

OFFICE OF AUDITS & ADVISORY SERVICES



JOB ORDER CONTRACT MANAGEMENT AUDIT

FINAL REPORT

Chief of Audits: [Juan R. Perez](#)
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County of San Diego

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JUAN R. PEREZ
CHIEF OF AUDITS

October 6, 2020

TO: Brian Albright, Director
Department of Parks and Recreation

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: JOB ORDER CONTRACT MANAGEMENT AUDIT

Enclosed is our report on the Job Order Contract Management Audit. As there are no findings and recommendations in the report pertaining to your department, no audit response is required.

Thank you for the courteousness and cooperation extended to the Office of Audits & Advisory Services during the course of the audit.

If you have any questions, please contact me at (858) 495-5661.

A handwritten signature in blue ink, appearing to read "Juan R. Perez".

JUAN R. PEREZ
Chief of Audits

AUD:JP:nb

Enclosure

c: Sarah Aghassi, Deputy Chief Administrative Officer, Land Use & Environment Group
Tracy Drager, Auditor and Controller
Renee Loewer, Group Finance Director, Land Use & Environment Group



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JUAN R. PEREZ
CHIEF OF AUDITS

October 6, 2020

TO: Dean Arabatzis, Acting Director and General Manager
Health and Human Services Agency

FROM: Juan R. Perez
Chief of Audits

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Chief of Audits

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Enclosure

c: Tracy Drager, Auditor and Controller
Andrew Pease, Acting Chief Operating Officer, Health and Human Services Agency
Amy Thompson, Acting Group Finance Director, Health and Human Services Agency



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JUAN R. PEREZ
CHIEF OF AUDITS

October 6, 2020

TO: William D. Gore, Sheriff
Office of the Sheriff

FROM: Juan R. Perez
Chief of Audits

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JUAN R. PEREZ
Chief of Audits

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Enclosure

c: Holly Porter, Deputy Chief Administrative Officer, Public Safety Group
Tracy Drager, Auditor and Controller
Rosemarie Degracia, Group Finance Director, Public Safety Group



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JUAN R. PEREZ
CHIEF OF AUDITS

October 6, 2020

TO: Marko Medved, Director
Department of General Services

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: JOB ORDER CONTRACT MANAGEMENT AUDIT

Enclosed is our report on the Job Order Contract Management Audit. We have reviewed your response to our recommendations and have attached it to the audit report.

The actions taken and/or planned, in general, are responsive to the recommendations in the report. As required under Board of Supervisors Policy B-44, we respectfully request that you provide quarterly status reports on the implementation progress of the recommendations. You or your designee will receive email notifications when these quarterly updates are due, and these notifications will continue until all actions have been implemented.

If you have any questions, please contact me at (858) 495-5661.

A handwritten signature in blue ink, appearing to read "Juan R. Perez".

JUAN R. PEREZ
Chief of Audits

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Enclosure

c: Ebony Shelton, Deputy Chief Administrative Officer/Chief Financial Officer
Tracy Drager, Auditor and Controller
Rissa Japlit, Assistant Group Finance Director, Finance and General Government Group



County of San Diego

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JUAN R. PEREZ
CHIEF OF AUDITS

October 6, 2020

TO: Jeff Moneda, Director
Department of Public Works

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: JOB ORDER CONTRACT MANAGEMENT AUDIT

Enclosed is our report on the Job Order Contract Management Audit. As there are no findings and recommendations in the report pertaining to your department, no audit response is required.

Thank you for the courtesousness and cooperation extended to the Office of Audits & Advisory Services during the course of the audit.

If you have any questions, please contact me at (858) 495-5661.

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JUAN R. PEREZ
Chief of Audits

AUD:JP:nb

Enclosure

c: Sarah Aghassi, Deputy Chief Administrative Officer, Land Use & Environment Group
Tracy Drager, Auditor and Controller
Renee Loewer, Group Finance Director, Land Use & Environment Group

INTRODUCTION

Audit Objective The Office of Audits & Advisory Services (OAAS) completed an audit of the Job Order Contract (JOC) management. The objective of the audit was to assess effectiveness of cost control measures for JOC projects.

