtney E. Smith  
City Auditor  
Houston, TX

*10/30/15*  
\_\_\_\_\_  
Date

\_\_\_\_\_  
Olaniyi Oyedele  
Audit Manager  
Houston, TX

*10/30/15*  
\_\_\_\_\_  
Date

\_\_\_\_\_  
Carolyn Y. Armstead  
Lead Auditor  
Houston, TX

*10/30/15*  
\_\_\_\_\_  
Date



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# EXHIBIT 1

**EXHIBIT 1 - SUMMARY TABLE OF DETAILED FINDINGS LOG**  
**Office of the City Controller and Experis**  
**Houston Airport System (HAS) - Project 417F - Phase II & Phase III**  
**Construction Manager at Risk (CMAR) - Clark Construction Group - Texas, LP (Clark)**

Potential Recoveries Summary (Sections 1-2 as of the Report Date)			
Section	Per Audit Team	Per Clark	Per HAS
<b>Section 1 Potential Overcharges</b>	Potential Recovery (with Mark ups & Fee) \$1,411,695	Agreed Recovery (with Mark ups & Fee) \$834,336	Agreed Recovery (with Mark ups & Fee) \$1,023,962
<b>Section 2 Potential Recoverable Unsupported Costs</b>	Potential Recovery (with Mark ups & Fee) <i>See Note 1</i>	Agreed Recovery (with Mark ups & Fee) <i>See Note 1</i>	Agreed Recovery (with Mark ups & Fee) <i>See Note 1</i>
<b>Potential Recoveries</b>	<b>\$1,411,695</b>	<b>\$834,336</b>	<b>\$1,023,962</b>
<b>Total Contract Billings</b>	\$84,582,674	\$84,582,674	\$84,582,674
<b>Potential Overcharges as a percent (%) of Billings</b>	1.67%	0.99%	1.21%

**Note 1** Potential Recoverable Unsupported Costs Per Exhibit I, Section 2 are \$2,014,227. An amount was not calculated and included in this summary due to Clark not providing supporting documentation to the Audit Team or HAS as of report date.

**EXHIBIT 1 - DETAILED FINDINGS LOG - SECTION 1**  
**Office of the City Controller and Experis**  
**Houston Airport System (HAS) - Project 417F Phase II and Phase III**  
**Construction Manager At Risk (CMAR) - Clark Construction Group - Texas, LP (Clark)**

FINDING				RESPONSES			Audit Division Assessment of Responses	
Item	Name	Observation	Background/Recommendation	Amount	Clark's Response	Experis Response		HAS Response
1	<b>Billed costs in Clark Application for Payment #97 greater than costs listed on Schedule of Reimbursable Costs</b>	The Schedule of Reimbursable Costs (supported by detail cost schedules) provided by Clark lists net reimbursable costs totaling \$84,037,653. Per Application for Payment #97 for the period through November 30, 2012 for Phases II & III, the total completed to date is \$84,582,674. This results in an overbilling of \$545,021.	The Agreement with Clark is a Cost of the Work plus Fee Contract; therefore the overbilling of \$545,021 should be credited to HAS.	\$ 545,021	Clark concurs that the total reimbursable costs equal \$84,037,653 as submitted by Clark in its Schedule for Reimbursable Costs.  Note 1: The Final Reimbursable Costs for Phases II & III shall be adjusted as appropriate as a result of any cost revisions resulting from the audit process.  Note 2: HAS Phase II and III payments to Clark equal \$82,961,943, yielding an adjusted balance due Clark prior to any audit adjustment of \$1,075,710.	No additional response needed.	HAS concurs with Clark agreeing to refund the monies back to HAS.	Management response addresses the issue identified. Remaining retainage withheld should be reduced by the overbilling/reimbursable cost. If the retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.
2	<b>Incorrect Hourly Rate Used for Charging Salary Payroll Hours under Amendment #3</b>	Clark is billing up to 40 hours a week for salary employees and is using a rate calculated on a 38 hour work week (weekly burdened rate divided by 38 hours) for hours billed under amendment #3. The 38 hour rate is higher than a 40 hour rate (weekly burdened rate divided by 40 hours). As a result, the impact is an overbilling of \$275,290.	The calculation of salary hours charged to the project should be consistent; i.e., if 40 hours a week are reported the hours must be billed at a 40 hour rate. Clark should credit \$275,290 to HAS.	\$ 275,290	In accordance with its routine timekeeping practices, Clark charged only productive hours to the project for salaried labor. Non-productive hours were not billed to the project. Clark's Schedule of Reimbursable Costs includes only the productive hours charged to the project, extended at the rates approved in the amendments to the CM@Risk Agreement. (See Amendments 3 & 4 for the agreed, applicable hourly billing rates.) Clark explained its position on the appropriate hourly rates in its response to the Phase I audit. Further, it is Clark's understanding that HAS now agreed with this position.  NOTE: Specific audit adjustments have been accepted to address appropriate corrections for vacation and holiday issues discussed in the findings below.	Clark indicates that the billing of an additional 2 (40-38) hours per week is meant to cover nonproductive hours (vacation, holidays, etc.). The rates in Amendment #3 are burdened at a rate of 75%. Article 8.01 (a) (3) states cost of work includes costs paid or incurred for labor costs arising out of taxes, insurance, and benefits. Therefore, vacation, holidays, etc. are considered benefits and covered by the burden rate. Clark by billing a 38 hour rate for a 40 hour week is duplicate billing for vacation, holiday, etc. costs.	HAS will allow \$275,290 for actual hours billed to the project at the hourly rates specified in Amendment 3.	Amendment #3 lists rates per hour, weekly and yearly rates for specific positions utilized on this project. The information in Amendment #3 does not expressly state that the rates are based on a 38 hour work week rather than a 40 hour work week that is standard in the United States. Clark has attributed this to the need to cover nonproductive hours (vacation, holiday, etc.). This might be considered reasonable if the burdened rate were lower than industry average, however the Audit team has determined that the burden rate is 75% and should adequately cover nonproductive hours. HAS should seek the appropriate cash reimbursement from Clark if retainage is depleted prior to all settlements.

October 21, 2015

Note: All responses from Clark and HAS are presented exactly as provided and have not been edited for content, spelling, etc.

