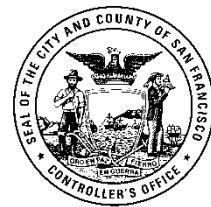


# City and County of San Francisco

Office of the Controller – City Services Auditor

## **SAN FRANCISCO PUBLIC UTILITIES COMMISSION:**

**The Job Order Contract Program Lacks Sufficient Oversight to Ensure Program Effectiveness**



*December 26, 2012*

**OFFICE OF THE CONTROLLER  
CITY SERVICES AUDITOR**

The City Services Auditor (CSA) was created in the Office of the Controller through an amendment to the Charter of the City and County of San Francisco (City) that was approved by voters in November 2003. Charter Appendix F grants the City Services Auditor broad authority to:

- Report on the level and effectiveness of San Francisco's public services and benchmark the city to other public agencies and jurisdictions.
- Conduct financial and performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of processes and services.
- Operate a whistleblower hotline and website and investigate reports of waste, fraud, and abuse of city resources.
- Ensure the financial integrity and improve the overall performance and efficiency of city government.

CSA's Audits Unit may conduct financial audits, attestation engagements, and performance audits. Financial audits address the financial integrity of both city departments and contractors and provide reasonable assurance about whether financial statements are presented fairly in all material aspects in conformity with generally accepted accounting principles. Attestation engagements examine, review, or perform procedures on a broad range of subjects such as internal controls; compliance with requirements of specified laws, regulations, rules, contracts, or grants; and the reliability of performance measures. Performance audits focus primarily on assessment of city services and processes, providing recommendations to improve department operations.

CSA conducts its audits in accordance with the Government Auditing Standards published by the U.S. Government Accountability Office (GAO). These standards require:

- Independence of audit staff and the audit organization.
- Objectivity of the auditors performing the work.
- Competent staff, including continuing professional education.
- Quality control procedures to provide reasonable assurance of compliance with the auditing standards.

For questions regarding the report, please contact Director of City Audits Tonia Lediju at [Tonia.Lediju@sfgov.org](mailto:Tonia.Lediju@sfgov.org) or 415-554-5393, or CSA at 415-554-7469.

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# City and County of San Francisco

## Office of the Controller - City Services Auditor

### San Francisco Public Utilities Commission: The Job Order Contract Program Lacks Sufficient Oversight to Ensure Program Effectiveness

December 26, 2012

#### Purpose of the Audit

This audit determined whether the San Francisco Public Utilities Commission (SFPUC) used and administered job order contracts in accordance with the San Francisco Administrative Code (Administrative Code), and whether SFPUC effectively administers and monitors its job order contract (JOC) program.

#### Highlights

Some SFPUC practices undermine the intent of the JOC program and make it vulnerable to abuse. SFPUC could better administer the program and better assess the quality and performance of JOC contractors.

The audit found that:

- SFPUC's JOC program lacks a policy establishing the program's purpose that could provide staff guidance when determining which projects to authorize for implementation under JOCs.
- SFPUC's use of JOCs for some projects undermines the intent of the JOC program. The Administrative Code indicates that repair, maintenance, and minor construction projects with costs less than \$400,000 should be completed under JOCs. However, four of SFPUC's JOC projects were not for repair or maintenance and exceeded the \$400,000 limit. Also, some evidence indicates that SFPUC may have divided some larger projects into smaller projects and executed them under JOCs.
- Despite prepricing of construction materials and tasks being a practice that helps ensure that the City and County of San Francisco (City) receives competitive pricing for JOC projects, 14 (35 percent) of 40 sampled task orders contained non-prepriced tasks. In eight cases, the non-prepriced tasks represented the majority of the total project costs. Heavy reliance on non-prepriced tasks reduces the effectiveness of the competitive solicitation process for JOCs.
- SFPUC lacks procedures for choosing among JOC contractors when assigning projects and does not document project assignment decisions.
- The JOC program inadequately assesses contractors' qualifications, resulting in a heavy reliance on lowest bid criteria when awarding JOCs.
- The JOC program inadequately monitors the quality of contractors' work. The program does not consistently and promptly inspect JOC projects and ensure that project managers submit contractor evaluation forms on time.

#### Recommendations

The audit report includes 19 recommendations for the SFPUC to more effectively administer and monitor its JOC program. Specifically, the SFPUC should:

- Establish a policy for the JOC program that specifies the intent of the program and may inform project authorization decisions.
- Not authorize projects that rely heavily on non-prepriced tasks.
- Use qualified staff to evaluate contractor qualifications and weight qualifications more heavily than lowest bid when awarding JOCs.
- Develop procedures for assigning projects to JOC contractors and document project assignment decisions.
- Consistently inspect JOC contractors' work and ensure that project managers submit contractor evaluations on time.

*Copies of the full report may be obtained at:*

Office of the Controller • City Hall, Room 316 • 1 Dr. Carlton B. Goodlett Place • San Francisco, CA 94102 • 415.554.7500  
or on the Internet at <http://www.sfgov.org/controller>

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CITY AND COUNTY OF SAN FRANCISCO  
OFFICE OF THE CONTROLLER

Ben Rosenfield  
Controller

Monique Zmuda  
Deputy Controller

December 26, 2012

San Francisco Public Utilities Commission  
525 Golden Gate Avenue  
San Francisco, CA 94102

Mr. Harlan L. Kelly, Jr.  
General Manager  
San Francisco Public Utilities Commission  
525 Golden Gate Avenue  
San Francisco, CA 94102

Dear Commission President and Members, and Mr. Kelly:

The Office of the Controller's City Services Auditor Division (CSA) presents its audit report of the San Francisco Public Utilities Commission (SFPUC) Job Order Contract (JOC) program. SFPUC requested this audit as part of the department's annual audit program. The audit objectives were to determine whether SFPUC used and administered JOCs in accordance with the San Francisco Administrative Code, and whether SFPUC effectively administers and monitors its JOC program.

The audit found that some SFPUC practices undermine the intent of the JOC program and that SFPUC's administration of the program has some weaknesses. Further, SFPUC could better assess the quality and performance of JOC contractors.

The audit report includes 19 recommendations for SFPUC to more effectively administer and monitor its JOC program. SFPUC's response to the audit report is attached as an appendix. CSA will work with SFPUC to follow up on the status of the recommendations made in this report.

CSA appreciates the assistance and cooperation that the SFPUC's staff provided during the audit. For questions about the report, please contact me at [Tonia.Lediju@sfgov.org](mailto:Tonia.Lediju@sfgov.org) or 415-554-5393, or CSA at 415-554-7469.

Respectfully,

Tonia Lediju  
Director of City Audits

cc: Mayor  
Board of Supervisors  
Civil Grand Jury  
Budget Analyst  
Public Library

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## **GLOSSARY OF TERMS**

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Adjustment factor	A multiplier of costs in the Construction Task Catalog submitted by potential JOC contractors in their initial proposal
Administrative Code	San Francisco Administrative Code
CAB	Contract Administration Bureau of SFPUC
CTC	Construction Task Catalog®, a proprietary list of costs for construction materials and tasks that is created by a consultant, The Gordian Group
City	City and County of San Francisco
Commission	Governing body of the San Francisco Public Utilities Commission
CSA	City Services Auditor of the Controller's Office
JOC	Job Order Contract
NTP	Notice to Proceed
SFPUC	San Francisco Public Utilities Commission
WSIP	Water System Improvement Program



## INTRODUCTION

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### Audit Authority

This audit was conducted under the authority of the Charter of the City and County of San Francisco (City), Section 3.105 and Appendix F, which requires that the Office of the Controller (Controller), as the City Services Auditor (CSA), conduct periodic, comprehensive financial and performance audits of city departments, services, and activities. The San Francisco Public Utilities Commission (SFPUC) requested this audit as part of the department's annual audit program.

