



County of Los Angeles CHIEF EXECUTIVE OFFICE

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SACHI A. HAMAI
Chief Executive Officer

August 2, 2018

To: Supervisor Sheila Kuehl, Chair
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Janice Hahn
Supervisor Kathryn Barger

From: Sachi A. Hamai
Chief Executive Officer

Board of Supervisors
HILDA L. SOLIS
First District

MARK RIDLEY-THOMAS
Second District

SHEILA KUEHL
Third District

JANICE HAHN
Fourth District

KATHRYN BARGER
Fifth District

JOB ORDER CONTRACT AUDIT IMPLEMENTATION STATUS REPORT – SECOND QUARTERLY REPORT (ITEM NO. 9, AGENDA OF OCTOBER 31, 2017)

On October 31, 2017, the Board approved the motion by Supervisors Kuehl and Hahn, to ensure that quality and due diligence are exercised in the use of Job Order Contracts (JOC). This motion also requires implementation and continuous adherence to the JOC audit recommendations issued by the Auditor-Controller on April 17, 2017, and recommendations from the Internal Services Department's (ISD) May 4, 2017 Report on JOC Best Practices. In addition, this motion directs the submission of eight quarterly reports monitoring the implementation of 33 Auditor-Controller recommendations and additional items to enhance oversight of the JOC program.

The first quarterly report dated April 5, 2018, covers the period of November 1, 2017 to January 31, 2018. This second quarterly report covers the period of February 1, 2018 through April 30, 2018, and provides a status of the Auditor-Controller and ISD recommendations (Attachment A), and remaining items addressed in the October 31, 2017 motion.

ISD's Report on JOC Best Practices

Ten of the 12 recommendations included in ISD's May 4, 2017 report on JOC Best Practices concur with the 33 recommendations in the Auditor-Controller April 17, 2017 report. The remaining two recommendations, liquidated damages and self-performance by JOC, have been added as Recommendations 34 and 35 in Attachment A, and are reported on beginning with this quarter.

JOC Delegated Authority

The JOC ordinances have been drafted and will be presented to the Board for approval by the third quarter of 2018. Under the proposed ordinances, the Directors of Public Works, ISD, Parks and Recreation, and the Executive Director of Community Development Commission/Housing Authority, will be delegated authority by the Board to approve and deliver projects subject to the Public Contract Code up to \$75,000 via JOC, and to take any action to deliver such projects including, but not limited to, authorizing JOC work orders, accepting the JOC projects, and filing notices of completion.

Enactment of Legislation

In regards to the proposal to adjust the current force account limit, on February 26, 2018, the Chief Executive Office – Legislative Affairs and Intergovernmental Relations Division (CEO - Legislative Affairs) reported to your Board that it was working with the bill’s author on amendments to AB 2633 (Jones-Sawyer) that would: 1) increase the force account limit from \$50,000 to \$150,000 to reflect the increase in the California Consumer Price Index since 1982; and 2) include a provision to make subsequent annual increases to the limit based on the California Consumer Price Index. On April 27, 2018, CEO - Legislative Affairs reported to your Board that AB 2633 was held in the Assembly Local Government Committee at the request of the author and would not proceed this year.

JOC Work Orders for Maintenance

Over the past three fiscal years, ISD’s JOC contractors have completed 355 projects under \$50,000 with an aggregate value of \$5,132,263, at an average project value of \$14,457. All completed projects are within the force account limit. Please see below for details by fiscal year.

	FY 2014 - 15	FY 2015-16	FY 2016-17
Number of Projects	98	169	88
Average Cost per Project	\$12,896	\$14,855	\$15,431
Total Cost	\$1,263,844	\$2,510,480	\$1,357,939

ISD has initiated a five-year project planning process in conjunction with the CEO’s five-year funding plan for the Deferred Maintenance (DM) Program. DM projects under the Public Contract Code statutory limit of \$50,000 will be performed by County crafts staff when feasible. Circumstances, such as timeline conflicts, capacity, or project complexity may require ISD to use a contractor for the delivery of services.

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In prior years, ISD has not categorized work orders as maintenance or refurbishment projects. However, effective July 2018, ISD has started tracking the type of maintenance projects completed. Additional information regarding the type of maintenance work performed and an analysis of County staff performing baseline maintenance work instead of JOC contractors, including an implementation timeline, will be addressed in the next quarterly report.

Auditor-Controller Follow-up Review

The Auditor-Controller's follow-up review of the County's JOC program administration will be addressed at the end of the 24-month implementation period.

The next report will cover the period of May 1, 2018 through September 30, 2018. Please note that the reporting period will be extended by two months, from July 31, 2018 to September 30, 2018, to synchronize this report with standard quarterly reporting periods.

If you have additional questions, please contact David P. Howard, Assistant Chief Executive Officer, at (213) 893-2477 or dhoward@ceo.lacounty.gov.