Background JOC is an alternative to traditional procurement methods, such as design-bid-build. Under JOC, organizations establish a single contract for multiple projects, where the contractor must meet the department's standards of quality and timeliness. The department is not obligated to assign more projects. Thus, there can be a cost and time savings for departments since there is no need to go through the procurement process for each smaller project.

At the County of San Diego (County), the JOC are managed by the Department of General Services (DGS), Strategic Planning Division. From Fiscal Year (FY) 2015-16 through April 2019 the total JOC value was approximately \$208.2 million with over \$98.8 million in expenditures. DGS typically enters into a series of one-year JOCs for the work to be performed, i.e. engineering, landscaping, paving, and electrical. Historically, the JOC amount awarded has ranged between \$1 million to \$5 million depending on need.

Table 1. Total Count and Value of DGS's JOCs by Contract Status during FY 2015-16 to April 2019 (in millions)

Contract Status	Count	Contract Amount	Expenditures
Active	13	\$42.9	\$6.4
Cancelled	7	-	-
Expired	28	\$112.0	\$56.3
Expired with pending work	15	\$53.3	\$36.1
TOTAL	63	\$208.2	\$98.8

To establish a JOC, the County issues a request for bid (RFB) which includes a Task Catalog (the Catalog). Each item in the Catalog has a Unit Cost of 1. Contractors submit a bid on the percentage paid for items in the Catalog. Meaning if the contractor bids a 1, then the contractor will be paid the exact amount per line item shown in the Catalog. A higher percentage bid increases the cost of the unit price for items in the Catalog, whereas a lower percentage bid decreases the cost. The contractor with the lowest percent factor bid wins the contract.

To deliver a project, the owner department determines if the JOC is the appropriate delivery method to complete their project. If they decide to request the use of a JOC to deliver all or part of the project, the department's Project Manager (PM) files a JOC Project Request Form and submits to DGS. Departments can request to manage their own projects in-house or contract with DGS to assign a PM to deliver their projects. DGS charges construction support costs when their PMs manage the

department’s projects. Also, all projects delivered through a JOC pay support costs since DGS must recoup all costs as an Internal Service Fund department (e.g. Gordian contract fees, support, license use, and staffing).

A team from DGS, which includes the JOC Coordinator, reviews the requests to determine how to assign projects based on the scope of the requested work and the available capacity of the JOCs. The JOC’s capacity is the total value of the contract less the amount of capacity used by approved task orders against that contract.

The work is authorized by issuing individual task orders on an as needed basis. The assigned PM is then responsible for following the JOC delivery process to create, issue, and modify JOC task orders and oversee the completion of the construction project. To issue task orders, the County generally follows best practices, provided by Gordian¹, as shown below.



Audit Scope & Limitations

The scope of the audit included JOC contracts issued from FY 2015-16 to April 2019. During this time, there were 56 JOC contracts for which 1,139 task orders and modified task orders were issued. OAAS selected a judgmental sample of 15 task orders with at least one task order modification for review. As described in Table 2 below, for the selected sample, PMs from eight divisions within five different departments were responsible for managing the task orders.

Table 2. Departments and Divisions for Task Orders Selected for Testing

Department	Division
Department of General Services	Capital
	Major Maintenance
Department of Parks and Recreation	Park Development
Department of Public Works	Capital Improvement
	Roads
	Wastewater
Health and Human Services Agency	Facilities
Sheriff's Department	Facilities

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors as required by California Government Code, Section 1236.

¹ Founded in 1990, Gordian is an organization that, on a contractual basis, provides data, technology, and other services related to construction and contract management to the County.

Methodology

OAAS performed the audit using the following methods:

- Reviewed County codes, policies, and procedures related to procurement, and JOC practices.
- Interviewed DGS management regarding departmental responsibilities for management and oversight of JOC projects, the Catalog, non pre-priced items.
- Evaluated internal controls in place for controlling JOC project costs.
- Conducted on-site interviews and observations within each of the departments with sample task orders to identify and evaluate controls in place related to JOC project management and monitoring.
- Reviewed the documents related to non pre-priced items to determine the total number, value, and markup paid during the audit period.
- Judgmentally selected 10 non pre-priced items for review to determine whether PMs requested the correct number of quotes and whether markup values were calculated in accordance with the contract.

