

What Construction Contractors Need to Know About JOB ORDER CONTRACTING, Cooperatives, and Best Management Practices



As a construction contractor considering a Job Order Contract (JOC), it is critical to be aware that all JOCs are not the same.

Carefully review all of the Job Order Contract and all associated documents. Make certain that the roles, responsibilities, tools, requirements and liabilities associated with the JOC are specified.

Determine the answers to the following questions BEFORE you price or accept a Job Order Contract:

Will you be able to perform?

Will you work directly with the real property owner or a consultant?

Will you be able to develop a positive, long term relationship with the owner?

Will you earn a reasonable profit?

The following is a listing of Job Order Contract Do's and Don'ts. This format is used to review the primary elements of a Job Order Contract from a "best practice" perspective with a focus upon the construction contractor. It is important to review all Job Order Contract provisions to assure avoidance of any unnecessary financial risk or potential legal issues.¹

Job Order Contracting (JOC) is a competitively bid, firm-fixed price, Indefinite Delivery Indefinite Quantity (IDIQ) LEAN construction delivery method. It is also implemented by the United States Air Force under the term SABER. Although some basic attributes of a JOC were originally developed in the early 1980's in Europe, JOC was greatly refined in the United States by the U.S. Army and U.S. Air Force in the late 1980's and continues to be improved and expanded.

JOC FUNDAMENTALS – Job order contracting, like any LEAN best management process, has basic requirements that focus upon collaboration, transparency, quality, and continuous improvement:

¹ This document is not providing, nor attempts to provide any form of legal advice. Please seek appropriate legal counsel.

- Early and ongoing involvement of ALL participants.
- Value and qualification based selection and procurement.
- Cost and accounting transparency via standardized cost data architectures, terms, and definitions.
- Shared risk/reward.
- Appropriate use of supporting technology.
- Centralized reporting and oversight with local empowerment, application, management - monitoring, metrics, and continuous improvement.
- Mutual respect.

IMPORTANT: If the Job Order Contract you are considering is not in alignment with these core best practices, it is recommended that you discuss the document in more detail with appropriate parties, including, but not limited to, the real property owner / facilities manager, an experience JOC consultant or peer organization, and legal resources familiar with Job Order Contracts.

Unit Price Book: Do's

The JOC Unit Price Book (UPB) should provide a sufficient number of unit price line items to assure the ability to create detailed construction costs estimates for each task of which the value derived from the UPB is at least ninety (90%) of the total construction value of the project.

Each line item should include a description using common terms, written in plain English, and without abbreviations.² Material, equipment and labor costs for appropriate renovation, repair, and minor new construction tasks should also be incorporated.

The JOC UPB should be locally researched specifically for the area(s) of coverage designated by the Contract (not use or be dependent upon localization factors or indices).

The JOC UPB should be developed and maintained by an independent and objective resource.

Separate demolition line items should be included.

Line items modifiers (items that add to, or deduct from, the parent line item cost) should be included as appropriate to account for quantity, site/location factors, material qualities, etc.

Labor rates should reflect the local prevailing and other wage requirements of applicable local laws (Davis-Bacon Wage Rates).

Unit Price Books should be updated annually.

² Units of measure are commonly abbreviated using standard nomenclature.

Premiums for restricted area (e.g. prison, airport, court house) work and after-hours work will need to be included in the books, or otherwise provided for.

Review the methodology used to create the Unit Price Book being used for the Job Order Contract.

What is the background of the individuals that created the UPB?

What is the total number of material, labor, equipment, modifier, and demolition line items?

Are new items added to the UPB throughout the period of the JOC? Frequency?

Unit Price Book: Don'ts

The UPB should not have an excessive number of line items. Hundreds of thousands of line items are not required for the majority of multi-trade JOCs. In fact fewer than 40,000 line items should be adequate.

While unit price books may contain several hundred thousand line items, approximately 10,000 line items are typically used on a regular basis for estimating most of the common facility related renovations and repair tasks encountered.

Single trade JOCs require even fewer line items. An excessive number of line items actually can be a major contributing factor to higher costs. Researching, maintaining, locating, and reviewing data can all be excessively cumbersome, time consuming, and costly if the UPB is unnecessarily large.

The JOC UPB should NOT be associated with any consultant for resource that will benefit directly from construction dollars spent on projects, especially if that resource also has a decision-making role with respect to JOC task order/construction project awards. Example: receiving payment for services based on a percentage of total JOC construction volume.

The UPB should not use or be dependent upon localization factors or indices.

Non-prepriced work, tasks that are not within the unit price book, should not exceed 10% of the total value of the job order. The cost of non-prepriced work should be based upon the best value alternative derived from three (3) written quotes, copies of which should be reviewed by the owner technical team and procurement authority.