EXHIBIT 1 - DETAILED FINDINGS LOG - SECTION 1  
 Office of the City Controller and Experis  
 Houston Airport System (HAS) - Project 417F Phase II and Phase III  
 Construction Manager At Risk (CMAR) - Clark Construction Group - Texas, LP (Clark)

FINDING					RESPONSES			Audit Division Assessment of Responses
Item	Name	Observation	Background/Recommendation	Amount	Clark's Response	Experis Response	HAS Response	
2	Continued (from above)					<p>If Clark uses the 38 hour rate, up to 38 hours should be billed. If a 40 hour rate is billed, up to 40 hours should be billed. Clark divided the weekly rates listed in Amendment #3 by 38 to calculate an hourly billing rate and billed HAS hours up to 40 hours a week. Clark should have divided the weekly rate by 40 hours since they are billing up to 40 hours. Many of Clark's salary employees had weeks with timesheet hours that were less than 40 and that is why the hourly rate was calculated based on the weekly rates. As an example, if a weekly rate was \$2,000, Clark would bill an hourly rate of \$52.63 (2000/38). If employee worked 40 hours, Clark would bill HAS \$2,105.26. The hourly rate used by Experis would be \$50 (2000/40). If employee worked 40 hours, Experis calculated that Clark should bill HAS \$2,000. Based on this example, Clark overbilled HAS \$105.26.</p>		

October 21, 2015

Note: All responses from Clark and HAS are presented exactly as provided and have not been edited for content, spelling, etc.

**EXHIBIT 1 - DETAILED FINDINGS LOG - SECTION 1**  
**Office of the City Controller and Exeris**  
**Houston Airport System (HAS) - Project 417F Phase II and Phase III**  
**Construction Manager At Risk (CMAR) - Clark Construction Group - Texas, LP (Clark)**

FINDING				RESPONSES			Audit Division Assessment of Responses	
Item	Name	Observation	Background/Recommendation	Amount	Clark's Response	Exeris Response		HAS Response
3	<b>Severance Payments to Terminated Salary Employees (Not Agreed to by Clark)</b>	Our testing of salary labor noted eight terminated employees that Clark charged \$142,260 to the project for severance payments. Severance payments are discretionary payments not supported by the Agreement and would NOT be considered "directly involved in the performance of work." Amount listed is the net of severance payments made less the reduction of severance payments agreed to by Clark (see #4).	The CMAR Agreement in Article 8.01 (a) (2) Cost of the Work states that "reasonable and customary wages or salaries of Construction manager's supervisory and administrative personnel who are identified on Exhibit "C" but only for documented time when directly involved in performance of the work". There were severance payments made to three long-term employees that worked for Clark from 8 to 18 years while on this project (Phase I, II, & III) from 3-6 years. For two of the eight employees, net severance (included in \$80,889) represented 15.9% and 20.5% of their project pay. There is no mention in the contract of severance payments to employees, especially to those terminated for performance issues (one employee). Since there was no mention in the contract, no prior HAS approval, and no prevailing customary practice providing for severance payments to terminated employees, Clark should credit \$80,889 to HAS.	\$ 80,889	Clark charged severance payments made to employees in accordance with its standard practices. Such severance payments are typically charged by Clark to the project on which the employee worked at the time of severance. Clark will, however, adjust this item by prorating the severance payments in accordance with the employee's actual tenure on this project. This amounts to a reduction of \$80,889 as noted in the audit comments. The balance (\$61,371) is an appropriate charge to the project.	The CMAR Agreement in Article 8.01 (a) (2) Cost of the Work states that "reasonable and customary wages or salaries of Construction manager's supervisory and administrative personnel who are identified on Exhibit "C" but only for documented time when directly involved in performance of the work". There is no mention in the contract of severance payments to employees. Since there was no mention in the contract and no prior HAS approval for severance payments to terminated employees, Clark should credit \$80,889 and \$61,371 to HAS.	HAS agrees with the City. Severance payments to employees are not a Cost of Work to the Project.	Management response addresses the issue identified. Remaining retainage withheld should be reduced by the overbilling/reimbursable cost of \$80,889. If retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.
4	<b>Severance Payments to Terminated Salary Employees (Reduction Agreed to by Clark)</b>	Clark agreed that a prorated reduction in hours charged to HAS for the issue noted in #3 should be made. Amount listed is based on years outside of the project divided by total years with Clark times severance paid.	\$61,371 should be credited to HAS.	\$ 61,371	See response to Item #3, above. Calculations supporting the adjustment have been provided to the auditor.	See response to item #3.	HAS agrees with the City's finding of overbilling in the amount of \$61,371.	Management response addresses the issue identified. Remaining retainage withheld should be reduced by the overbilling/reimbursable cost. If retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.

October 21, 2015

Note: All responses from Clark and HAS are presented exactly as provided and have not been edited for content, spelling, etc.



**EXHIBIT 1 - DETAILED FINDINGS LOG - SECTION 1**  
**Office of the City Controller and Experis**  
**Houston Airport System (HAS) - Project 417F Phase II and Phase III**  
**Construction Manager At Risk (CMAR) - Clark Construction Group - Texas, LP (Clark)**

FINDING				RESPONSES			Audit Division Assessment of Responses	
Item	Name	Observation	Background/Recommendation	Amount	Clark's Response	Experis Response		HAS Response
5	<b>Vacation Payments to Terminated Salary Employees (Reduction Agreed to by Clark)</b>	The severance payments mentioned in finding #3 above also included vacation payments to seven of the eight employees billed to the project. Since vacation pay is included in Clark's burden rate of 75% this represents a double billing of vacation costs.	The weekly rates listed in Amendments #3 & #4 are burdened rates and the hourly rates used to calculate salary payroll charged to the project are based on the burdened weekly rates. Therefore, vacation payments to employees should not be charged separately to the project. HAS should request a credit of \$8,172 from Clark.	\$ 8,172	Clark concurs with the audit finding regarding vacation hours.	No additional response needed.	HAS concurs with Clark agreeing to refund the monies back to HAS.	Management response addresses the issue identified. Remaining retainage withheld should be reduced by the overbilling/reimbursable cost. If retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.
6	<b>Holiday Pay for Salary Employees Charged to Project</b>	In our testing of salary payroll hours billed, we noted several holidays that appeared to be charged to the project for a number of salary employees. As an example, for the pay period ending June 5, 2009, five employees did not report 8 hours of holiday time on their time card. Other holiday periods were reviewed to determine if holiday hours were charged to the project. As an example, for the December 30, 2011 salary time period nine employees reported and charged 80 hours to the project. Only 72 hours should be charged because of the Christmas holiday. We identified \$26,812 in holiday pay was charged to the project.	Holiday pay would be included in Clark's burden rate of 75%. The weekly rates listed in Amendments #3 and #4 are burdened rates and the hourly rates used to calculate salary payroll charged to the project are based on the burdened weekly rates. Therefore, holiday payments to employees should not be charged separately to the project. This would represent a double billing. HAS should request a credit of \$26,812 from Clark.	\$ 26,812	Clark concurs with the audit finding regarding vacation hours.	No additional response needed.	HAS concurs with Clark agreeing to refund the monies back to HAS.	Management response addresses the issue identified. Remaining retainage withheld should be reduced by the overbilling/reimbursable cost. If retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.
7	<b>Bonus Payment to Hourly Employee</b>	A field bonus payment of \$4,010 was made to an hourly employee in December 2012.	The CMAR Agreement in Article 8.01 (a) (1) Cost of the Work states that "reasonable and customary wages paid to construction workers directly employed by the Construction Manager" are Cost of the Work. Therefore, a bonus payment to an hourly employee is not Cost of the Work. Clark should credit \$4,010 to HAS.	\$ 4,010	Clark concurs with this specific audit finding with respect to bonus pay. See Clark response in item 10 below. Bonus and holiday pay are components of Clark's mark-up for Field Flat Burden. Subject to HAS agreement with Clark's position on Items 9, 10, 11 and 12, the auditor's proposed credit on Item 7 is acceptable.	No additional response needed.	HAS agrees with the City. Bonuses are not a Cost of Work and should not have been charged to this Project.	Management response addresses the issue identified. Remaining retainage withheld should be reduced by the overbilling/reimbursable cost. If retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.