SAH:JJ:DPH
BMB:AMA:KAV:zu

Attachments

c: Executive Office, Board of Supervisors
Auditor-Controller
County Counsel
Community Development Commission
Internal Services
Parks and Recreation
Public Works

AUDITOR-CONTROLLER AND INTERNAL SERVICES DEPARTMENT RECOMMENDATIONS

County Departments' Use of Job Order Contracts Review - April 17, 2017
 ISD Report on JOC Best Practices - May 4, 2017

No.	Recommendation	Status
1	Chief Executive Office management, in conjunction with each department that utilizes Job Order Contracts, form a Countywide work group to expedite corrective actions to address this report's findings/recommendations.	Completed - June 14, 2017, CEO formed the Countywide Work Group
2	Instruct staff to immediately discontinue negotiating project costs, monitor for compliance, and take disciplinary action, where appropriate.	Completed
3	Provide training to staff on how to properly review and approve price proposals.	Completed
4	Require project managers to maintain documentation in project files to support the need for all supplemental work orders.	Completed
5	Develop Countywide guidelines that include thresholds requiring departments to obtain an independent estimator's (i.e., third party or in-house) review of price proposals, where appropriate.	Completed
6	Develop alternative methods for identifying supplemental work orders that are initiated for project phases.	Completed
7	Ensure project scopes are specific and clearly delineate project requirements, and contain accurate measurements, quantity of items needed, etc.	Completed
8	Ensure Job Order Contracting is properly used for completing work as defined in the California Public Contract Code, and that projects are not executed as a means to circumvent the County's procurement process.	Completed
9	Ensure supplemental work orders are only executed for additional work that is related to the original project scope.	Completed
10	Ensure supplemental work orders are not split to circumvent management approval.	Completed
11	Ensure staff do not approve proposals that lack required details (e.g., measurements, product descriptions, etc.) or sufficient breakdown of all non-catalog tasks and services needed to complete the project.	Completed
12	Establish criteria that includes a limit (i.e., a percentage of total work order amount) for non-catalog items that can be used in individual Job Order Contract projects, and a supervisory review process to clarify when non-catalog items are allowed to exceed the limit, where appropriate.	Completed
13	Establish Countywide guidelines for departments to require contractors to provide three quotes for non-catalog items and ensure documentation is maintained in project files justifying the lack of three quotes, where appropriate.	Completed
14	Require contractors to apply their bid factor percentage to non-catalog items to mitigate the excessive use of non-catalog items and to discourage contractors from submitting low bids, or explore other options for adding non-catalog items to the catalog thereby eliminating or reducing the use of non-catalog items, where appropriate.	Completed
15	Ensure staff verify that all non-catalog items and materials cannot be priced through the Job Order Contract consultant's catalog before using non-catalog pricing.	Completed
16	Require contractors to select the lowest quote for non-catalog items and materials, where appropriate.	Completed
17	Ensure vendor quotes specify the costs for all non-catalog items and materials.	Completed

AUDITOR-CONTROLLER AND INTERNAL SERVICES DEPARTMENT RECOMMENDATIONS

County Departments' Use of Job Order Contracts Review - April 17, 2017
ISD Report on JOC Best Practices - May 4, 2017

No.	Recommendation	Status
18	In conjunction with County Counsel, develop and implement a standard approach, including consistent criteria and procedures, for monitoring, evaluating, and documenting contractor performance, and a method for departments to incorporate these and other departments' experiences, including issues noted in the County's Contractor Alert Reporting Database, when determining contractor responsibility.	On February 16, 2018, the Auditor issued a memorandum updating the CARD system procedures for JOC. The CARD system has been determined to be an appropriate mechanism to track poorly performing JOC contractors. As such, departments/agencies may begin using the CARD system immediately. Minor modifications, such as adding the ability to distinguish among construction contractors and tracking subcontractor issues, will be made to the CARD system and are expected to be completed by the end of 2018. CARD system procedures were also developed to help guide departments/agencies on how to use the CARD system as part of determining responsibility for low-bid construction contracts. To ensure a standardized approach for reviewing the CARD system entries when determining bidder responsibility, the Bidder Non-Responsibility Determination for Construction Contracts checklist was developed.
19	Utilize the County's Contractor Alert Reporting Database for alerting County departments of poorly performing contractors.	
20	In conjunction with County Counsel and the Job Order Contract consultant, consider restructuring payment terms for the consultant's services to ensure the County's interests are protected.	Upon renewal/award of JOC consultant service contracts, standard language will be used by County departments/agencies to ensure County's interests are protected, better pricing is negotiated for the County, based on the combined project volume for all County departments/agencies, and the contracts describe in detail the services that are required of the JOC consultant.
21	In conjunction with County Counsel, work with the Job Order Contract consultant to negotiate better pricing for the County based on the combined project volume for all County departments, if the consultant's fees continue to be based on a percentage of total project costs.	
22	In conjunction with County Counsel and the Job Order Contract consultant, ensure County contracts with the consultant contain standardized language for Job Order Contract consulting service contracts.	
23	Ensure Job Order Contract consulting service contracts describe in detail the services that are required of the Job Order Contract consultant.	
24	Develop and/or enhance formal written procedures detailing all aspects of the County's Job Order Contract program, including the areas discussed above and throughout this report.	Completed
25	Ensure Job Order Contract procedures are distributed to all staff with Job Order Contract responsibilities.	All JOC utilizing departments/commissions, with the exception of CDC, distributed the County of Los Angeles Job Order Contracting Implementation Guidelines and its Internal Operating Policy to its staff prior to the first quarterly report. CDC distributed the County of Los Angeles Job Order Contracting Implementation Guidelines and its Internal Operating Policy and Procedure Manual to its staff during the second quarter.
26	Develop a standard approach for monitoring the Job Order Contract program. The approach should include, but not be limited to, the development of customized monthly project summary reports that include the information noted above, as well as other key information needed to effectively monitor the program.	Completed
27	Review the Job Order Contracting project summary reports monthly and take appropriate corrective action, where necessary.	Completed
28	Ensure Board approval is obtained for Job Order Contract projects exceeding \$75,000, and clarify in their Job Order Contract award Board requests that they will separately seek Board approval for each Job Order Contract project exceeding \$75,000.	JOC delegated authority ordinances have been drafted. Board letter requesting approval of the ordinances is in draft and will be submitted to the Board by the third quarter of 2018.