Note: Most JOC Consultants and JOC Unit Price Book providers place the responsibility upon JOC Contractors to verify the unit prices and to modify their coefficient(s)/adjustment factors accordingly.

JOC Coefficient: Do's

In general, JOC coefficients should range between 0.80 and 1.20. The use of a standard hour, non-standard hour, and non-prepriced coefficient are also a common practice. There may also be coefficients applicable to specific locations or regions.

JOC Coefficient: Don'ts

Don't bid or consider working on JOC with coefficients of less than 0.80 unless you have thoroughly reviewed all factors involved and have determined that there are extenuating circumstances and that a reasonable profit is likely attainable.

JOC Consultant: Do's

An Owner-managed³ JOC is the most efficient, beneficial, and least costly mode of JOC Program implementation for Owners with numerous and ongoing renovation and repair needs exceeding approximately \$2,000,000 per year.

In some cases, however, a JOC Consultant is hired to assist in core Job Order Contracting processes. If a JOC consultant is involved, it is generally because the real property owner does not have the competence, capability, and/or resources to deploy a fully independent owner-managed Job Order Contracting Program.

Cooperative (COOP) JOCs: Do's

An Owner-managed Job Order Contract is the most efficient, beneficial, and least costly mode of JOC Program implementation for Cooperatives with numerous regional, state-wide, and/or national members (various educational and/or non-federal government agencies) with ongoing facilities renovation and repair needs exceeding approximately \$2,000,000 per year.

In some cases, however, a member may use a Cooperative's JOC Managed Service⁴, due to a volume of JOC work lower than a cost effective threshold, or to learn more about the JOC process. Participants should carefully review the COOP program to assure there is proper support, that JOC best practices are followed, and that any associated fees are not excessive.

Cooperative (COOP) JOCs: Don'ts

If a JOC Cooperative is involved, it is generally because the real property owner does not have the competence, capability, and/or resources to deploy a fully independent managed Job Order Contracting Program. Do not get involved in a JOC Cooperative that charges excessive fees based upon total construction dollars. Fees are generally considered excessive at the four percent (4%) or greater level, however, any JOC fee greater than two (2%) is deserving of additional scrutiny. Make certain that your company can both perform adequately AND make a reasonable profit.

³ An owner-managed Job Order Contract is a situation where the Owner has primarily developed, implemented, and manages the daily processes involved. A JOC consultant, if used, may have assisted in developing the program, or provides tools, training, and/or audits.

⁴ A Cooperative's Job Order Contract Managed Service is a situation where the Cooperative has primarily developed, implemented, and manages the daily processes involved. A JOC consultant, if used, may have assisted in developing the program, or provides tools, training, and/or audits.

JOC Programs Involving JOC Consultants: Do's

If a JOC Consultant is involved in supporting the real property owner, or managing aspects of a JOC Program, clarify the role of the consultant:

- Assure the JOC consultant is an independent, objective, and a fully transparent resource.
- Clarify the primary roles and objectives of the JOC consultant.
- Determine if the JOC consultant is working to support all JOC participants or acting strictly to the Owner's benefit as owner's representative.
- Establish the details of how the JOC consultant is being compensated.

The primary role of a Job Order Contracting Consultant may include the design, implementation and management, including Who, What, How, Why, and Timing, in specific areas such as...

- Job Order Contract strategic planning and development
- Local Unit Price Book development
- Job Order Contracting Software
- JOC Education, Training, and Certification
- Ongoing Support
- Creation of a JOC Operations Manual, Policies and Procedures
- Monitoring Objectives and Goals, Key Performance Indicators (KPIs)
- JOC Program Marketing
- Information Handover
- JOC Program Performance Audits

The overall goal of any best practice Job Order Contract is provide significant measurable long term benefits for ALL JOC Program participants... Owners, Cooperatives, Contractors, Subcontractors, Building Users, and Oversight Groups.



JOC Programs Involving JOC Consultants: Don'ts

If a JOC consultant is managing the JOC Program and has a decision-making role in approving JOC task orders or projects, the situation requires significant additional scrutiny. There may be instances where it is best for a JOC construction contractor to not get involved. Improper design and/or management of a Job Order Contract may result in significant conflict of interest and carries a higher risk of fraud and/or misuse.

Language in a Job Order Contracting RFP should be carefully reviewed as it may create a situation that fails to consider the best interests of all JOC participants. The following are examples of situations that may require additional investigation.

"The JOC Contract Implementation Services agreement will be a performance-based contract with no fees paid up-front to the JOC consultant, but a percentage fee is paid for successful issuance of construction task orders resulting from the consultant's preparation of unit price books and contract bid documents."