### Background

*Job order contracting allows government to expedite simple, low-risk construction projects while mitigating risks.*

Government entities use job order contracting to expedite simple, low-risk construction projects, primarily those to effect repair and maintenance. SFPUC's usual process for contracting construction projects involves identifying the need, designing the specifications for a project, requesting proposals, reviewing proposals, and awarding the contract. The process is competitive and designed to ensure that the City awards the contract for a specific project to a contractor who can perform all the work required, including any specialized tasks, at the lowest cost.

For job order contracting, contractors submit proposals not for a specific project, but for a general contract that will allow them to perform repair, maintenance, and minor construction projects as needed. In the job order contract (JOC) process, SFPUC identifies a need and determines the scope and requirements of the project, then allows the JOC program manager to assign the project to a prequalified contractor. As a result, projects under JOCs are awarded in significantly less time and with significantly fewer resources used than projects awarded under the usual construction process.

In a 2011 comparison of energy-efficiency upgrade projects executed under SFPUC's JOC program versus its usual construction contracting process, CSA's Performance Unit found that the usual process took an average of 17.4 months to award the project to a contractor, compared to 8.5 months using the JOC process.

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*SFPUC began its job order contract program in 2006.*

In 2006 SFPUC awarded its JOC consulting services contract to The Gordian Group, the sole responsive, responsible bidder, to create construction unit price books for the SFPUC's multiple bureaus and enterprises. Each of The Gordian Group's price books is known as a Construction Task Catalog® or CTC. Compensation for The Gordian Group's services is 1.75 to 1.95 percent of the total costs of each project completed using JOCs.

*SFPUC selects JOC contractors through competition.*

To establish a JOC, SFPUC issues requests for proposal and reviews proposals submitted by various contractors. Each contractor includes in its proposal an adjustment factor, which is used as a multiplier to the unit prices listed in the CTC. The adjustment factor includes contractor costs such as overhead, mobilization, profit, insurance, bonds, and any adjustment needed for subcontracting costs. SFPUC evaluates proposals based on the qualifications of the contractor and selects the contractor that proposes the lowest adjustment factor. SFPUC establishes with each accepted contractor a contract not to exceed five years that governs all of the contractor's projects to be completed in that period.

Although the adjustment factor is the basis of competitive solicitation for JOCs, it effectively ensures that the department received a competitive price only as long as JOC projects are composed entirely or mostly of the prepriced tasks in the CTC. For tasks not in the CTC, SFPUC does not apply the adjustment factor.

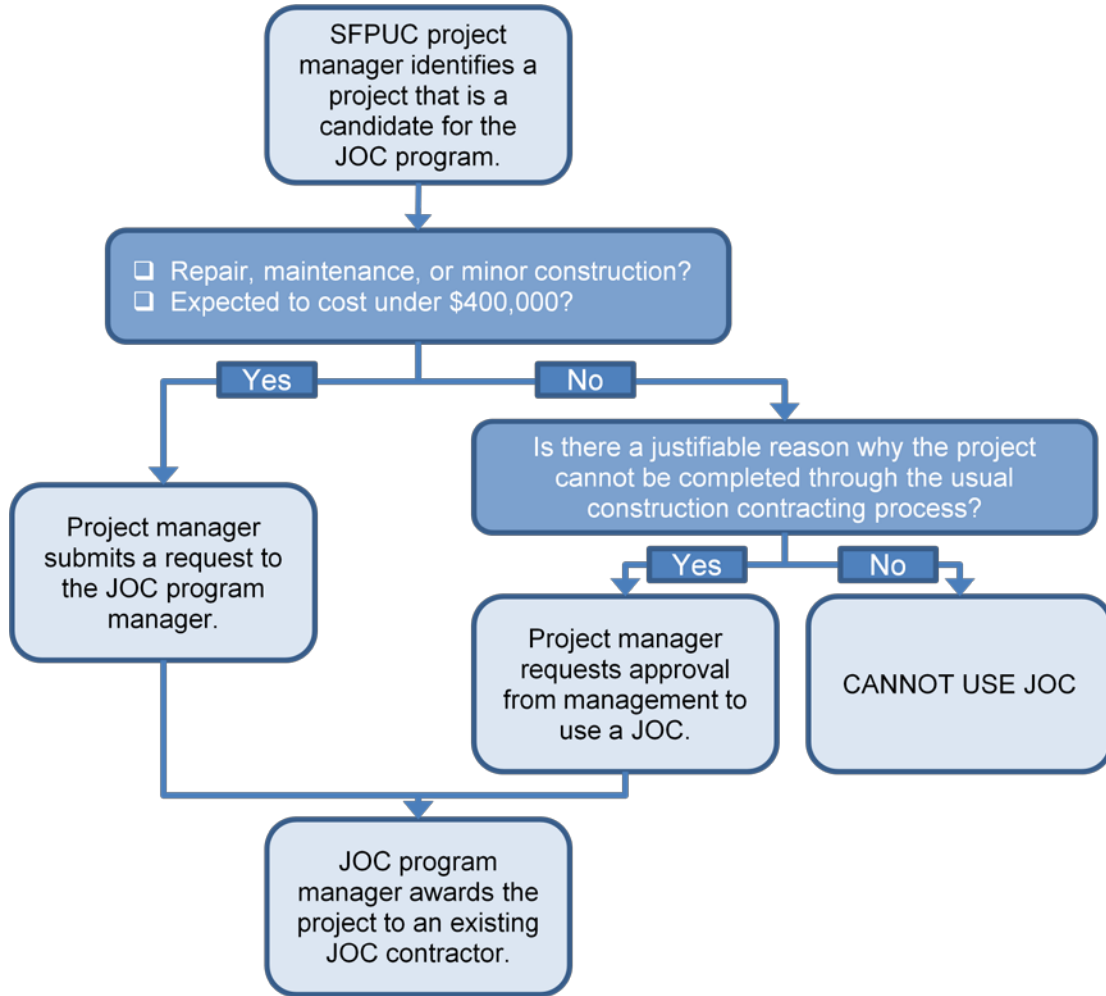
*SFPUC uses JOCs for a variety of projects including electrical work, spot sewer repair, and energy-efficiency retrofits.*

JOC task orders originate from SFPUC project managers who identify projects that are repairs, maintenance, or minor construction and are expected to cost under \$400,000. The project manager submits a request to the JOC program manager, who determines if the project is appropriate for a JOC and, if so, awards the project to one of the preapproved contractors. The contractor then submits a price proposal detailing all of the costs required to complete the work. This proposal must include bids for non-prepriced tasks (items not in the CTC) when applicable.

If needed, the scope and costs of the task order can be adjusted by issuing a new task order that modifies the existing one. The JOC program can authorize some projects that do not fit the normal criteria for using JOCs,

but only if the department head approves this in writing, establishes the urgency of the project, and justifies why it should proceed under a JOC rather than through a formal competitive solicitation process. Exhibit 1 shows the process for assigning projects executed under JOCs.

**EXHIBIT 1 Process for Identifying and Assigning Projects Executed Under JOCs**



Source: Policies and procedures for SFPUC's JOC program and auditor's interviews of program staff.

SFPUC has used JOCs for a wide range of construction activities, including general construction and general engineering, specialized electrical work in power turbines and switchyards, spot sewer repair, lighting, and energy-efficiency retrofits.