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FINDING				RESPONSES			Audit Division Assessment of Responses	
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8	<b>Holiday Pay for Hourly Employees Charged to Project</b>	We noted several holidays in 2009, 2010, and 2011 that were charged to the project for hourly employees. As an example, for the pay period ending November 28, 2010, the Thanksgiving holidays (November 25 & 26) were charged to the project. The Time Card's clearly list 16 hours holiday for both employees. The total hourly holiday time charged to the project is \$2,900.	Holiday wages paid to hourly employees should not be charged directly to the project since holiday benefits are included in the wages and burden billed to the project for hourly employees. Clark should credit \$2,900 to HAS.	\$ 2,900	Clark concurs with this specific audit finding with respect to holiday pay. See Clark response to Item 7, above, and Item 10 below. Holiday pay is a component of Field Flat Burden.	No additional response needed.	HAS concurs with Clark agreeing to refund the monies back to HAS.	Management response addresses the issue identified. Remaining retainage withheld should be reduced by the overbilling/reimbursable cost. If retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.
9	<b>Overstated Insurance Burden Cost for Hourly Employees</b>	The insurance burden cost for hourly employees is overstated by \$4,447 for 3 of 7 employees. The three employees did not participate in the medical insurance plan as evidenced by no employee deduction from the payroll registers reviewed.	The CMAR Agreement in Article 8.01 (a)(3) Cost of Work states that "Costs paid or incurred by the Construction Manager for labor costs arising out of taxes, insurance, and benefits which are (i) required by law, (ii) required by collective bargaining agreements, (iii) or otherwise customary". Clark should credit \$4,447 to HAS.	\$ 4,447	Clark's health insurance cost for non-union craft employees is distributed across total hours of all craft employees, as opposed to only the employees electing coverage. Therefore, the rate distributed with payroll reflects the participating rate. The actual cost of the subject benefits exceeds Clark's field flat burden rate as applied to this Project. If the authority denies this charge, then the rate charged for employees with coverage will have to be repriced.	Since Clark disagrees, Clark should provide documentation supporting actual cost of coverage for the 4 of 7 employees that had coverage. The actual cost should be reduced by the employee's actual contribution deducted from payroll checks.	Clark's health insurance contribution costs were \$61,012.49 for all employees that received health care, but only charged HAS \$33,360.00. HAS will allow the \$4,447 for health insurance costs.	The Audit team did not have supporting documentation to substantiate the data provided in Clark's spreadsheets as required by Generally Accepted Government Auditing Standards. HAS should seek the appropriate cash reimbursement from Clark if retainage is depleted prior to all settlements..
10	<b>Field Flat Burden for Hourly Employees</b>	Per wage burden information provided by Clark, Field Flat Burden is a collection of corporate expenses incurred including performance bonuses paid to workers and safety incentives (based on annual bonus budget for entire company). These costs are not considered Cost of Work.	Bonuses and safety incentives are not listed as a burden cost in CMAR Agreement Article 8.01 (a)(3). Clark should credit \$3,985 to HAS.	\$ 3,985	Craft Employees earn vacation and holiday pay by being a foreman and/or by years of service. Craft employees were paid for sick days, holidays, vacation, training, and merit bonuses. The actual cost paid out to these employees during the performance of the Work exceeded the amount accrued via the Field Flat Burden.	Bonuses and safety incentives are not listed as a burden cost in CMAR Agreement Article 8.01 (a)(3).	Clark will reimburse \$3,985 for bonuses.	Audit concurs with the HAS management response. Remaining retainage withheld should be reduced by the overbilling/reimbursable cost. If retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.
11	<b>Not Used</b>							
12	<b>Training Burden for Hourly Employees</b>	Per wage burden information provided by Clark, training is the cost of wages to administer training programs to non-union employees. This cost is not considered Cost of Work	Training is not listed as a burden cost in CMAR Agreement Article 8.01 (a)(3). Clark should credit \$1,833 to HAS.	\$ 1,833	See response to Item 10 above.	Training is not listed as a burden cost in CMAR Agreement Article 8.01 (a)(3). Administering training programs is a head or branch office expense that is covered by the fee.	HAS agrees with the Clark and will allow the training charges	Training costs submitted by Clark were not directly and solely related to the City of Houston project and was not listed as a burden cost. Therefore, HAS should seek the appropriate reimbursement. The remaining retainage withheld should be reduced by the overbilling.

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13	<b>CCIP Cost Overstated</b>	CCIP (Contractor Controlled Insurance Program) cost was calculated by Clark using the rate of \$17.71 per thousand times the contract value of \$87,487,957 for a cost of \$1,549,910. The Net Reimbursable Cost reported by Clark is \$84,037,653. Applying the rate of \$17.71 per thousand times \$84,037,653 results in a cost of \$1,488,307. Therefore, CCIP cost is overstated by \$61,303.	The CCIP should be calculated on actual costs incurred. Clark should credit \$61,303 to HAS.	\$ 61,303	Clark agrees that the CCIP insurance cost should be calculated on the basis of the Final Reimbursable Costs.	No additional response needed.	HAS concurs with Clark agreeing to refund the monies back to HAS.	Management response addresses the issue identified. Remaining retainage withheld should be reduced by the overbilling/reimbursable cost. If the retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.
14	<b>Off-Site Liability Insurance Cost Overstated</b>	Off-Site Liability insurance cost was calculated by Clark using the rate of \$1.88 per thousand times the contract value of \$87,487,957 for a cost of \$164,477. However, the cost listed on the Schedule of Reimbursable Costs is \$204,400. The Net Reimbursable Cost reported by Clark is \$84,037,653. Applying the rate of \$1.88 per thousand times \$84,037,653 results in a cost of \$157,991. Therefore, CCIP cost is overstated by \$46,409 (\$204,400 less \$157,991).	The Off-Site Liability Insurance cost should be calculated on actual costs incurred. Clark should credit \$46,409 to HAS.	\$ 46,409	Clark agrees that the Offsite Liability insurance cost should be calculated on the basis of the agreed Final Reimbursable Costs.	No additional response needed.	HAS concurs with Clark agreeing to refund the monies back to HAS.	Management response addresses the issue identified. Remaining retainage withheld should be reduced by the overbilling/reimbursable cost. If the retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.
15	<b>Relocation Expense Recorded in the Job Cost Ledger as Cost of Work</b>	Capital Relocation Services invoices totaling \$121,039 are recorded in the job cost ledger. As an example, Capital Relocation Services billed for the sale of home (\$43,356.19), moving expenses (\$9,617.66), miscellaneous allowance (\$4,000), and travel expenses (\$2,745.21). Clark does not have written approval from HAS for relocation expenses.	Per Article 8.01 (d)(8), the Cost of Work includes the Construction Manager's General Condition Expenses. The General Conditions Estimates that are attached to Amendment #3 and #4 list a line item Moving/Relocation Expense. The total cost listed for Moving/Relocation Expense is \$0.00. Since there was no budget for relocation services and Clark did not obtain HAS approval for relocation expenses, Clark should credit \$121,039 to HAS.	\$ 121,039	Clark included employee relocation costs in accordance with its customary benefits practices. See CM@R Agreement Articles 8.01(a)(3) and (4). Had Clark not relocated these employees to Houston in support of the project, corresponding travel expenses would have been incurred – and charged to the Project – in accordance with Art. 8.01(a)(4).	HAS needs to review the relocation expenses charged to the project and determine whether or not HAS agrees with the costs charged to the project. If HAS approves relocation costs for certain employees then we will note as a potential overcharge living expenses in Houston that are charged to the project. It is unreasonable to charge both relocation costs and living costs for the same employee.	HAS agrees with the City, it is unreasonable to charge both relocation costs and living costs for the same employee. Clark agreed to reimburse HAS.	Management response addresses the issue identified. Remaining retainage withheld should be reduced by the overbilling/reimbursable cost. If retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.