"Consultant's Annual Fee: For the satisfactory performance of all required services hereunder, the Consultant shall be paid an Annual Fee, the amount of which shall be calculated as a percentage of the dollar amount of task orders which are (a) issued to construction contractors utilizing the JOC System, and (b) registered by the Comptroller during the specified year."

Remember that if a JOC Consultant is managing the JOC Program, or supporting the JOC in areas⁵ beyond training, tools, or auditing, it can be due to the associated lack of JOC knowledge and/or resources on the part of the real property owner. This factor, when combined with the introduction of a third party (the JOC consultant) into the JOC work processes, can create confusion, delays, and other issues than can negatively impact the JOC program and the awarded JOC construction contractors.

JOC Software Technology: Do's

Job order contracting software should primarily focus upon enabling contractors and owners to create detailed line item construction cost estimates, using the appropriate JOC unit price books that adequately reflect the scope of work required by the owner.

The software should be easy to installed and use. It should lock the JOC unit price book as well as clearly differentiate between priced (unit prices from the current JOC unit price book) and non-prepriced line items (NPP).

Cloud-based software provides the above as well as enables higher levels of collaboration.

The system should support the JOC process.

JOC software should also be reasonably priced and available on a price per concurrent user.

JOC Software Technology: Don'ts

Do not rely upon spreadsheets or “cost calculators”, or online generic cost estimating systems for a JOC. These approaches are cumbersome and prone to error. In

⁵ The various services provided by a Job Order Contracting Consultant may include, but are not limited to:

- Strategic planning for the JOC Program
- Development of the JOC Program inclusive of a JOC Operations Manual
- Locally Researched Line Item JOC Unit Price Book
- JOC Program Marketing
- JOC Program Contractor Selection Support
- JOC Education, Training, and Support
- JOC Audits
- Review, clarify, document JOC Proposal Requests
- Participate in JOC Project on-site meetings
- Review JOC Proposals
- Review JOC Contractor Job Order Packages
- Verify JOC Contractor Proposals
- Monitor JOC Workflow
- Assure JOC Program Compliance

addition, not using JOC-specific software may create serious issues regarding contract compliance and lead to economic loss and/or legal issues.

JOC software should not hinder the JOC process or negatively impact productivity.

JOC software fees should not be paid as a percentage of the overall construction volume, as this can easily result in excessive costs.

Subcontracting: Do's

Follow all requirements noted in the JOC solicitation such as... "The Proposer shall clearly indicate what portions of the scope of work will be subcontracted. Provide an organizational chart of prime and subcontractors to illustrate contractual relationships, and clearly indicate in the proposal response which entity is responsible for which portions of work." Monitor the quality and amount of work performed by subcontractors to assure compliance with contract requirements.

Subcontracting: Don'ts

Do not engage a subcontractor that is not familiar with and/or willing to use a JOC Unit Price Book and detailed line item cost estimating; Or if there are restrictions relative to use of subcontractor similar to the following example: "The Consultant is not permitted to enter into any subcontract(s) for construction services for the JOC Program."

Technical Specifications: Do's

Technical Specifications are generally referenced in the Job Order Contract. In most cases the technical specifications have already been developed by the owner/facility manager and reflect current commercial construction standards. In most cases the technical specifications are developed and maintained using either Masterspec, BSD SpecLink, or Unified Facilities Guide Specifications (UFGS). There may be some modifications to these "standard" specifications and/or a limited number (generally less than two hundred – 200) of customer specification required do to specialized infrastructure requirements.

The purpose of LEAN collaborative construction delivery methods, including Job Order Contracting, is to standardize and clarify terms, definitions, and requirements. Thus excessive customization should be avoided.

Technical Specification: Don'ts

As noted the purpose of a Job Order Contract is to simplify processes, enhance communication, and drive higher productivity. A new set of technical specifications specifically for the JOC Program should be avoided as it can drive excessive costs and/or fees, create unnecessary confusion, and negatively impact productivity. If a Job Order Contract program requires a dedicated set of Technical Specifications that are not standard and simply references versus something that requires additional maintenance and costs, further justification should be sought.