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*SFPUC had 26 active JOCs in August 2011.*

On August 19, 2011, SFPUC had 34 JOCs, 26 active and 8 inactive. The 26 active JOCs had a combined not-to-exceed total of \$91 million. From the program's inception through mid-August 2011, the SFPUC issued 630 task orders totaling close to \$60 million under JOCs. Exhibit 2 shows the 630 task orders by project status.

<b>EXHIBIT 2 SFPUC Task Orders by Status on August 19, 2011</b>		
Status/Phase	Task Order Count	Sum of Task Order
Project Initiation	40	\$ --
Proposal Due	14	--
Proposal Review	23	114,651
Authorized	14	1,258,231
Construction in Progress	136	18,257,112
Canceled*	54	319,687
Closed	349	39,905,822
<b>Total</b>	<b>630</b>	<b>\$59,855,503</b>

\*Some costs incurred, but task order not authorized.

Source: SFPUC's PROGEN (JOC Software).

*The Administrative Code authorizes and provides guidelines for the use of JOCs.*

The San Francisco Administrative Code (Administrative Code) authorizes the use of JOCs for the performance of public works maintenance, repair, and minor construction projects. Administrative Code Section 6.62 defines a JOC as "an indefinite quantity contract with a predefined set of bid items that are assigned on a periodic or task order basis." The code sets the maximum value of each task order at \$400,000, which may only be exceeded if the department head establishes the urgency the project and the justification for using the JOC program.

**Objectives**

The primary objectives of this audit were to determine whether SFPUC used and administered job order contracts in accordance with the Administrative Code, and whether SFPUC effectively administers and monitors its JOC program.

**Scope and Methodology**

The audit addressed the period of July 1, 2007, through August 31, 2011. To achieve the audit objectives, the audit team:

- Reviewed the consistency of JOC program policies and procedures with the requirements in Administrative Code Section 6.62.

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- Administered an anonymous survey to all SFPUC project managers who managed at least one JOC project since the program's inception. The survey concerned the appropriateness and effectiveness of JOC use, and had a 71 percent response rate.
- Reviewed a sample of 40 task orders to determine compliance with the Administrative Code, JOC program policies and procedures, and the original intent of the JOC program. The sample included 30 purposefully selected task orders that reflected risks identified by surveyed project managers and other SFPUC staff and 10 randomly selected task orders.
- Evaluated the effectiveness of JOC program oversight by reviewing the controls and procedures for administering the various stages of a JOC task order.
- Interviewed SFPUC's JOC program and Contract Administration Bureau staff regarding task order administration and invoice approval practices.
- Compared certain JOC processes with practices in other jurisdictions.
- Visited 15 sites where JOC contractors performed work.

**Statement of Auditing Standards**

This performance audit was conducted in accordance with generally accepted government auditing standards. These standards require planning and performing the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. CSA believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

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## CHAPTER 1 – SFPUC’s Use of JOCs for Some Projects Undermines the JOC Program’s Intent

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### Summary

SFPUC’s job order contract (JOC) program lacks a policy establishing the program’s purpose and goals to better guide program staff in making decisions such as selecting which projects to authorize. As a result, SFPUC undermines the intent of the JOC program when it uses approved contractors to perform projects whose costs exceed the \$400,000 limit or to execute projects other than repair, maintenance, and minor construction based on prepriced materials and construction tasks. Of the 40 task orders reviewed, 4 showed that SFPUC management approved projects that were not repairs or maintenance and exceeded \$400,000 due to time constraints or to achieve cost savings.

SFPUC may have intentionally divided larger projects into smaller ones. Despite prepricing of construction materials and tasks being what ensures that JOCs are not used to circumvent the regular competitive bidding process, 14 (35 percent) of the 40 task orders reviewed contained non-prepriced tasks. In 8 task orders, the non-prepriced tasks represented the majority of the task order’s total cost. SFPUC also inappropriately approved 5 task orders for federally funded projects, which occurred because federal regulations contradict the expectations of the SFPUC’s commission for JOCs.

### Finding 1.1

#### **SFPUC’s JOC program has no policy establishing its purpose and goals.**

The JOC program lacks a policy establishing the program’s purpose and goals to better guide program staff in making decisions such as selecting which projects to authorize.

*The Administrative Code does not specifically describe the purpose of JOC programs.*

Although the Administrative Code mentions the types of projects that may be completed through the JOC program, it does not specifically establish the purpose and goals of the City’s JOC programs. According to The Gordian Group, SFPUC’s JOC consultant, the purpose of job order contracting is to save resources and time by

expediting simple construction projects. After listing the types of projects for which JOCs may be used, the Administrative Code states that the department head may approve exceptions due to urgency. This implies that an exception can be made to save time when there is an urgent need, but the code does not mention cost savings as a basis for exceptions. Nonetheless, SFPUC approved at least one JOC project under the exception policy due to cost savings (see Finding 1.2), indicating that savings may be a goal of SFPUC's JOC program.

*The more specifically stated the purpose of a JOC program is, the more guidance program staff have when authorizing projects.*

Some JOC programs have enabling legislation that establishes formal goals and provides stronger guidance to program staff for determining which projects should be executed through the program. In contrast to the City's Administrative Code, the California Public Contract Code explicitly sets out the goals and intention of the Los Angeles Unified School District's JOC program as "reducing project cost and expediting project completion," further stating that the program should not be used instead of traditional methods of project delivery if it would not result in more cost savings.<sup>1</sup>

A policy that states the program's purpose and establishes clear criteria to guide project authorization decisions would help SFPUC ensure that the program authorizes only appropriate projects. Further, it would help SFPUC measure the program's effectiveness.

**Recommendation**

1. The San Francisco Public Utilities Commission should develop a policy for the job order contract program specifying the program's intent and providing specific criteria describing the projects that may be authorized. The commission should approve the policy.

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<sup>1</sup> California Public Contract Code section 20919.



**Finding 1.2**

**Some of SFPUC’s job order contract projects undermine the intent of the program.**

*Some task orders exceeded the \$400,000 eligibility limit.*

Of the 40 task orders reviewed for the audit, four (10 percent) were not repair or maintenance in nature and exceeded the JOC program’s \$400,000 limit in the Administrative Code. Of 312 task orders with a status of *closed* or *in construction*, 14 (4 percent) had total costs exceeding the \$400,000 limit. The Office of the City Attorney interprets this limit as delineating minor construction from major construction. Although some of these 14 task orders were originally under the threshold and their total costs increased due to unforeseeable issues, 4 JOC task orders appeared to be major projects, as listed in Exhibit 3.

<b>EXHIBIT 3</b>		
<b>Examples of Major Projects Implemented Under the JOC Program With SFPUC Management Approval</b>		
Task Order Number	Task Order Description	Contracted Cost
HH932-16	Acoustic Fiber Optic Monitoring System Installation (acoustic monitoring project): Installing an acoustic fiber-optic cable monitoring system in a section of the San Joaquin Pipeline.	\$1,387,290
JOC34-03	Sunol Yard Facility Improvement Prefabricated Building (Sunol Yard project): Constructing a 60’ by 60’ prefabricated building, concrete foundation, and utilities.	861,479
WD2587-20	Cooking Oil Package Plant Tank Installation (biodiesel project): Installing a feedstock plant to process raw waste vegetable oil from restaurants into biodiesel. Part of the SF Greasecycle Program.	562,000
WD2586R-14	Merced Manor/Central Pump Station Irrigation System (irrigation project): Replacing the existing irrigation system, which had exceeded its lifespan, with a new, water-efficient system, including temporary fencing to protect newly seeded landscape.	477,502

Source: Auditor’s review of SFPUC’s JOC project files.