AUDITOR-CONTROLLER AND INTERNAL SERVICES DEPARTMENT RECOMMENDATIONS

County Departments' Use of Job Order Contracts Review - April 17, 2017
ISD Report on JOC Best Practices - May 4, 2017

No.	Recommendation	Status
29	Obtain Board approval for all County Job Order Contract projects, or request delegated authority to issue County Job Order Contract projects below \$75,000. In addition, clarify in the department's Job Order Contract award Board requests that the department will separately seek Board approval for each County Job Order Contract project that exceeds \$75,000 and clarify how Board approvals will be obtained for Community Development Commission/Housing Authority projects (e.g., request approval for each project, request delegated authority, etc.).	<p>A committee led by ISD and comprised of the CEO and departments/agencies utilizing JOC, in consultation with County Counsel, developed ordinances to be approved by the Board. Under the proposed ordinances, the respective Directors of Public Works, ISD, Parks, and the Executive Director of CDC will be delegated authority by the Board to approve and deliver applicable projects (e.g. alteration, repair, or remodeling) up to \$75,000 via JOC, and to take any action to deliver such projects including, but not limited to, authorizing JOC work orders; accepting the JOC projects, and filing notices of completion.</p> <p>The Director of Public Works has existing delegated authority to approve construction contracts up to \$75,000, which generally encompasses the approval of JOC projects up to \$75,000. The new ordinance for Public Works will specifically authorize JOC projects approval up to \$75,000.</p> <p>In addition, with respect to JOC projects in amounts greater than \$75,000, which require Board approval, the Director of Public Works, or his designee, will be delegated authority to take any action to deliver such Board-approved JOC projects including, but not limited to, accepting the JOC projects and filing notices of completion, consistent with the authority already delegated to the Director of Public Works for construction contracts awarded by the Board.</p>
30	Ensure all Notice to Proceed/Work Order Authorization dates are entered in eGordian to ensure Gordian bills for all services rendered.	Completed
31	Work with County Counsel to establish ordinances to reflect Board approved delegated authority to issue Job Order Contract projects in an amount not to exceed \$75,000.	JOC delegated authority ordinances have been drafted. Board letter requesting approval of the ordinances is in draft and will be submitted to the Board by the third quarter of 2018.
32	Work with County Counsel to create a Memorandum of Understanding or other written agreement delineating the responsibilities of each department for the Job Order Contract services provided, including fees associated with these services	Completed
33	Consider establishing project limits (Countywide and/or department specific, as well as project specific) for Job Order Contract projects. Regardless of the limits, all projects should be subject to management evaluation to ensure Job Order Contracting, as opposed to more traditional procurement methods, is appropriate. In addition, when requesting Board approval for Job Order Contract projects, departments should indicate in their Board letter that the department has made the determination that Job Order Contracting is the most appropriate procurement method.	Completed
ISD Report on JOC Best Practices		
34	ISD recommends a standardized procedure for the assessment of liquidated damages.	JOC utilizing departments/agencies have projects that vary in size, cost, complexity, and type of work;
35	ISD recommends a uniform percentage for self-performance be established, in which the JOC contractor performs a certain percentage of the work with its own workforce, as oppose to subcontracting.	<p>therefore, departments/agencies have developed internal standard procedures for imposing liquidated damages and requiring percentage of self-performance by JOC that meet their individual departments/agencies' needs.</p> <p>An example of the varying standards among departments is the percentage of self-performance by JOC per work order. CDC requires JOC self-performance of 15 percent per work order; ISD requires JOC self-performance of 25 percent per general work order and 50 percent per specialty work order (i.e., electrical, HVAC, roof, etc.); and DPW requires JOC self-performance of 15 percent per horizontal vertical work order, 90 percent per pavement preservation work order (i.e., resurfacing, seal coat, etc.), and 50 percent per parkway work order (i.e., tree and concrete maintenance).</p>