

Bond Funded Construction Projects – Procurement Process Review

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Date: September 16, 2026

To: Board of Trustees
Stephanie S. Elizalde, Ed.D., Superintendent

From: Robert Rubel, MBA, CPA, CIA, CISA
Chief Internal Audit Officer

Subject: Bond Funded Construction Projects – Procurement Process Review

Executive Summary

The Dallas Independent School District (District) Office of Internal Audit (OIA) has completed the Bond Funded Construction Projects – Procurement Process Review.

The audit focused on the District's processes and controls surrounding the procurement of general contractors using the Job Order Contracting (JOC) and Competitive Sealed Proposal (CSP) procurement methods.

Overall, Construction Services has processes in place for procuring bond-funded construction projects using the JOC and CSP methods. Construction Services collaborates with Project Management firms to oversee the procurement process and ensure the best value is provided to the District and the community.

Opportunities for improvement were identified in the following areas:

Observation	Recommendation
1	<ul style="list-style-type: none">a. Develop JOC proposal evaluation sheets and require evaluators to complete and retain them for all JOC proposal evaluations.b. Strengthen JOC proposal review and approval procedures to ensure line items are billed in accordance with the unit price book.

Background

Construction Services' mission is to provide quality sustainable facilities to enhance student achievement. Their goals are to manage the architectural and engineering design for bond-funded construction projects; manage the construction of bond-funded school projects; oversee the procurement of real property for new schools and expansion of existing campuses; manage the procurement of fixtures, furniture, and equipment for new schools and additions; assist in the administration of construction-related warranties; and oversee a construction safety program to ensure safe activities on all campuses during construction projects.

Bond Program

The 2020 bond program was approved at \$3.5 billion to fund \$3.2 billion of repairs and upgrades for more than 200 District campuses and \$270 million for the acquisition and update of District technology equipment.

Competitive Sealed Proposals

The District uses the CSP method to procure general contractors (GCs) for the majority of its construction projects. The use of competitive procurement methods, such as CSPs, initiates competition amongst bidders to provide better value for the District. A CSP, under Texas Government Code Chapter 2269, is a procurement delivery method used for construction contracts in which the District requests proposals for the project, evaluates and ranks the offerors, negotiates the offer, and then contracts with a GC to complete the project. Contractors typically submit offers to complete the project scope within a given timeframe for a lump sum price. Allowances and owner-controlled contingency amounts may also be determined in the proposal.

Job Order Contracting

The District uses the JOC method typically for smaller construction projects. It involves a multi-year agreement with Board of Trustees approved JOC vendors, who are pre-selected through a competitive bidding process. During a JOC competitive bidding process, instead of providing lump sum proposals as in CSPs, prospective JOC vendors propose a coefficient, or multiplier, which is later used, along with a unit price book, to accurately estimate the cost of their future assigned job order projects. The unit price book used by the District is RS Means.

General Contractors

GCs are procured to coordinate construction projects and manage job sites. GCs are contracted within the American Institute of Architects (AIA) A101 and A201 contract documents, which establish a determined scope of work for a lump sum price plus any pre-determined owner-controlled contingency. Once contracted, GCs hire subcontractors to complete the required scope of work. GCs submit applications for payment monthly, for which the District makes progress payments to the GC, based on the percentage of work completed and materials obtained and stored. The District makes the final payment when the contract is fully fulfilled, and work completed has been accepted by the Board.

Project Management Firms

The District also contracts with project management firms (PMFs) to oversee and manage bond-funded construction projects from planning and design through project closeout. PMFs are responsible for managing all project matters with the purpose of meeting the project completion date within the allotted budget. The District currently has contracts with five different PMFs, each of which are made up of around 10 to 21 employees working solely on District projects. Each PMF manages, on average, approximately 40 projects for the District. PMFs are paid on a fee-based structure based on the managed budget and are paid monthly based on the percentage of the project's completion. In addition, the District employs contract managers to assist and oversee PMFs. The District's contract managers, A/Es, and PMFs work closely together to coordinate and execute construction projects.

Scope

This audit focused on current processes as of fiscal year 2025-2026. Certain other matters or transactions outside that period may have been reviewed to understand and verify information during the audit period.

Objective

The objective of the audit was to review the District's processes and controls surrounding the procurement of general contractors using the JOC and CSP procurement methods for bond funded construction projects.

Methodology

Auditors interviewed key personnel, conducted walkthroughs, and identified applicable procurement policies and procedures. To test compliance with established procurement requirements, auditors obtained all JOC and CSP projects with purchase orders approved between July 1 and December 31, 2025 which comprised 10 JOC projects totaling \$5,228,497 and 12 CSP projects totaling \$162,800,047.