Of the 44 project managers who responded to the audit’s survey, 5 (11 percent) indicated that JOC is not always used for maintenance, repair, or minor construction projects, as intended. One project manager stated that JOC is frequently used for work that should be performed under a regular construction contract.

For the acoustic monitoring, Sunol Yard, and irrigation projects (see Exhibit 3), SFPUC management approved

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The Job Order Contract Program Lacks Sufficient Oversight to Ensure Program Effectiveness

*SFPUC management approved use of the JOC program for three major construction projects to save time.*

the use of the JOC program rather than the normal construction bid process because of time constraints. Details of each project are as follows:

- Acoustic monitoring project. This project required shutting down the San Joaquin Pipeline. To take advantage of a shutdown that was already scheduled as part of construction under the Water System Improvement Program (WSIP), SFPUC could not put the project through the more time-consuming regular bidding process.
- Sunol Yard project. This project had to be completed by a stated deadline for SFPUC to comply with a contract that it had established to rent property to another party.
- Irrigation project. This project executed work eliminated from the scope of a WSIP project in the same location. According to an internal SFPUC memorandum, neighbors in the area were impatient for construction to be complete.

Although saving time appears to have been the primary reason these large projects were done under JOCs, one major construction project that was an exception to the \$400,000 threshold was requested for an entirely different reason.

*In one case, the biodiesel project, SFPUC approved a major construction project as a JOC task order to realize substantial cost savings.*

SFPUC management approved the biodiesel project as a JOC task order not due to time constraints, but because attempts to complete a significant portion of the project through another type of procurement would have resulted in substantially higher costs. SFPUC identified a vendor with the requisite experience and lowest bid for the specialized tank required for converting raw vegetable oil from restaurants into biodiesel fuel. However, the vendor could not meet all of the City's requirements to become an approved vendor. When SFPUC looked into procuring the tank through a third party, it found that the cost would have increased by \$144,000 (40 percent). Consequently, the project staff asked to include the tank procurement in the existing JOC task order to assemble and integrate the tanks, thereby avoiding the cost increase. Exhibit 4 shows the tank after installation.

**EXHIBIT 4**      **Cooking Oil Package Plant Biodiesel Processing Tank**



The biodiesel project required installation of this tank as part of the SF Greasecycle Program, which is used to process raw waste vegetable oil from restaurants into biodiesel fuel for city vehicles.

Source: Auditor's photo taken on December 2, 2011.

*SFPUC may have divided some major projects into smaller projects.*

Although SFPUC management approved the execution of the projects discussed above through JOCs as justified exceptions, evidence indicates that SFPUC sometimes intentionally breaks down larger projects into smaller projects. Regarding the biodiesel project, an SFPUC project employee expressed that the original intent was to separate project costs to avoid the extra steps and approvals required for a project exceeding \$400,000. Similarly, department staff identified the Sunol Watershed project as a large project that had been divided into multiple task orders and executed under the JOC program. SFPUC arranged for the preparation of the Sunol Watershed Housing site and the actual building installation under two task orders, both awarded to the same contractor.

Permitting major construction projects to be divided into multiple task orders assigned to a single vendor gives the appearance that SFPUC sometimes chooses to use JOCs out of convenience to circumvent the City's formal, project-specific, competitive solicitation process that is otherwise

required.

**Recommendations**

The San Francisco Public Utilities Commission should:

2. Ensure that its job order contract program adheres to the policy and criteria established per Recommendation 1 when determining which projects to authorize under job order contracts to avoid undermining the program's intent.
3. Ensure that major projects that are subject to the City's competitive solicitation process are not broken into multiple task orders to fall below the job order contract program's dollar threshold.

**Finding 1.3**

**Although the primary advantage of using JOCs is that costs are based on prenegotiated prices, a number of JOC projects relied significantly on non-prepriced tasks.**

*A third of task orders relied on non-prepriced tasks.*

More than one-third of task orders the audit reviewed — 14 of 40 (35 percent) — included non-prepriced tasks to complete the project, undermining the intent of the JOC program. The prepricing of tasks is a principal feature of any JOC program. This prenegotiated cost structure makes the time-consuming, formal, competitive solicitation process unnecessary. More than 20 percent of JOC project managers responding to the audit's survey disagreed that JOC contractors primarily perform tasks that are already included in the Construction Task Catalog® (CTC).

*Non-prepriced tasks represented the majority of some project's costs.*

For some task orders, the non-prepriced tasks were a significant portion of the total costs. For eight task orders, the non-prepriced tasks made up more than 50 percent of the total project costs. In four of those projects, the non-prepriced tasks represented more than 80 percent of the total costs. Exhibit 5 shows the task orders the audit sampled that included non-prepriced tasks and the non-prepriced costs as a proportion of the total project costs.

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**EXHIBIT 5 Audited Task Orders With Non-prepriced Tasks**

Task Order	Task Order Description	Total Costs	Non-prepriced tasks	
			Costs	As Percent of Total Costs
JOC-21-10	Water security initiative - central pump station	\$144,246	\$128,190	89%
HH-932-16	Acoustic fiber optic monitoring system installation	1,387,290	1,143,893	82%
JOC-21-09	Water security initiative - city distribution division	80,597	65,834	82%
JOC-21-05	Water security initiative - fire station #9	86,109	68,770	80%
JOC-21-04	Water security initiative - fire station #43	77,010	60,127	78%
JOC-21-03	Sunol watershed housing building installation	214,673	134,661	63%
WD-2587-20	Cooking oil package plant tank installation	562,000	309,146	55%
WW-477-08	Sewer repair and monitoring	384,252	200,312	52%
WD-2587-05	HVAC and electrical	175,968	71,302	41%
JOC-21-24	Sunol office space set-up	145,554	44,694	31%
JOC-27-04	HVAC energy efficiency	65,443	13,706	21%
JOC-21-02	Sunol watershed housing site preparation	181,375	26,692	15%
WD-2533-06	Miscellaneous crack repair	95,741	3,876	4%
WW-476-06	Spot sewer repair	245,877	3,740	2%
<b>Total</b>		<b>\$3,846,136</b>	<b>\$2,274,943</b>	<b>59%</b>

Source: Auditor's review of SFPUC's JOC project files.

*Heavy use of non-prepriced tasks undermines the competitive bidding of JOC contractors.*

As mentioned in the introduction, the inclusion of the adjustment factor in potential JOC contractors' original proposals allows SFPUC to select contractors using a competitive solicitation process. However, the adjustment factor, a multiplier, is not applied to non-prepriced tasks. Rather, to perform tasks which are not in the CTC, JOC vendors must solicit bids from subcontractors. Although vendors are encouraged to solicit multiple bids in a competitive process, they are not required to do so. Consequently, heavy reliance on non-prepriced tasks undermines the intent of the JOC program to maintain competitive bidding.

**Recommendations**

The San Francisco Public Utilities Commission should:

4. Establish for JOC program projects a maximum percentage that non-prepriced task costs can be of total project costs.
5. Not approve as JOC task orders projects whose

proposed non-prepriced task costs exceed the maximum percentage established.

**Finding 1.4**

**SFPUC inappropriately implemented federally funded projects under JOCs.**

*SFPUC authorized some task orders for federally funded projects despite contradictions between federal funding requirements and requirements for JOCs.*

Because some regulations for federally funded contracts contradict requirements of the SFPUC commission for JOCs, the department's authorization of JOC task orders for federally funded projects was inappropriate. The audit identified five task orders that SFPUC executed under two JOCs related to developing a drinking water contamination warning system, a project funded by a federal grant. When the commission approved the two contracts governing these task orders, it specified expectations that the contracts be used only to execute projects funded from enterprise funds. The commission also expressed expectations that the contractors would comply with San Francisco Chapter 14B, which requires contractors to exercise geographical preference in selecting subcontractors by using local business enterprises for at least a portion of the work.

Federal regulations applicable to contracts funded with federal monies explicitly require that the contract contain no conflicting city requirements such as geographical preferences in the selection of those who will perform the work. Therefore, SFPUC must not authorize a federally funded project through the JOC program when regulations for using federal funds directly contradict the commission's resolutions that lay out expectations for JOCs. Exhibit 6 depicts the site of one of the five federally-funded task orders the audit identified.

**EXHIBIT 6** EPA-Funded Contamination Warning System at Sunset Reservoir



This project to improve the security of the Sunset Reservoir included the installation of a certified security system featuring cameras and an upgraded gate with an access card reader.

Source: Auditor's photos taken on December 2, 2011.

**Recommendation**

6. The San Francisco Public Utilities Commission should ensure that the JOC program does not authorize task orders for projects funded with money from the federal government under JOCs that conflict with federal funding requirements.

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## CHAPTER 2 – SFPUC’s Administration of the JOC Program Has Weaknesses

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### Summary

SFPUC’s administration of the JOC program should be improved. The program’s policies and procedures lack criteria and guidance for key processes. For instance, the program lacks formal procedures for choosing which contractor receives a given project. The policies and procedures also omit criteria for allowing exceptions to the notice to proceed policy and, in 13 percent of task orders reviewed, the contractor began work before SFPUC issued a notice to proceed. The JOC program also maintains no documentation of how it made its project assignment decisions.

Some of SFPUC’s controls over the approval process for invoices of JOC projects are insufficient. The staff that verifies the accuracy of costs on invoices lacks access to the system containing unit cost information. In one instance, the program did not adequately document decisions regarding payment of an invoice.

### Finding 2.1

**The JOC program manager does not have a systematic process or maintain documentation for project assignment decisions.**

*The process for assigning task orders to JOC contractors is undocumented.*

The process for assigning task orders to JOC contractors is informal, undocumented, and lacks transparency. According to the SFPUC’s JOC program procedures, the JOC program manager assigns projects to JOC contractors. However, the program procedures do not provide criteria or guidelines to use in determining which contractor is most appropriate for each task order project.

The JOC program manager could not describe a systematic process she used to assign task orders, and confirmed that she does not maintain documentation of the selection process. However, she did indicate that project managers sometimes request a specific contractor. Without a systematic procedure for assigning task orders and without records of how it makes task order assignment decisions, the JOC program cannot

ensure that it does not give preferential treatment to one contractor over another.

**Recommendations**

The San Francisco Public Utilities Commission should:

7. Develop procedures for assigning JOC projects to contractors.
8. Retain documentation on how the contractor for each JOC task order project was selected.

**Finding 2.2**

**SFPUC sometimes allows contractors to begin work before the Office of the Controller confirms that funds are available.**

Although the Administrative Code does not allow a department to incur costs without the Office of the Controller's confirmation that funds are available to pay for the expenditure (referred to as certification), five (13 percent) of the 40 task orders reviewed showed that the contractors began work before the issuance of the notice to proceed (NTP), which SFPUC sends upon receiving certification.

*SFPUC sometimes approves contractors to begin work early because getting a notice to proceed takes too long.*

The JOC program policies and procedures state that the contractor may begin work after an NTP is issued or, in rare instances, work may begin before an NTP with an executed Justification for Exception to Policy form and an agreed-upon start date. Five project managers that responded to the audit's survey indicated that it takes too long to get from project initiation to an NTP. According to JOC program staff, the time it takes for SFPUC's Contract Administration Bureau (CAB) to verify a project's funding source availability with the Office of the Controller delays the issuance of an NTP. These delays sometimes cause project managers to allow contractors to begin work before the issuance of an NTP.

*Without an NTP, SFPUC cannot be assured that a project's funding source is adequate to cover the expenditure and appropriate for the project.*

According to JOC program staff, an NTP is issued only after the department receives certification from the Office of the Controller. Beginning work before an NTP is risky for both the contractor, who may be working without assurance that payment will be forthcoming, and SFPUC, which violates the Administrative Code by incurring costs without certification.

**Recommendation**

9. The San Francisco Public Utilities Commission should comply with the Administrative Code by obtaining certification of funding from the Office of the Controller before permitting the contractor to begin work, either unofficially or with an official notice to proceed.

**Finding 2.3**

**Some of SFPUC's controls over approval of JOC project invoices are weak.**

SFPUC staff that verifies costs on invoices lacks access to cost information, and project managers' recommendations to deny payment on questionable items can be overridden.

*CAB staff lacks access to unit cost information.*

SFPUC's CAB staff has the primary responsibility for verifying that invoices for JOC projects are accurate. Because the majority of items on JOC invoices are based on the predetermined prices in the Construction Task Catalog®, CAB staff should be able to verify the unit cost of items on the invoice. However, CAB employees report that they must rely on the reviews of the program manager and JOC staff because they lack access to PROGEN, the JOC contracting software containing the unit price information. Consequently, CAB staff cannot verify unit prices on submitted invoices. Without reviewing unit price information, SFPUC is at greater risk of under- or overpaying its contractors.

*The JOC program manager can override project managers' cost approval recommendations.*

Decisions on paying invoices should be better documented. In one case where a project manager recommended in writing that SFPUC not pay for a \$25,000 line item of work for which the contractor had not provided supporting documentation, the JOC program manager overrode the recommendation and used correction fluid on the paperwork to delete the project manager's comment. Ultimately, the project manager's supervisor upheld the program manager's decision and approved payment. Regardless of the outcome of this instance, the deletion of the project manager's comments on the document makes it difficult for interested parties to determine exactly what happened and could create the appearance of an improper act.

**Recommendations**

The San Francisco Public Utilities Commission should:

10. Provide access for Contract Administration Bureau staff to the PROGEN software, which includes unit cost information, to verify invoice prices.
11. Ensure that Contract Administration Bureau staff verifies unit costs on JOC invoices using cost information in the PROGEN software. This review may consist of spot checking unit costs or selecting the highest value line items or unit costs to verify.
12. Document and maintain documentation of all decisions related to JOC payments.

## CHAPTER 3 – The JOC Program Inadequately Assesses Contractor Quality

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### Summary

The JOC program does not adequately assess contractor quality before awarding JOCs or after contractors perform work on JOC projects. The JOC program manager, an SFPUC administrator, primarily uses the lowest bid as the basis to evaluate potential contractors' qualifications and award JOC contracts. However, the JOC program should evaluate contractors' qualifications by using the experience and expertise of its own qualified staff and, similar to other jurisdictions, by weighing contractor qualifications more heavily than lowest bid.

After awarding a JOC to a contractor, SFPUC inadequately assesses the contractor's quality of work. While the JOC program manager tries to coordinate inspection support from other SFPUC employees and prioritize the inspection work of its only staff inspector, qualified staff does not inspect the contractors' work on all JOC projects at key stages and upon project completion. Additionally, project managers may not always complete contractor evaluation forms and do not always complete them on time. Without consistent, timely information on the quality of contractors, the JOC program manager cannot adequately monitor the contracts, terminate them when necessary, and prevent offering new task orders or new contracts to inadequately performing contractors.

### Finding 3.1

#### **SFPUC inadequately assesses the qualifications of potential JOC contractors.**

*SFPUC does not use staff with the technical expertise or experience to evaluate potential JOC contractors' qualifications.*

Although the Administrative Code requires SFPUC to select the lowest responsible bidder, the department inadequately assesses potential JOC contractors' qualifications to determine if they are "responsible," awarding contracts primarily based on lowest bids. The Administrative Code states that a responsible bidder or contractor is one who meets the qualifying criteria established for a particular project, including expertise and experience. After SFPUC issues a request for

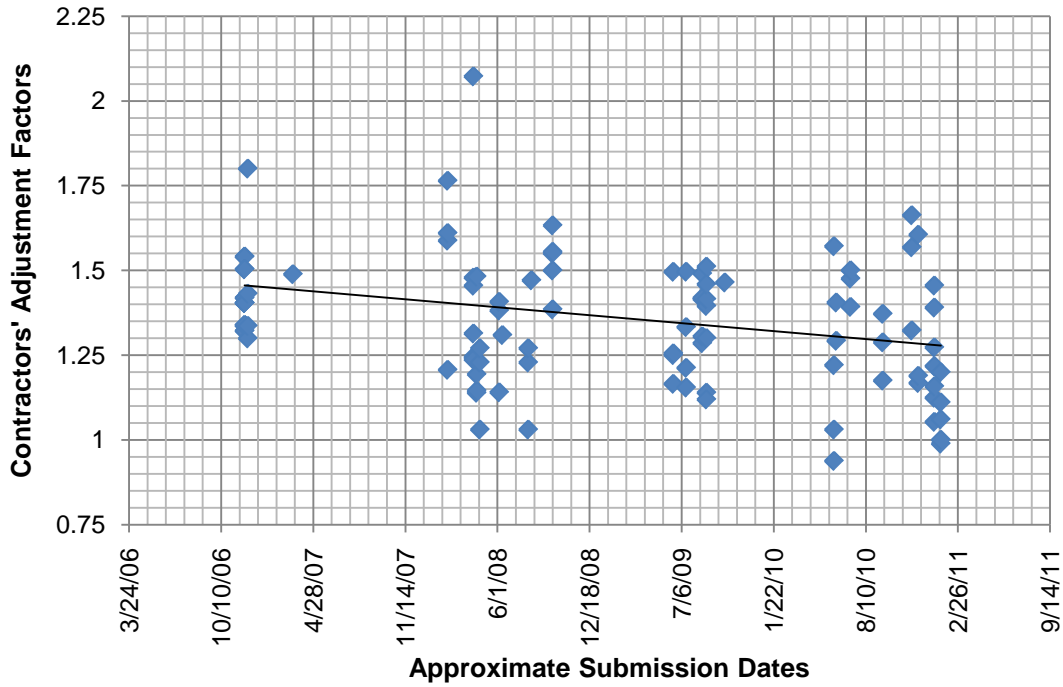
proposal to potential JOC contractors, the JOC program manager, an administrator, reported being the primary person evaluating the qualifications of the potential JOC contractors based on their proposals. While SFPUC project managers may occasionally provide oral comments on some contractors, the JOC program lacks established procedure for ensuring that staff with technical expertise and experience participates in evaluating potential contractors' qualifications.

*When SFPUC selects JOC contractors that are the lowest bidder rather than the most qualified, poor performance sometimes results.*

Without a thorough investigation of contractors' qualifications, the JOC program is reduced to awarding contracts almost exclusively based on bid amount. Of JOCs for which there were multiple bidders, SFPUC awarded 79 percent to the lowest bidder. According to survey results from SFPUC project managers, the current selection procedures sometimes cause SFPUC to award JOCs to contractors that perform poorly and do inferior work.

The lowest bidder is the contractor that proposes the lowest adjustment factor. As stated earlier in this report, the adjustment factor is multiplied by the prices of materials and tasks in the Construction Task Catalog® to cover a contractor's overhead and profit. Since 2006 contractors have been submitting decreasing adjustment factors, as shown in Exhibit 7.

**EXHIBIT 7 JOC Contractors' Average Submitted Adjustment Factors Have Steadily Decreased Since 2006**



Source: Auditor's analysis of SFPUC data.

In 2010 and 2011 some contractors proposed adjustment factors of one or below. Because the adjustment factor is supposed to account for the contractors' overhead expenses and profit margin, such bids effectively require the contractors to forgo profit or operate at a loss unless the prices of materials and tasks in the Construction Task Catalog® are higher than current actual prices. The JOC program manager indicated that some contractors propose very low adjustment factors because they see it as a way to improve their chance of getting bigger contracts with the City in the future. If this is the case, some contractors are underbidding with hopes of recovering their costs and increasing profit in other ways.

*Some other local governments are moving away from using lowest bid as the primary or only*

While the SFPUC JOC program is not unique in awarding most of its JOCs on the basis of lowest bid, other JOC users put greater emphasis on contractor qualifications. For example, the City of Seattle evaluates

*criterion for selection.*

and scores contractors' qualifications and may invite contractors for an interview to establish a short list of qualified contractors. It is only after this process that Seattle invites a few, select contractors to submit their pricing. A manager at the Los Angeles County Department of Parks and Recreation stated that he suggested restructuring the department's bid process to award JOCs to the most qualified contractor, rather than to the lowest qualified bidder, stating that the current practice results in contractors padding project costs to offset their low (adjustment factor) bids. If SFPUC adopted procedures that selected JOC contractors based primarily on their qualifications, any contractor's attempt to be selected by proposing an unrealistically low adjustment factor would be ineffective.

**Recommendations**

The San Francisco Public Utilities Commission should:

13. Establish and implement procedures to ensure that SFPUC engineers or other technically trained employees evaluate the qualifications of potential JOC contractors.
14. Place greater weight on qualifications than proposed adjustment factors when selecting JOC contractors.

**Finding 3.2**

**SFPUC inadequately inspects JOC projects.**

None of the 22 closed JOC task order files reviewed for the audit contained any inspection reports from the period in which the project was performed or upon project completion. Consistent with this, of the 44 project managers responding to the audit's survey, 4 (9 percent) indicated that oversight and inspection of task order projects is insufficient.

The JOC program has one full-time inspector on staff, who indicated that he lacks time to sufficiently inspect the numerous JOC projects. Instead, the JOC inspector concentrates on critical tasks within certain projects. The inspector also stated that his workload did not allow time for preparing inspection records and he did not keep a record of which projects he visited on any given day. The JOC program manager stated that he coordinates with



other SFPUC employees for inspection support when possible.

Failure to properly inspect projects could result in SFPUC inadvertently accepting inferior work, and additional future costs if improperly performed work has to be redone or prematurely repaired or replaced.

**Recommendations**

The San Francisco Public Utilities Commission should:

15. Ensure that qualified SFPUC staff inspects all JOC projects.
16. Ensure that inspectors complete inspections of JOC projects in a timely manner.
17. Retain documentation of each inspection of JOC projects, including records of the date, time, and duration of inspection visits.
18. Consolidate key information on timeliness and quality of work from inspections of completed projects for JOC contractors to inform future assessments of contractor qualifications when considering new JOCs.

**Finding 3.3**

**Some project managers do not complete contractor evaluations on time.**

Some of the task order files for completed projects did not contain completed contractor evaluations, indicating that project managers may not always submit the forms and do not always submit them promptly. The JOC program's policies and procedures state that the project manager is to complete a Contractor Evaluation Form and submit it to the JOC program manager during the project's close-out phase. However, of the files for the 22 completed projects, 6 (27 percent) did not contain evaluation forms.

Proper evaluation of contractor performance provides the department with valuable information that can inform future contract award decisions and oversight practices with the contractor. In contrast, lack of proper feedback inhibits the JOC program manager's ability to monitor

contractors and, when appropriate, terminate their contracts. Consequently, the JOC program manager may continue assigning JOC task order projects to a contractor that is doing inferior work or award a new JOC to a poorly performing contractor.

**Recommendation**

19. The San Francisco Public Utilities Commission should ensure that project managers evaluate contractors for each JOC task order project in a timely manner.

## APPENDIX: DEPARTMENT RESPONSE

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December 17, 2012

Tonia Lediju, Audit Director  
Office of the Controller, City Services Auditor Division  
City Hall, Room 476  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

Subject: Management's Responses to The Job Order Contract Program Lacks Sufficient Oversight to Ensure Program Effectiveness.

Dear Ms. Lediju,

Thank you for providing us the opportunity to review the results of The Job Order Contract Program Lacks Sufficient Oversight to Ensure Program Effectiveness report, prepared by the Controller's Office, City Services Auditor.

Attached for your review and consideration are SFPUC Management's responses to the recommendations detailed in the audit report.

If you have any questions or need additional information, please do not hesitate to contact me at (415) 554-1600.

Sincerely,

A handwritten signature in black ink, appearing to read "Harlan L. Kelly, Jr.", written over a white background.

Harlan L. Kelly, Jr.  
General Manager

cc: Michael Carlin, Deputy General Manager  
Todd L. Rydstrom, AGM Business Services & Chief Financial Officer  
Jackson Wong, Acting AGM, Infrastructure  
Nancy L. Hom, Director, Assurance & Internal Controls

Edwin M. Lee  
Mayor

Art Torres  
President

Vince Courtney  
Vice President

Ann Moller Caen  
Commissioner

Francesca Vietor  
Commissioner

Anson Moran  
Commissioner

Harlan L. Kelly, Jr.  
General Manager



For each recommendation, indicate whether the department concurs, does not concur, or partially concurs. If the department concurs with the recommendation, please indicate the expected implementation date and implementation plan. If the department does not concur or partially concurs, please provide an explanation and an alternate plan of action to address the identified issue.

## AUDIT RECOMMENDATIONS AND RESPONSES

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Recommendation	Response
<p>The San Francisco Public Utilities Commission should:</p> <ol style="list-style-type: none"> <li>1. Develop a policy for the job order contract program specifying the program’s intent and providing specific criteria describing the projects that may be authorized. The commission should approve the policy.</li> </ol>	<p>Concur. JOC team will start this discussion with SFPUC Senior Management within the next six months.</p> <p>While the SFPUC feels that the SF Administrative Code and guidance by the City Attorney have been clear on the intent and usage for job order contracts (“public work maintenance, repair and minor construction projects”), with new leadership at SFPUC, the timing is right to evaluate any additional criteria.</p>
<ol style="list-style-type: none"> <li>2. Ensure that its JOC program adheres to the policy and criteria established per Recommendation 1 when determining which projects to authorize under JOCs to avoid undermining the program’s intent.</li> </ol>	<p>Concur, if in fact, new JOC policies are established.</p> <p>For the major projects cited all required approvals were obtained. The SFPUC will establish procedures to document the reason when it is necessary to exceed the \$400K task order limit. While the audit states that 11 percent felt that JOCs were not always used for maintenance, repair and minor construction projects, CSA does acknowledge that 89% agreed that JOCs were used as intended.</p>

Recommendation	Response
<p>3. Ensure that major projects that are subject to the City’s competitive solicitation process are not broken into multiple task orders to fall below the JOC program’s dollar threshold.</p>	<p>Concur. The report noted one project for bid splitting. PUC’s review of this project included JOC staff questioning the Project Manager as to the reason for the two tasks, and justification was provided was deemed appropriate given the need to complete the demolition portion prior to the rainy season, followed by the actual construction of the pre-fabricated building when the design was completed several months later. Both were limited-scope tasks which, even combined, did not exceed the \$400,000 cap.</p> <p>The SFPUC will further develop internal control procedures to ensure inappropriate bid-splitting does not occur.</p> <p>One cannot foretell whether new work may emerge when a construction site is exposed, as differing site conditions often prompt new scopes of work or new task orders. JOC is currently reviewing two plans to address this issue and anticipates full implementation within three months.</p>
<p>4. Establish for JOC program projects a maximum percentage that non-prepriced task costs can be of total project costs.</p>	<p>Concur to limit Non Pre-Price (NPPs) items.</p> <p>NPPs are used by the PUC because our work is specialized (dams, tunnels, treatment plants, transmission lines, governors, turbines, force mains, etc.) hence much of our equipment is highly specialized, old or obsolete, or proprietary in nature – it is impossible to have all of our hundreds of parts and equipment pieces specifically priced out in the Construction Task Catalog® (CTC).</p>
<p>5. Not approve as JOC task orders projects whose proposed non-prepriced task costs exceed the maximum percentage established.</p>	<p>The SFPUC will work with the Operating Departments to list as much of their equipment/parts so we could include them in new CTCs. If an NPP item is used three times, it is then added to the CTC. Construction Management Bureau (CMB) shall explore Non Pre-Price options, such as creating an Exception Book for SFPUC items. JOC intends to initiate discussions with PUC client departments within the next six months.</p>

Recommendation	Response
6. The San Francisco Public Utilities Commission should ensure that the JOC program does not authorize task orders for projects funded with money from the federal government under JOCs that conflict with federal funding requirements.	<p>Concur, and Federal JOC templates were subsequently created for six Federal contracts. No more State or Federal grant funds will be used through the JOC program unless the specific JOC contract allows it. This policy is already implemented.</p> <p>The issue began with one project manager who obtained EPA authority to use existing JOCs to install water quality monitoring devices, and the funds would have been lost if not expended by deadline, not realizing until afterwards the special requirements for Federal funds.</p>
7. Develop procedures for assigning JOC projects to contractors.	<p>Concur. Will have draft procedures within 3 months.</p> <p>Currently, an existing process is already in place for assignments which includes: licensing requirements, match to JOC contractor expertise, availability of contractor against other assigned work, geographic location of work, compatibility between Project Manager (PM) and contractor. Even after this initial assessment, the JOC Manager often has to speak to the PM for more details, and phone calls and emails may ensue before agreement is reached on the appropriate contractor.</p> <p>SFPUC's JOC training manual states that the JOC Manager "reviews and approves JOC initiation request from PM and assesses if JOC is the appropriate contracting vehicle, and then assigns JOC contractor after consultation with contractor." Agree to develop written documented procedures of this current process for assigning JOC projects.</p>
8. Retain documentation on how the contractor for each JOC task order project was selected.	Concur. Will retain such documentation once it is developed.

Recommendation	Response
<p>9. Comply with the Administrative Code by obtaining certification of funding from the Office of the Controller before permitting the contractor to begin work, either unofficially or with an official notice to proceed.</p>	<p>Concur, unless extenuating circumstances require otherwise. SFPUC has consulted with the City Attorney’s Office about the Notice to Proceed (NTP) issue because JOCs are different from regular construction contracts in that:</p> <ul style="list-style-type: none"> <li>• The JOC master contracts are already certified by the Controller’s Office before any task orders can be issued,</li> <li>• The performance and payments bonds are already in place for the entire contract and covers any task orders issued under the master, and</li> <li>• The insurance is already in place for the entire contract and covers any task orders issued under the master contract.</li> </ul> <p>Therefore, with the conditions above met, and as long as the task order scope of work is complete and the project funding is in place, there is little risk for the contractor to begin if the Project Manager can document the urgency to start work before NTP. There are many compelling reasons to start work prior to NTP, including meeting operational shutdowns, addressing unforeseen/urgent work, doing immediate fixes for broken components which impact daily operations.</p> <p>The review of this NTP issue with the City Attorney was formalized in a memo which was distributed to all project managers. Unless extenuating circumstances require otherwise, no projects may start until project funds are certified. These extenuating circumstances shall include: 1) operational shutdowns, 2) emergencies, and 3) regulatory permit conditions. The extenuating circumstances shall be documented in a JOC form. Will address this issue with PUC Senior Management within the next six months and seek consensus.</p>

Recommendation	Response
<p>10. Ensure that Contract Administration Bureau staff has access to the PROGEN software, which includes unit cost information to verify invoice prices.</p>	<p>Do not concur. SFPUC believes our two-step control process is adequate to address the validity of task orders and accuracy of invoices.</p>
<p>11. Ensure that Contract Administration Bureau staff verifies unit costs on JOC invoices using cost information in the PROGEN software. This review may consist of spot checking unit costs or selecting the highest value line items or unit costs to verify.</p>	<p>The process in place to ensure accuracy and validation is a two-step process starting with Project Inception review, followed by Project Implementation review. At Project Inception/Initiation, the PM reviews/approves the scope of work and cost proposal derived from the Construction Task Catalog to ensure an accurate lump sum for the task. Then, the JOC software program (Progen) has a verification feature to ensure that the correct prices are matched to each line item used, preventing any manual change by the contractor. At the Project Implementation phase, the Project team (PM, Inspector, RE) confirms whether specific line items were actually used during the course of construction, and invoices are checked through site visits for validation of percentage completion.</p> <p>When the invoice arrives, the JOC office confirms the accuracy of invoice amounts and ensures all proper forms are included (HRC forms, certified payrolls in Elations, etc.); the invoice is then sent to Contract Administration Bureau (CAB, who checks for insurance, FAMIS, et al, and prepares cover sheet) for final processing through Accounting and Controller’s Office. Contract Administration Bureau staff do not “verify unit prices”; rather, it is the Project Manager and/or Resident Engineer (RE) who direct-line responsibility for verifying that invoices are accurate and reflective of the Schedule of Values/percent completion.</p>



Recommendation	Response
<p>12. Document and maintain documentation of all decisions related to JOC payments.</p>	<p>Concur.</p> <p>In the one incident cited by the auditors – in which the Supervisor overruled his PM and agreed with the JOC Program Manager – the PM submitted an invoice for payment but inserted a sentence that a document was missing. The JOC office reviewed this and found the document was, in fact, included.</p> <p>In the future, if a PM submits an invoice with comments, PUC will either: 1) return the invoice to the PM to start over, or 2) line out the statement if irrelevant to payment and initial the crossed out section. PMs should not be signing approval of invoices and submitting them for payment if they have not resolved outstanding issues.</p>
<p>13. Establish and implement procedures to ensure that SFPUC engineers or other technically trained employees evaluate the qualifications of potential JOC contractors.</p>	<p>Concur; anticipate full implementation within the next six months.</p> <p>PUC will explore options such a pre-qualification pool for JOC bidders. All JOC specialty contracts are currently reviewed and investigated by the subject matter experts at the PUC. For instance, contracts for Lighting Efficiency JOCs will have contractor references checked by the Power Enterprise; sewer repair will have references checked by the Spot Sewer Repair staff; HVAC Energy Retrofits are checked by Power Enterprise; Electrical contracts for Governors/Turbines/ Exciters are checked by Hetch Hetchy staff. For the more general A or B license contracts which all PUC operations may use, general experience/public work project requirements are inserted in the JOC contracts (i.e., successful completion of 5 public works projects within the past 5 years, each project with a minimum value of \$1,000,000), each reference is called to verify the type, scale, performance and satisfaction level of past projects. The main documents used are 00450 Bidder’s Qualifications Statement and 00492 Experience Statement.</p>

Recommendation	Response
<p>14. Place greater weight on qualifications than proposed adjustment factors when selecting JOC contractors.</p>	<p>Concur; will implement a prequalification process as described in #13 above.</p> <p>However, the Admin Code states that “each JOC contract is to be advertised for competitive bids in accordance with the procedures set forth in this Chapter and awarded to the responsible bidder who submits the lowest responsive bid.” If the City is to change the JOC bid process to best qualifications instead of low bid (as recommended by CSA), this would require a change in California Public Contracting Code as well as San Francisco’s Administrative Code; furthermore such a subjective criteria could result in bid protests for practically every JOC bid issued. CSA depicts a graph showing that JOC contractor’s adjustment factors have steadily decreased since 2006, but that trend is consistent throughout all construction jobs which have received lower bids as a result of the nationwide recession.</p>
<p>15. Ensure that qualified SFPUC staff inspects all JOC projects.</p>	<p>Concur. Every task order does require a final inspection/sign-off by the Project Manager via the Warranty Form which states the date of acceptance of the job (usually the final job walk) and start of the warranty period. Currently, the JOC office has 3 permanent staff: the JOC Manager, an Account Clerk, and an Inspector (hired in 2010).</p> <p>With the issuance of approximately \$130 million in JOC contracts since inception, resulting in over 650 task orders and with dozens of projects currently in construction, future staff inspections will require a different staffing paradigm than that used for regular construction projects which have full time inspectors for each job, along with associated administrative staff. Using the above numbers, during the four years of data used by CSA, JOC staff handles a new task order/supplemental every other day, and each task order requires about 27 items of oversight (see attachment at the end of this document of overall JOC workflow process). On any day, there are</p>

Office of the Controller, City Services Auditor  
**The Job Order Contract Program Lacks Sufficient Oversight to Ensure Program Effectiveness**

Recommendation	Response
	dozens of JOC task orders in construction, and the current inspector can reasonably visit 3 – 5 sites a day (varies with travel distance). To inspect each construction site, even occasionally, would require more inspectors. SFPUC’s Construction Management Bureau has previously requested staff to keep pace with JOC’s growth. The Construction Management Bureau will issue a Construction Service RFP to augment City staff with Inspectors, and expects to have the RFP approved within the next nine months. Meanwhile, CMB has helped to fill the inspection gap by assigning existing inspectors/engineering staff in nearby locations to do critical inspections of JOC.
16. Ensure that inspectors complete inspections of JOC projects in a timely manner.	Same as 15 above. While the audit states that 9% of project managers indicated that oversight and inspection of task orders is insufficient, CSA acknowledges that 91% of project managers felt that oversight was sufficient.
17. Retain documentation of each inspection of JOC projects, including records of the date, time, and duration of inspection visits.	Same as 15 above.
18. Consolidate key information on timeliness and quality of work from inspections of completed projects for JOC contractors to inform future assessments of contractor qualifications when considering new JOCs.	Same as 15 above.

Recommendation	Response
19. Ensure that project managers evaluate contractors for each JOC task order project in a timely manner.	Concur. Construction Management Bureau will initiate discussions with Project Management Bureau within three months to complete all contractor evaluations in a timely manner. It is important to note that performance evaluations were instituted by the JOC office in 2010, so task orders issued prior to that would not have performance evaluations. Even after repeated requests to a few PMs to complete the evaluations, the JOC office knows that contractors must be paid within 30 days so JOC cannot hold the invoice pending receipt of the evaluation. The JOC office does not have to wait until the evaluations are completed to know if there are performance issues, since most of the JOC Manager's daily time is absorbed in mediating construction disputes and removing obstacles to completion of work. We feel the effort used to resolve and mediate construction disputes is critical to the success of the JOC projects, and has helped the JOC office to maintain a claim-free program through over 600 task orders.