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16	<b>Clark's Network Allocation to Project</b>	Clark charged the project \$500 a month for an allocation of Clark's datacenter. Total charged to the project is \$21,000. Costs included in the allocation include hardware, hardware maintenance, property tax, vendor services, and manpower (technical, job site support, and oversight).	Per Article 7.02 (g) of the Agreement, Construction Manager's Construction Phase Fee shall cover profit, general overhead, and all expenses in connection with maintaining and operating Construction Manager's main office and any branch office. Therefore, the Network Allocation should not be charged to the project. Clark should credit \$21,000 to HAS.	\$ 21,000	The \$500 monthly charge is Clark's cost to provide the project jobsite facilities with an internet circuit in the data center and data storage. These services were necessary for, and specific to, the performance of the Work and are allowable under CMAR Agreement Article 8.01(d)(8).	Per Article 7.02 (g) of the Agreement, Construction Manager's Construction Phase Fee shall cover profit, general overhead, and all expenses in connection with maintaining and operating Construction Manager's main office and any branch office. Therefore, the Network Allocation should not be charged to the project. Clark should credit \$21,000 to HAS.	HAS agreed with Clark and will allow the Network Allocation charge to the project.	Allocation of datacenter costs can reasonably be considered overhead, therefore the Network Allocation should not be charged to the project. HAS should seek the appropriate cash reimbursement from Clark if retainage is depleted prior to all settlements..
17	<b>Cost of Shipping Clark Equipment to Maryland.</b>	Clark charged the project a total of \$14,300 to ship Clark equipment from Houston to Maryland. Since Clark has operations in Texas, it is unreasonable to charge the project for these shipping costs.	Article VIII 8.01 states the term Cost of the Work means reasonable costs. Therefore, charging the project for shipping equipment to Maryland is unreasonable. Clark should credit \$14,300 to HAS.	\$ 14,300	Equipment transportation and removal costs are expressly allowable under CM@R Article 8.01(b). The charges are for removal and transportation of the following items used during construction. Skid Steel Loader Street Sweeper YODOCK Barricades Light Tower Low profile water barriers Trash chute	Article VIII states the term Cost of the Work means reasonable costs. Since Clark has Texas operations, it is unreasonable to charge the project for shipping equipment to Maryland.	HAS will allow the charge to the project for shipping equipment to Maryland, since there was no mobilization or demobilization charged to this project.	Clark Construction Group has operations in Houston and San Antonio. Reasonable shipping cost for the items listed should be allowed, however it seems unreasonable for the City of bear the cost of shipping items to Maryland when Clark has operations in Texas. HAS should seek the appropriate cash reimbursement from Clark if retainage is depleted prior to all settlements.
18	<b>Purchase of AC/Heating Units for Office Trailers</b>	The purchase in June 2009 of two new AC/Heating units totaling \$9,185 for the office trailers rented to the project by Clark should not be charged to the job cost ledger. It is assumed that the trailers Clark rents to the project would have operating AC/Heating units. Therefore, this is a cost that should be paid by Clark. Replacement of AC/Heating units is not a maintenance repair. The purchased AC/Heating units should be able to operate long after the project is completed.	Clark should credit \$9,185 to HAS.	\$ 9,185	Clark concurs with the audit finding regarding office trailer repairs.	No additional response needed.	HAS concurs with Clark agreeing to refund the monies back to HAS.	Management response addresses the issue identified. Remaining retainage withheld should be reduced by the overbilling/reimbursable cost. If the retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.

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19	<b>Clark Conference Travel Expenses recorded in the Job Cost Ledger as Cost of Work</b>	The following summarized travel expenses that were recorded in the Job Cost Ledger and are not considered to be Cost of Work as defined in the agreement: Superintendents Conf. \$2,837.61 Project Managers Conf. \$1,283.76 Certified Payroll \$1,217.50 Train the Trainer \$361.53 Field Office Mgr. Conf \$499.47 and other misc training and meetings \$1,384.33	Article 8.01 (a) (4) states that Cost of Work includes reasonable and customary travel expenses of Construction Manager's personnel incurred directly and solely in support of the Project. Clark should credit \$7,584 to HAS.	\$ 7,584	Clark included employee training costs in accordance with its customary practice. Time away from the project is not billed, but routine training during the course of an 8-year project is a legitimate cost of the work that benefits the Owner.	These conference costs are not costs directly and solely in support of the Project.	Clark agreed to reimburse conference costs because they are not costs directly and solely in support of the Project.	Management response addresses the issue identified. Remaining retainage withheld should be reduced by the overbilling/reimbursable cost. If retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.
20	<b>Equipment Purchased by Clark Not Recorded in the Job Cost Ledger</b>	A credit for \$7,500 for the purchase of a 2012 John Deere Gator and miscellaneous equipment from the project by Clark was not recorded in the job cost ledger. Clark indicated the credit was reflected in the amount billed but not recorded in the job cost ledger.	Clark should credit \$7,500 to HAS.	\$ 7,500	Clark concurs with the audit finding regarding equipment purchase costs.	No additional response needed.	HAS concurs with Clark agreeing to refund the monies back to HAS.	Management response addresses the issue identified. The remaining retainage withheld should be reduced by the overbilling/reimbursable cost. If the retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.
21	<b>Excessive Auto Repairs</b>	Repairs to a Clark owned automobile driven by a Senior Project Manager were charged to the project. In November 2009, the windshield and molding were replaced for \$805.94. In May 2011, accident repairs including windshield totaling \$1,816.02 were made. These items appear to be repairs that would be covered by a deductible.	Section 11.2.5 of General Conditions states that Construction Manager assumes and bears any claims of losses to extent of any deductible amounts and waives claim it may ever have for same against City. Clark should credit HAS for \$2,622.	\$ 2,622	Windshield: Clark agrees with this adjustment in accordance with GC 11.2.5	No additional response needed.	HAS concurs with Clark agreeing to refund the monies back to HAS.	Management response addresses the issue identified. The remaining retainage withheld should be reduced by the overbilling/reimbursable cost. If the retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.
22.1	<b>Container Sales with no Credits in Job Cost Ledger</b>	Two credits for sales of Containers were not recorded in the job cost ledger. The sales to The Fierro Group for \$2,250 (3/1/13) and Metro Container for \$1,000 (9/6/13) were not recorded. These sales were listed in a reconciliation of containers bought and sold provided by Clark.	Clark should credit \$2,250 to HAS.	\$ 2,250	See batch no. 15993548 on 3/1/13 for Fierro Group in the credit amount of <2,550.00>. Amount listed in reconciliation sheet is incorrect.	Please note that the credit of \$2,550 is not included in Column "N" Materials and Third Party Rentals and ,therefore, is not included in the \$3,071,412.11 listed on the Schedule of Reimbursable Costs prepared by Clark. The \$2,550 needs to be credited to HAS. For the difference of \$300.00, no additional audit work is necessary.	Clark agreed to credit HAS \$2,250 for the sales to the Fierro Group.	Management response addresses the issue identified. The remaining retainage withheld should be reduced by the overbilling/reimbursable cost. If retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.

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22.2	<b>Container Sales with no Credits in Job Cost Ledger</b>	Two credits for sales of Containers were not recorded in the job cost ledger. The sales to The Fierro Group for \$2,250 (3/1/13) and Metro Container for \$1,000 (9/6/13) were not recorded. These sales were listed in a reconciliation of containers bought and sold provided by Clark.	Clark should credit \$1,000 to HAS.	\$ 1,000	Clark agrees that the Metro purchase credit was not listed in the cost record, therefore an adjustment of \$1,000 should be made.	No additional response needed.	HAS concurs with Clark agreeing to refund the monies back to HAS.	Management response addresses the issue identified. The remaining retainage withheld should be reduced by the overbilling/reimbursable cost. If the retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.
23	<b>Personal Computer Costs in Addition to Rental Costs</b>	Dell invoices totaling \$2,476 for batteries, memory modules, etc. were charged to the project by Clark. Clark charged the project \$42,073 for computer rentals of laptops and desktop computers used by Clark employees. Clark indicated that they charge a project for additions or enhancements to Clark's Standard Configuration such as additional memory, etc.	It would be reasonable to assume that replacement or additions of batteries, memory modules, etc. would be included in the monthly rate of \$70 charged for laptops and \$40 for desktop computers. Clark should credit \$2,476 to HAS.	\$ 2,476	Clark's computer rental costs do not include enhanced RAM capacity. The requirement for enhanced memory was necessary for certain computers utilizing programs such as Primavera P6 and AutoCAD. Similarly, the standard configuration rental fees do not include costs for replacement batteries, if new batteries are required prior to expiration of the 3-year expected life of the computer.	Need to get HAS interpretation if this cost is Cost of the Work.	HAS agreed with Clark and allowed the charge of \$2,476 for batteries, memory modules, etc.	The rental of laptops and desktop computers configured appropriately is a reasonable cost to the project. The City was charged \$840 per year for each laptop rented and \$480 per year for each desktop rented. It is not unreasonable to assume that battery replacement would be included in the monthly rental rate. HAS should seek the appropriate cash reimbursement for battery replacement from Clark.
24	<b>Excessive Travel Expenses by Clark Overhead Employees</b>	A Clark Vice President based in Tampa allocated travel expenses totaling \$1,816 to the Hobby Airport Project. Travel expenses included two airfares totaling \$1,466 to lay-off employees in Houston. This is not a cost of work.	Article 8.01 (a) (4) states that Cost of Work includes reasonable and customary travel expenses of Construction Manager's personnel incurred directly and solely in support of the Project. Clark should credit \$1,816 to HAS.	\$ 1,816	The auditor acknowledges that Art. 8.01(a)(4) permits reimbursement of "reasonable and customary" travel expenses. The airfare costs in question were incurred by a Clark senior level executive in conjunction with employee layoffs at the site. This was in accordance with Clark's "customary" practices for such matters.	Per Article 7.02 (g) of the Agreement, Construction Manager's Construction Phase Fee shall cover profit, general overhead, and all expenses in connection with maintaining and operating Construction Manager's main office and any branch office. The vice president is based in Tampa (a branch office). Therefore, travel costs from Tampa should not be charged to the project.	HAS agrees with the City, this expense should have been included in the overhead. Clark agreed to reimburse.	Management response addresses the issue identified. The remaining retainage withheld should be reduced by the overbilling/reimbursable cost. If retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.
25	<b>Various Costs Charged by Clark Not Deemed a Benefit to the Project.</b>	Seven items totaling \$1,485.41 noted in our testing were deemed not to benefit the project. Specifics include: Georgia grocery expense for \$84.86, retirement meal for \$55.26, PO Box rental in Florida for \$258.80, travel item noted as "personal" for \$109.45, duplicate invoice for \$138.50, travel Dallas to San Antonio for \$155.10, and wrong project # charged \$683.44. None of these items are considered a Cost of Work.	Clark should credit HAS for \$1,485.	\$ 1,485	Clark concurs with the audit finding for these various items.	No additional response needed.	HAS concurs with Clark agreeing to refund the monies back to HAS.	Management response addresses the issue identified. The remaining retainage withheld should be reduced by the overbilling/reimbursable cost. If the retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.

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26	<b>Cost of Professional License Renewal Fees for Clark Employees</b>	Clark charged the project a total of \$800 for renewal of professional licenses and memberships. Maintenance of professional license fees and memberships is considered a part of general overhead and not a cost of work.	Article 7.02 (g) states that the construction Phase Fee covers general overhead. Clark should credit HAS for \$800.	\$ 800	Clark concurs with the audit finding regarding professional license and membership fees.	No additional response needed.	HAS concurs with Clark agreeing to refund the monies back to HAS.	Management response addresses the issue identified. The remaining retainage withheld should be reduced by the overbilling/reimbursable cost. If the retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.
27	<b>Over-Lapping Auto Rentals</b>	Two Houston car rentals by a Senior Project Manager were charged to the project. In February 2012, a two day rental for \$83.60 was charged. In September 2012, an eleven day rental for \$587.92 was charged. Clark charged car rental to the project for a Clark owned car driven by the Senior Project Manager. These rentals totaling \$671.52 are considered duplicate costs to HAS.	Clark should credit HAS for \$671.52	\$ 672	The car rental charges were incurred while the employee's regular vehicle was being repaired. Operation and maintenance costs of job equipment are allowable costs and vehicle rental costs would be included as part of the total maintenance cost.	Per Article 8.01, the term Cost of the Work means reasonable costs. It is unreasonable to expect HAS to pay rental for a Clark owned car and pay for a rental car for the same time period.	HAS agrees with the City's finding - HAS either pays for the car rental with credit for company vehicle or vice versa. Clark agreed to reimburse.	Management response addresses the issue identified. The remaining retainage withheld should be reduced by the overbilled amount of either the rental car or company vehicle. If retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.
28	<b>Adjustment to Vehicle Rental Cost</b>	A rental charge (\$2,519) for a 2009 Ford Edge was recorded in the job cost ledger in January 2012. We asked Clark for supporting documentation for the cost. Clark indicated that there was an error in allocating cost due to a reallocation of time of an employee. The cost that should be charged is \$252, which results in a required reduction of \$2,267.	Clark should credit \$2,267 to HAS.	\$ 2,267	Clark concurs with the audit finding for the adjustment to the vehicle rental cost.	No additional response needed.	HAS concurs with Clark agreeing to refund the monies back to HAS.	Management response addresses the issue identified. The remaining retainage withheld should be reduced by the overbilling/reimbursable cost. If the retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.
29	<b>Adjustment to Computer Rental Cost</b>	Related to the above adjustment to vehicle rental cost, a rental charge (\$484) for a computer rental was recorded in the job cost ledger in January 2012. Clark indicated that there was an error in allocating cost due to a reallocation of time of an employee. So based on the vehicle rental allocation, the cost that should be charged is \$48, which results in a required reduction of \$436.	Clark should credit \$436 to HAS.	\$ 436	Clark concurs with the audit finding for the adjustment to the computer rental cost.	No additional response needed.	HAS concurs with Clark agreeing to refund the monies back to HAS.	Management response addresses the issue identified. The remaining retainage withheld should be reduced by the overbilling/reimbursable cost. If the retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.

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FINDING				RESPONSES			Audit Division Assessment of Responses	
Item	Name	Observation	Background/Recommendation	Amount	Clark's Response	Experis Response		HAS Response
30.1	<b>Automobile Rentals Should Not Be Charged</b>	Clark owned automobile rental costs totaling \$611 were charged to project but no chargeable time charged by Clark employees (\$505 was charged for a Clark Vice President based in Tampa).	Clark should credit \$505 to HAS.	\$ 505	Disagree. Mr. Gallivan's time was charged to the project. (\$504.76)	The Clark Vice President is based in Tampa. Allocating his Clark automobile in Tampa to the HAS project is unreasonable.	HAS agrees with the City - Allocating his Clark automobile in Tampa to the HAS project is unreasonable. Clark agreed to reimburse.	Management response addresses the issue identified. The remaining retainage withheld should be reduced by the overbilling/reimbursable cost. If retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.
30.2	<b>Automobile Rentals Should Not Be Charged</b>	Clark owned automobile rental costs totaling \$611 were charged to project but no chargeable time charged by Clark employees (\$106 was charged for a Clark employee).	Clark should credit \$106 to HAS.	\$ 106	Agree. Mr. Poulson re-classified his time off of the project the following month. (Credit \$106.14.)	No additional response needed.	HAS concurs with Clark agreeing to refund the monies back to HAS.	Management response addresses the issue identified. The remaining retainage withheld should be reduced by the overbilling/reimbursable cost. If the retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.
31	<b>Duplicate charge for Automobile Rental</b>	Two automobiles were charged to the job cost ledger in February 2012 for a Clark manager assigned to the project. \$361 for a 2006 Chevy Malibu and \$361 for a 2011 Ford Fusion. This is a duplicate charge.	Clark should credit \$361 to HAS.	\$ 361	The vehicle assigned (#25288 Chevy) was sold, and a Fusion issued in it's place (#26823). During this month, the job was charged a partial month for each vehicle during the month.	The maximum rental cost that Clark charged for automobiles was \$500 per month if employee worked full time on the project. Total charged was \$722 for one month. Therefore, it appears his time was allocated and \$361 is a duplicate charge.	HAS agrees with City - time was allocated and \$361 is a duplicate charge. Clark Agreed to reimburse.	Management response addresses the issue identified. The remaining retainage withheld should be reduced by the overbilling/reimbursable cost. If retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.
<b>Subtotal-Potential Overcharges</b>				<b>\$ 1,319,846</b>				
		CCIP @ 1.771%		\$ 23,374	Clark agrees to a final adjustment for CCIP costs based on the Final Reimbursable Costs.	No additional response needed.	HAS concurs with Clark agreeing to refund the monies back to HAS.	Management response addresses the issue identified. The remaining retainage withheld should be reduced by the overbilling/reimbursable amount. If the retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.

October 21, 2015

Note: All responses from Clark and HAS are presented exactly as provided and have not been edited for content, spelling, etc.



EXHIBIT 1 - DETAILED FINDINGS LOG - SECTION 1  
Office of the City Controller and Experis  
Houston Airport System (HAS) - Project 417F Phase II and Phase III  
Construction Manager At Risk (CMAR) - Clark Construction Group - Texas, LP (Clark)

FINDING				RESPONSES			Audit Division Assessment of Responses	
Item	Name	Observation	Background/Recommendation	Amount	Clark's Response	Experis Response		HAS Response
		Off-Site Liability @ .188%		\$ 2,481	Clark agrees to a final adjustment for Liability costs based on the Final Reimbursable Costs.	No additional response needed.	HAS concurs with Clark agreeing to refund the monies back to HAS.	Management response addresses the issue identified. The remaining retainage withheld should be reduced by the overbilling/reimbursable amount. If the retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.
		CMAR fee @ 5%		\$ 65,992	The CMAR Fee is fixed at the time of the GMP approval per the CM@Risk Agreement.	Need HAS interpretation is fee fixed or can the fee be applied and recovered on potential overcharges.	HAS allowed the CMAR fee of 5% (\$50,025), due to Clark did not charge additional 5% fee on Change Orders/WCD. HAS agreed to not reduce the fee based on final cost.	The HAS response is based on a Potential Overcharge subtotal of \$1,000,500. The Audit Division maintains that the Potential Overcharge is \$1,319,846. The remaining retainage withheld should be reduced by the CMAR fee on all potential overcharges. If retainage is depleted prior to all settlements, HAS should seek the appropriate cash reimbursement from Clark.
		<b>Mark-ups and Fees</b>		<b>\$ 91,848.11</b>				
		<b>Potential Overcharges</b>		<b>\$ 1,411,695</b>				

October 21, 2015

Note: All responses from Clark and HAS are presented exactly as provided and have not been edited for content, spelling, etc.