For the following three processes, auditors reviewed all the JOC projects and conducted the following:

JOC Method Selection & Eligibility

To determine whether JOC projects were properly authorized and limited to repairs, renovations, and minor construction, auditors performed the following:

- Reviewed JOC purchase orders for eligibility.
- Reviewed scopes and confirmed they met JOC definitions.
- Verified projects over \$500,00 were approved by the Board of Trustees.

No observations noted; however, results were communicated to management for review.

JOC Vendor Selection

To determine whether JOC contracts were properly awarded, auditors performed the following:

- Verified a JOC request for proposals occurred.
- Reviewed evaluation criteria and scoring sheets.
- Traced the awarded vendor to vendor pool list.

See Recommendation 1a in this report.

JOC Pricing & Unit Price Book

To determine whether JOC contractors used the approved unit price book and coefficients, auditors performed the following:

- Recalculated samples of line items from each project using the approved unit price book.
- Verified coefficients matched those proposed for the vendor pool.
- Verified reviewers signed off on coefficients prior to contract issuance.

See Recommendation 1b in this report.

For the following two processes, auditors reviewed a sample of six JOC projects totaling \$4,991,389, and all 12 CSP projects and conducted the following:

CSP/JOC Compliance Thresholds

To determine whether procurements were split to avoid thresholds, auditors performed the following:

- Used data analytics to review purchase order amounts by vendor and project to identify potential splits.
- Reviewed documentation and approvals.

No observations were noted.

CSP/JOC Recordkeeping

To determine whether procurement records were complete, auditors performed the following:

- Confirmed the presence of all the required documents.

No observations were noted.

Primary criteria used for this audit were:

- 1) Texas Government Code Chapter 2269, Contracting and Delivery Procedures for Construction Projects, last updated September 1, 2021
- 2) CV (LOCAL), Facilities Construction, date issued July 30, 2025
- 3) CVF (LEGAL), Facilities Construction: Job Order Contracts, date issued June 22, 2021
- 4) Dallas ISD Construction Procurement Manual 2025-2026
- 5) Request for Competitive Sealed Proposal Procurement Procedure for Construction Services, January 30, 2025
- 6) Construction Services, JOC Proposed Procedures, as of April 13, 2026

Audit Observations and Recommendations

Auditors conducted the testing described in the methodology section and noted the following.

Observation 1 – JOC procurement processes could be enhanced.

Condition

JOC Vendor Selection - Auditors reviewed JOC procurement files and noted that proposal evaluations were not documented on evaluation or scoring sheets. In the files reviewed, there was no written evidence demonstrating how proposals were evaluated, scored, or compared against established evaluation criteria.

JOC Pricing & Unit Price Book - Auditors identified instances in which vendor line-item costs proposed for JOCs exceeded the corresponding prices established in the approved unit price book. The identified pricing variances did not have a material financial impact.

Cause

Management did not ensure that evaluators completed and retained evaluation or scoring sheets as part of the JOC procurement process.

The overpricing appears to result from inadequate vendor adherence to unit price book pricing and insufficient review and verification of line-item costs before contract approval.

Effect

The absence of documented evaluation records limits management's ability to demonstrate that proposals were evaluated fairly and in accordance with applicable procurement requirements. This lack of documentation increases the risk of inconsistent evaluations, challenges to award decisions, and reduced transparency and accountability.

Line-item costs in excess of unit price book pricing increase the risk of overpayment and

potentially lead to unnecessary expenditures and reduced assurance over cost controls.

Recommendation 1

Construction Services management should:

- a. Develop JOC proposal evaluation sheets and require evaluators to complete and retain them for all JOC proposal evaluations.
- b. Strengthen JOC proposal review and approval procedures to ensure line items are billed in accordance with the unit price book.

Risk Level for Observation 1: Medium¹

Management Response

Acknowledgement of observation:

- ☒ Agree
☐ Disagree

Management Response:

Construction Services agrees that additional documentation and enhanced review procedures strengthen the JOC procurement process and improve consistency in contract administration. In response to this observation, Construction Services has developed and implemented a standardized JOC proposal evaluation form that will be completed and retained for all JOC proposal evaluations to provide clear documentation of the evaluation and award process.

Additionally, Construction Services has strengthened its proposal review procedures by requiring staff and consultants to verify that proposed line items are billed in accordance with the applicable Unit Price Book before approval. Construction Services staff will continue to monitor JOC line items for applicable projects to ensure that the correct pricing is utilized and will reinforce expectations with all Program Management Firms and consultants to ensure compliance with the applicable Unit Price Book during proposal development and review. These enhanced controls have been communicated to all Construction Services team members and consultants and have been incorporated into the department's JOC review process to improve accuracy, consistency, transparency, and compliance with JOC procurement requirements.

Estimated Implementation Date: May 26, 2026

Individuals responsible for implementation: Mike Garcia, Executive Director

¹ See Attachment 1 for Definition of Risk Level.

Conclusion

Overall, Construction Services has designed and continues to enhance their processes for the management and execution of bond funded projects procured using the CSP and JOC methods.

We would like to thank Construction Services and the PMFs for their cooperation and assistance with this audit. Implementation of the recommendations in this report would enhance the JOC procurement processes.

The audit was conducted in conformance with the Institute of Internal Auditors' *Global Internal Audit Standards*. Those standards require OIA to plan and perform the audit to obtain sufficient, reliable, and relevant evidence to provide a reasonable basis for our observations and conclusions based on our audit objectives. OIA believes the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

Respectfully submitted,

Robert Rubel

Robert Rubel, MBA, CPA, CIA, CISA
Chief Internal Audit Officer

Cc: Pamela Lear, Ed.D., Deputy Superintendent of Staff and Accountability
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Definition of Risk Level

Risk Level	Definition
High	These risks could directly impact the achievement of critical strategic or operational objectives of the District. There is a high likelihood of occurrence, and if the event materializes, it could result in a significant negative impact on the District's financial stability, operational efficiency, ability to meet intended outcomes, reputation, or compliance, potentially exceeding the District's risk appetite.
Medium	These risks pose a moderate likelihood of occurrence and could have a notable adverse impact on important operational aspects of the District. While undesirable, the potential financial, reputational, strategic or compliance consequences are less severe than high-level risks and may approach the District's risk appetite.
Low	These risks have a low likelihood of occurrence and are expected to have a minimal impact on the District's operational efficiency, financial standing, reputation, or compliance. These risks are generally within the District's risk appetite but still warrant monitoring and may require basic controls.

Management Response

Observation 1 – JOC procurement processes could be enhanced.

Acknowledgement of observation:

- ☒ Agree
- ☐ Disagree

Management Response:

Construction Services agrees that additional documentation and enhanced review procedures strengthen the JOC procurement process and improve consistency in contract administration. In response to this observation, Construction Services has developed and implemented a standardized JOC proposal evaluation form that will be completed and retained for all JOC proposal evaluations to provide clear documentation of the evaluation and award process.

Additionally, Construction Services has strengthened its proposal review procedures by requiring staff and consultants to verify that proposed line items are billed in accordance with the applicable Unit Price Book before approval. Construction Services staff will continue to monitor JOC line items for applicable projects to ensure that the correct pricing is utilized and will reinforce expectations with all Program Management Firms and consultants to ensure compliance with the applicable Unit Price Book during proposal development and review. These enhanced controls have been communicated to all Construction Services team members and consultants and have been incorporated into the department's JOC review process to improve accuracy, consistency, transparency, and compliance with JOC procurement requirements.

Estimated Implementation Date: May 26, 2026

Individuals responsible for implementation: Mike Garcia, Executive Director

Criteria by Observation

Observation 1 – Criteria

Texas Government Code, Chapter 2269 Contracting and Delivery Procedures for Construction Projects, Sec. 2269.405. Competitive Sealed proposal Method, last updated September 1, 2021

- a) A governmental entity may use the competitive sealed proposal method under Subchapter D for job order contracts.
- b) The governmental entity shall advertise for, receive, and publicly open sealed proposals for job order contracts.
- c) The governmental entity may require offerors to submit information in addition to rates, including experience, past performance, and proposed personnel and methodology.

Construction Services, JOC Proposed Procedures, as of April 13, 2026

- 4. Evaluation Criteria:
 - a. JOC task proposals will be evaluated based on the following criteria:
 - I. Workload capacity: Contractor's ability to handle additional projects while ensuring timely completion of tasks.
 - II. SBO (Small Business Office) participation: Contractor's commitment to involving SBOs in the execution of JOC tasks.
 - III. Schedule adherence: Contractor's track record and ability to complete tasks within the agreed-upon timeframes.
 - IV. Per Board Policy: Experience, past performance, proposed personnel, and methodology.

Texas Government Code, Chapter 2269 Contracting and Delivery Procedures for Construction Projects, Sec. 2269.410. Job Orders, last updated September 1, 2021

- a) An order for a job or project under a job order contract must be signed by the governmental entity's representative and the contractor.
- b) The order may be:
 - 1) a fixed price, lump-sum contract based substantially on contractual unit pricing applied to estimated quantities; or
 - 2) a unit price order based on the quantities and line items delivered.