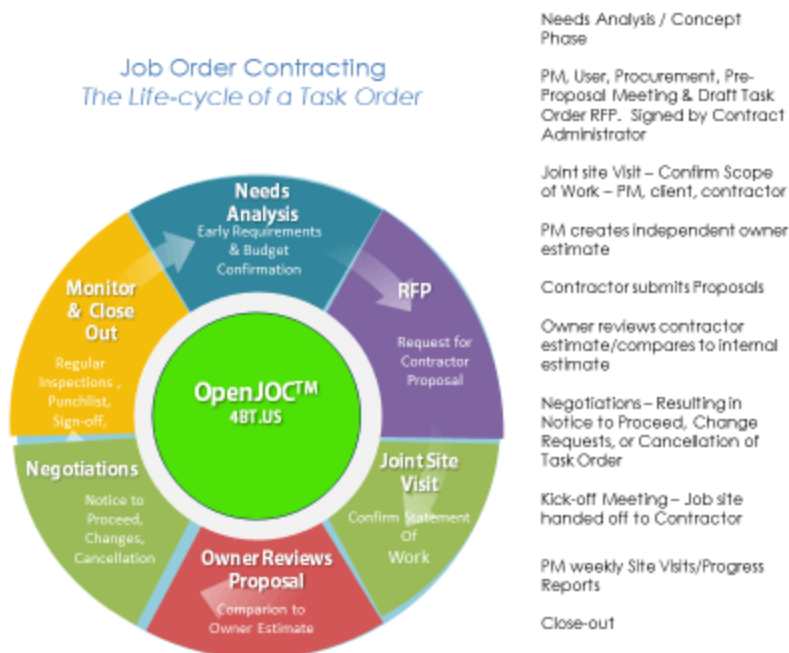
JOC Task Order Process: Do's

The JOC LEAN construction delivery process encourages and actually requires contractors/subcontractors and owners to be involved early, and throughout the process, from concept onward.

Prior to approval and execution of each job order issued under a JOC, the contractor's estimates of unit quantities and any other items contributing to the price must be independently verified by the owner/project manager. Following such verification, each job order should be submitted by the project manager to the owner procurement/purchasing individual with authority to approve JOC task orders for approval and execution.

A typical JOC process has the following stages. Assure that the JOC Program has a similar process.

- Owner request for a JOC task order / project proposal.
- Joint Owner/Contractor site visit.
- Contractor prepared estimate/proposal.
- Owner review of contractor proposal. (Owner may generate an independent owner estimate for comparison to the contractor estimate, or review the contractor's estimate in detail.)
- Owner/Contractor negotiations and/or changes as needed.
- Owner provides contractor with a notice to proceed (NTP).
- Project start and execution.
- Owner project sign off.



JOC Task Order Process: Don'ts

As noted the JOC task order process should encourage early and ongoing communication DIRECTLY with the owner, facility manager, and building user(s). If this is not the situation and if the only true source of information is an intermediary, such as a JOC consultant, additional clarification should be sought from the owner to assure proper information exchange. The inability to obtain and validate construction requirements directly from or with the owner is contrary to JOC best management practices and may significantly impact the construction contractor's ability to reduce costs, shorten project delivery times, and mitigate disputes.

JOC Consultants sometimes will review and clarify the JOC task order requests and subsequently schedule a scoping meeting with the appropriate contractor(s). It is critical that the contractor(s) and owner conduct a joint site visit and define the scope of work.

The contractor(s) submits a job order package and the owner reviews to ensure it reflects the scope of work. A JOC consultant should never be paid a percentage of the total construction cost to accomplish all of these tasks in lieu of the owner. If this happens the owner has no true visibility into requirements and costs.

If the owner simply does a cursory review of the JOC task order package and then approves the task order, the fundamental benefits of JOC, as well as implicit checks and balances, are not fully present.

It could be argued that in this type of "false JOC" scenario, that JOC is simply being used to bypass traditional procurement techniques. The Owner in these cases is not

providing leadership or enhancing their skills and capabilities, thus also not improving productivity.

JOC Education, Training, and Support: Do's

Successful JOC Programs require current and ongoing education, training, and support. Building the best possible team with the highest level of capability and competency possible is what Job Order Contracting is all about. A full suite of education, training, and certification offerings can help bring confidence, comfort, and elevated performance to all Job Order Contract participants. Look for providers that provide direct access to training services as well as a network of business partners, professional associations, and universities.

Trainers should be subject-matter experts with national training experience in Job Order Contracting, Construction Cost Estimating, and Program/Project Management.

Look for the availability of multiple training formats to assure maximum participation and benefit for all levels of participants.

- Regional
- On-site
- Virtual (instructor lead and self-paced)

Training should include hands-on sessions, complete with JOC software and exercises. Developing skills and confidence enhances leadership and achievement of better overall outcomes.

Look for trainer involvement with organizations such as the Center for Job Order Contracting Excellence, CJE and Alliance for Construction Excellence, ACE.

Training should include modules about procurement rules and current legislation regarding JOC, and all other aspects of JOC set-up, implementation, and management.

JOC Education, Training, and Support: Don'ts

Despite decades of proven application of JOC, many real property owners and facility managers remain unaware of the fundamental best management practices associated with Job Order Contracting.

Standardized, open, and efficient deployment requires introductory, advanced, and ongoing education, training, and support provided by an independent, objective, and experienced provider. If these services are not provided by an independent and objective party, these issues should be raised with the real property owner and JOC consultant as appropriate.