



Report Highlights

Alternative Delivery Contracting Methods

Department of Transportation

Performance Audit • March 2023 • 2251P

Key Concern

The Department of Transportation (Department) lacks sound, consistent, and transparent processes for deciding when to use alternative delivery methods; awarding and determining the parameters of alternative delivery contracts; managing alternative delivery contracts; ensuring alternative delivery contracts provide expected benefits; and adhering to accountability and transparency expectations.

Key Findings

- The Department did not always follow its own policies for alternative delivery projects.
 - For 8 of 16 projects auditors reviewed, the Department did not fully use its project delivery selection process when deciding whether to use an alternative delivery method, increasing the risk of choosing an unsuitable delivery method that could lead to cost and schedule overruns.
 - For 1 of 5 Construction Manager/General Contractor (CM/GC) projects auditors reviewed, the Department scored an incomplete proposal rather than rejecting it, as required.
 - The Department inconsistently set and managed CM/GC contract parameters related to cost controls, amendments, and contractor fees.
- For 5 of the 12 CM/GC projects active in Fiscal Years 2021 and 2022, the Department paid contractors about \$700,000 to continue work after the preconstruction contracts had expired, in violation of statute, and awarded about \$158 million for construction work related to the expired contracts.
- The Department paid \$18 million more than independent cost estimates across all 27 CM/GC construction contracts for projects active in Fiscal Years 2021 and 2022. In negotiating construction contracts, the Department uses independent cost estimators to question CM/GC contractors' prices in order to ensure a fair and open price.
- The Department lacks a method to assess whether alternative delivery methods meet statutory expectations to provide a timely or cost effective alternative to its default delivery method. Our analysis found that Design-Build projects are more likely to have schedule and cost overruns and CM/GC performs similarly as the default delivery method, Design-Bid-Build.
- The Department does not always provide clear, consistent information on alternative delivery projects on its website, and is not always consistent with accountability and transparency expectations under the Colorado Open Records Act.

Background

- The Department is responsible for constructing and maintaining the state highway system and uses various contracting methods to deliver construction projects, including its default, Design-Bid-Build delivery method, as well as alternatives such as CM/GC or Design-Build.
- CM/GC and Design-Build alternative delivery methods are used by the Department for high-cost or complex projects to provide greater certainty about their schedules or costs. For CM/GC projects, the Department contracts with a construction firm to provide input on the design of a project and then awards separate construction contracts to that firm to build the project; for Design-Build, it contracts with a single firm for design and construction of a project.
- In Fiscal Years 2021 and 2022, the Department managed 19 alternative delivery projects totaling \$3.5 billion, ranging from \$8.3 million to \$1.17 billion per project.

Recommendations Made

20

Responses

Agree: **20**

Partially Agree: **0**

Disagree: **0**