AUDIT RESULTS

Summary

Within the scope of the audit, we determined that DGS does not have effective cost control measures in place over the JOCs. Audit findings and related recommendations are identified in the body of the report.

Finding I:**Insufficient Internal Controls Over JOC Task Order Management**

DGS has not developed a system of internal controls over JOC task orders management. OAAS identified the following issues related to missing internal controls:

PMs Requirements and Responsibilities Have not Been Clearly Defined – We found that DGS did not consistently authorize PMs from various departments requesting to use the JOCs to self-manage projects of similar value and complexity. According to DGS, not all PMs have the necessary skills, knowledge, and training to properly manage JOC task orders. Instead, DGS entered into a contractual agreement with the client department to have DGS manage the project on their behalf. This can result in increased costs to the client department because it will be required to pay construction support costs in addition to construction costs.

DGS does not provide guidance to departments that prescribes the skills and knowledge PMs need to successfully manage JOC task orders or pre-requisites for self-managing their JOC projects.

Without guidance, the process for departments to use the JOC and self-manage their projects is unclear and inconsistent. Also, department PMs

are unable to identify specific issues that need to be corrected in order to self-manage JOC task orders.

Insufficient Project Information Required – DGS does not require departments to provide adequate and sufficient project information when requesting to use a JOC. Adequate information includes, but is not limited to, project charter², project schedule, planned phases, sub-scopes, estimate construction costs (i.e. spending plan), list of known non pre-priced items, and A-87 exempt items, if any. Without this requirement, we found that the project planning process varied significantly among departments.

Specifically, we found that 4 of the 8 departmental divisions included in our sample, did not create an estimate of construction costs. As a result, PMs are not consistently documenting the basis for construction costs and management approvals. Further, they are unable to evaluate whether budgeting practices are sound, and estimates are reliable. Without documented estimates of construction costs, PMs are unable to perform on-going project monitoring and reconciliations.

The audit also identified issues related to changes to task orders. Modifications to task orders can be submitted to perform work for unforeseen conditions, or to complete additional project phases which may have a different scope than the original task order. Yet, the system of record is not designed to identify modified task orders due to construction changes versus subsequent phases of the project. For instance, we identified 2 of the 15 task orders in our sample in which all planned phases of the project were not documented in the JOC Project Request Form. Nonetheless, multiple modifications³ to the task orders were submitted for new work that did not appear to be related to the scope of the original task order.

Unreliable cost estimates and lack of information about the nature, timing, and scope of projects increases the risk that projects will not be properly assigned to open contracts. As a result, DGS may be unable to determine whether JOCs will have sufficient capacity to complete assigned projects, PMs may be unable to use the same contractor to complete all phases of their project, and/or contract extensions or extending expired contracts may be required to complete projects. Further, projects with cost overruns cannot be easily identified and evaluated to determine whether cost control measures are working efficiently and effectively.

² The project charter establishes the authority assigned to the PM. It is considered industry best practice. The purpose of the project charter is to document: 1) Reasons for undertaking the project, 2) Objectives and constraints of the project, 3) Directions concerning the solution, 4) Identities of the main stakeholders, 5) In-scope and out-of-scope items, 6) Risks identified early on, 7) Target project benefits, 8) High level budget and spending authority.

³ The JOC Program uses modified task orders in place of change orders, which are traditionally used in construction projects to request changes to the scope of the project or address unforeseen conditions.

Inadequate Guidance for PMs – PMs are unaware of their responsibilities to manage assigned JOC task orders in accordance with the contract. DGS does not have policies and procedures detailing the PM's responsibilities for administering JOC task orders, such as planning, managing, monitoring and reporting functions. Specifically, during our audit test we found:

- For 4 of the 15 task orders reviewed, the designated PMs did not maintain either the project request form or project acceptance form. The PMs for these task orders indicated that it is not their responsibility to maintain these documents since it is the JOC Coordinator (COR)'s job to maintain the JOC file. