



Procurement of Construction Services

Audit No. 2408

WHY WE DID THIS AUDIT

An audit of *Procurement of Construction Services* was completed pursuant to the City Council-approved fiscal year (FY) 2025/26 Audit Plan. The audit objective was to evaluate the effectiveness of controls over the procurement of construction services.

BACKGROUND

In accordance with Arizona Revised Statutes Title 34 and City Procurement Code, Design-Bid-Build construction must be procured through a competitive sealed bidding process, also referred to as Invitation for Bid (IFB). In contrast, construction using CMAR, JOC, and DB are alternative project delivery methods and must be procured through a qualifications-only selection process, referred to as Request for Qualifications (RFQ)

Construction procurements using IFB are handled by the Purchasing department, while RFQ construction procurements are managed by the Project Engineering department of Transportation & Infrastructure (T&I) which also manages the construction project.

WHAT WE FOUND

Stronger controls over delegated procurements are needed to ensure compliance and transparency, and to align with those adopted by Purchasing.

Specifically,

- T&I has not established sufficient oversight and appropriate separation of duties in its procurement function.
- Procedures to monitor and document compliance with procurement requirements are needed, including controls to ensure submittals deadlines are enforced and submissions are not accessed prior to solicitation close.
- Selection committee members have not been required to confirm they are free from potential bias and conflicts of interest, and evaluation records to support final selections were not properly maintained.

Fully utilizing the e-procurement system to manage procurements would impose stronger controls. As well, the delegation of authority needs to be updated for change in organizational structure, and the level of delegation should be re-evaluated.

For alternative delivery method construction, options to further incorporate construction pricing into the contracting process should be evaluated.

Initial contracts for JOC, CMAR, and DB do not contain construction pricing, such as the contractor's overhead and profit rates. To maximize negotiating leverage, streamline cost proposals, and improve transparency on contract pricing, certain rates and fees could be negotiated before awarding a contract.

Opportunities exist for strengthening certain contract terms and procurement policies.

Safety plan requirements could be expanded to reduce the city's liability exposure, considerations for use of JOC for larger projects should be evaluated. As well, policies for notifying the public of intent to award need to be aligned across departments.

WHAT WE RECOMMEND

The Senior Director of Transportation & Infrastructure should:

- Establish appropriate separation duties and responsibilities for monitoring procurement activities and align procedures to those adopted by Purchasing, including using the e-procurement system to manage submissions and evaluations.
- Ensure all evaluators affirm non-conflict of interest and evaluation process is properly documented.
- Evaluate options for negotiating construction fees and pricing before awarding a contract and adopting a simplified procurement process for lower-dollar contracts. Work with Legal and Risk to update contractual safety requirements.

The Purchasing Director should:

- Update the delegation of authority for 2025 organizational changes and work with T&I to clarify responsibilities and level of delegation.