**EXHIBIT 1 - DETAILED FINDINGS LOG - SECTION 2**  
**Office of the City Controller and Experis**  
**Houston Airport System (HAS) - Project 417F Phase II and Phase III**  
**Construction Manager At Risk (CMAR) - Clark Construction Group - Texas, LP (Clark)**

Item	Name	FINDING		Background Recommendation	Clark's Response	RESPONSES		Audit Division Assessment Of Responses
		Observation	Amount			Experis Response	HAS Response	
PRU1	<b>Documentation Supporting the Rate for Contractor Controlled Insurance Program Not Provided</b>	Contractor Controlled Insurance Program (CCIP) - Supporting documentation for the rates listed in the detailed CCIP rate calculation were not provided by Clark. The CCIP rate is \$17.71 per thousand contract value. Using the contract value of \$87,487,957 and the CCIP rate of \$17.71 (per thousand), Clark calculated a CCIP cost of \$1,549,910. Clark indicated that it is willing to have City's audit team visit its corporate offices and review insurance information with its Risk Management Department. This information should be provided to us in Houston.	\$ 1,549,910	Clark was not able to provide support from the insurance policies for the rates listed in the CCIP calculation. This issue is listed as an unsupported cost exception. HAS should require Clark to provide support from the insurance policies for the rates listed in the calculation. If the actual rates differ from the rates listed in the calculation an adjustment should be made to the CCIP cost.	Clark's response dated June 9, 2014, to Mr. Penner on this issue is hereby incorporated by reference. Copies of written backup documentation cannot be provided because they contain confidential and proprietary financial information. Clark remains willing, as previously offered, to make these materials available for review by the City's audit team at Clark's corporate offices to further review the CCIP cost structure. As stated in our responses to "potential overcharges", Clark agrees to adjust the CCIP costs based on the agreed Final Reimbursable Costs.	COH Audit Division and Experis discussed options on 12/11/14. Even if audit is performed at Clark's Maryland office, copies will be needed to support calculation and exceptions, if any. This information should be provided to the audit team in Houston.	HAS accepted Clark's documentation and explanation for CCIP allocation for the Project 417F. This is a company wide insurance program with an allocation to Project 417F, instead of a project specific insurance program.	While we acknowledge that the PDF'd spreadsheet supplied by Clark ties to the rate charged, the audit team did not receive supporting documentation (i.e.: invoices, claims, policies, etc.) from Clark that would allow us to perform audit testing procedures to substantiate any components of the rate as required by Generally Accepted Governmental Auditing Standards. HAS management should seek the appropriate credit for the Contractor Controlled Insurance Program.
PRU2	<b>Documentation Supporting the Rate for Off-Site Liability Insurance Not Provided</b>	Off-Site Liability Insurance - Supporting documentation for the rates listed in the detailed Off-Site Liability Insurance rate calculation were not provided by Clark. The rate is \$1.88 per thousand contract value. Using the contract value of \$87,487,957 and the rate of \$1.88 (per thousand), Clark calculated a cost of \$164,477. Clark indicated that it is willing to have City's audit team visit its corporate offices and review insurance information with its Risk Management Department. This information should be provided to us in Houston.	\$ 164,477	Clark was not able to provide support from the insurance policies for the rates listed in the Off-Site Liability Insurance calculation. This issue is listed as an unsupported cost exception. HAS should require Clark to provide support from the insurance policies for the rates listed in the calculation. If the actual rates differ from the rates listed in the calculation an adjustment should be made to the Off-Site Liability cost.	Clark's response dated June 9, 2014, to Mr. Penner on this issue is hereby incorporated by reference. Copies of written backup documentation cannot be provided because they contain confidential and proprietary financial information. Clark remains willing, as previously offered, to make these materials available for review by the City's audit team at Clark's corporate offices to further review the Off-Site Liability Insurance cost structure. As indicated in our responses to "potential overcharges" Clark agrees to adjust the Off-Site Liability costs based on the agreed Final Reimbursable Costs.	COH Audit Division and Experis discussed options on 12/11/14. Even if audit is performed at Clark's Maryland office, copies will be needed to support calculation and exceptions, if any. This information should be provided to the audit team in Houston.	HAS accepted Clark's documentation and explanation for Off-Site Liability Insurance Program. This is a company wide insurance program with an allocation to Project 417F, instead of a project specific insurance program.	While we acknowledge that the PDF'd spreadsheet supplied by Clark ties to the rate charged, the audit team did not receive supporting documentation (i.e.: invoices, claims, policies, etc.) from Clark that would allow us to perform audit testing procedures to substantiate any components of the rate as required by Generally Accepted Governmental Auditing Standards. HAS management should seek the appropriate credit for Off-Site Liability Insurance.
PRU3	<b>Documentation Supporting the Rate for Subguard Insurance Not Provided</b>	Subguard Insurance - Supporting documentation for the rate listed for Subguard Insurance was not provided by Clark. The rate is \$11.50 per thousand enrolled value. Clark calculated a Subguard cost of \$118,790. Clark indicated that it is willing to have City's audit team visit its corporate offices and review insurance information with its Risk Management Department. This information should be provided to us in Houston.	\$ 118,790	Clark was not able to provide support from insurance policies for the rate listed Subguard Insurance calculation. This issue is listed as an unsupported cost exception. HAS should require Clark to provide support from the insurance policies for the rates listed in the calculation. If the actual rates differ from the rates listed in the calculation an adjustment should be made to the Subguard Insurance cost.	As previously offered, Clark is willing to have the City's audit team visit our corporate offices to further review the Subguard cost structure. Clark's Subguard program is an internally insured program and the rate applied to the Hobby project for the subs enrolled was 1.15% of the Subcontract Values, which is a reasonable bond rate in the construction markets. Typically subcontractor bond premiums range from 1.0% to 2.5% of the Subcontract Value.	COH Audit Division and Experis discussed options on 12/11/14. Even if audit is performed at Clark's Maryland office, copies will be needed to support calculation and exceptions, if any. This information should be provided to the audit team in Houston.	HAS accepted Clark's supporting documentation and explanation for Subguard Insurance Program. This is a company wide insurance program with an allocation to Project 417F, instead of a project specific insurance program.	While we acknowledge that the PDF'd spreadsheet supplied by Clark ties to the rate charged, the audit team did not receive supporting documentation (i.e.: invoices, claims, policies, etc.) from Clark that would allow us to perform audit testing procedures to substantiate any components of the rate as required by Generally Accepted Governmental Auditing Standards. HAS management should seek the appropriate credit for Subguard Insurance.
PRU4	<b>Documentation Supporting Constructware Cost Not Provided</b>	Clark recorded in a journal entry \$50,000 for Constructware. The basis for the cost billed is an internal Clark document. Clark did not provide Invoices, etc. that support the cost charged or allocated to the project.	\$ 50,000	Article VIII 8.01 states the term Cost of the Work means reasonable costs. Therefore, invoices that support the cost charged or allocated to the project need to be provided by Clark. If not provided, \$50,000 should be credited to HAS.	Clark's responses dated June 9 and July 25, 2014, to Mr. Penner on this issue are hereby incorporated by reference. No further backup documentation is available. Clark offers Constructware to its projects pursuant to an Enterprise Agreement with Constructware ("CW"). The total CW cost for all phases was \$60,000. This covered approximately 100-120 user licenses over the course of the project, equating to approximately \$500-\$600 per license. Single user price with Constructware was \$995 / user per project and Hobby was broken into 2 projects, Phase 1 and Phase 2.	Supporting documentation should be provided to support all costs billed to HAS. Clark has been unable to provide supporting documentation; therefore, the \$50,000 should be credited to HAS.	HAS accepted Clark's supporting documentation and allowed the charge of \$50,000	Clark acknowledged in their responses dated June 9 and July 25, 2014, that they do not have supporting documentation (invoices or any other support) for this charge. As a result, the Audit team could not perform audit testing procedures to substantiate the allocation as required by Generally Accepted Governmental Auditing Standards. HAS management should seek the appropriate credit.

October 21, 2015

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EXHIBIT 1 - DETAILED FINDINGS LOG - SECTION 2  
 Office of the City Controller and Experis  
 Houston Airport System (HAS) - Project 417F Phase II and Phase III  
 Construction Manager At Risk (CMAR) - Clark Construction Group - Texas, LP (Clark)

FINDING					RESPONSES			Audit Division Assessment Of Responses
Item	Name	Observation	Amount	Background Recommendation	Clark's Response	Experis Response	HAS Response	
		<b>Subtotal-Potential Recoverable Unsupported Costs</b>	<b>\$ 1,883,177</b>					
		CCIP @ 1.771%	\$ 33,351					
		Off-Site Liability @ .188%	\$ 3,540					
		CMAR fee @ 5%	\$ 94,159					
		<b>Markups and Fee</b>	<b>\$ 131,050</b>					
		<b>Potential Recoverable Unsupported Costs</b>	<b>\$ 2,014,227</b>					

October 21, 2015

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# EXHIBIT 2

## VIEWS OF RESPONSIBLE OFFICIALS

FINAL RESPONSE FROM  
HOUSTON AIRPORT SYSTEM DIRECTOR

October 21, 2015

NOTE: All responses from Clark and HAS are presented exactly as provided and have not been edited for content, spelling, grammar, etc.



**CITY OF HOUSTON**  
Aviation Department

**Annise D. Parker**

Mayor

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Director of Aviation  
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October 21, 2015

Courtney Smith  
City Auditor  
901 Bagby, 9<sup>th</sup> Floor  
Houston, TX 77002

Dear Ms. Smith:

The following is Houston Airport System's (HAS) response to draft findings and recommendations pertaining to the of Project 417F Phase II and III –Ticketing Building Renovation and Roadway Repairs at William P. Hobby Airport, Houston, Texas, dated September 2015.

HAS believes \$1,023,962.19 is the justifiable amount for potential overcharges for Project 417F, as described in the Detailed Findings Log, Section 1 of this report. Below HAS responded to the significant issues and recommendations listed in the Construction Contract Performance Audit Report.

**Recommendations 1 and 2**

- Clark should refund overcharged and unsupported costs to HAS;
- HAS should seek to recover from Clark the amounts identified;

**Response to the Recommendations 1 and 2**

HAS has recouped all justifiable overcharged and unsupported costs from Clark listed below:

**The significant issues include:**

- Costs billed through Clark's Application for Payment #97 were **\$545,021** greater than costs listed on the Schedule of Reimbursable Costs (supported by detail cost schedules) (**Finding 1, Exhibit 1, Section 1**);
- Severance payments totaling **\$142,260** paid to eight terminated Clark Salary employees should not be charged to the Project (**Findings 3 & 4, Exhibit 1, Section 1**);
- Insurance costs charged for *Contractor Controlled Insurance Program* (CCIP) and *Off-Site Liability* Insurance were overstated by **\$107,712** (**Findings 13 & 14, Exhibit 1, Section 1**); and
- Relocation costs totaling **\$121,039** were not approved by HAS (**Finding 15, Exhibit 1, Section 1**);
- HAS recouped **\$3,862** for CMAR Fees, due to Clark only charging HAS \$3,862 in CMAR Fees (**Subtotal, Exhibit 1, Section 1**);

HAS does not propose to recover the following amounts because HAS found that the amounts below were justifiable within the parameters of the contract:

**The significant issues include:**

- HAS allowed for **\$275,290** for actual hours billed to the project at the hourly rate specified in Amendment 3 (**Finding 2, Exhibit 1, Section 1**);
- HAS allowed CMAR fee of 5% (**\$50,025**), due to Clark not charging the additional 5% fee on Change Orders/Work Change Directives. HAS agreed to not reduce the fee based on final cost (**Subtotal, Exhibit 1, Section 1**);

HAS does not propose to recover the following amounts regarding Potential Recoverable Unsupported Costs because HAS accepted the documentation that Clark provided below:

**The significant issues include:**

- Clark provided supporting documentation for the rates used in the calculation of *Contractor Controlled Insurance Program (CCIP)* costs totaling **\$1,549,910**, which were charged to the Project (**Finding PRU1, Exhibit 1, Section 2**);
- Clark provided supporting documentation for the rates used in the calculation of *Off-Site Liability Insurance* costs totaling **\$164,477**, which were charged to the Project (**Finding PRU2, Exhibit 1, Section 2**); and
- Clark provided supporting documentation for the rate used in the calculation of *Subguard Insurance* costs totaling **\$118,790**, which were charged to the Project (**Finding PRU3, Exhibit 1, Section 2**).

**Recommendation 3**

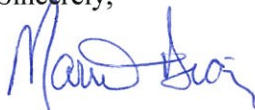
- HAS management should institute an audit process for verifying applications for payment throughout the project(s) and prior to completion.

Response to Recommendation 3

HAS implemented Project Management Officers, who verifies application of payment with the inspectors and contractors before the invoices are sent to the Contract Management Office for processing. The Contract Management Office reviews the invoices again for accuracy and completeness as it relates to the contract. This new process ensures all applications for payment are verified throughout the project and prior to completion.

Please accept the responses above for Construction Contract Performance Audit of Project 417F Phase II and III.

Sincerely,



Mario C. Diaz

MCD:km

cc: Jeffrey Brown  
Andy Icken  
Lance Lyttle  
Matt Townsend

Council Members: Brenda Stardig Jerry Davis Ellen R. Cohen Dwight A. Boykins Dave Martin Richard Nguyen Oliver Pennington  
Edward Gonzalez  
Robert Gallegos Mike Laster Larry V. Green Stephen C. Costello David W. Robinson Michael Kubosh C.O. "Brad" Bradford Jack  
Christie  
Controller: Ronald C. Green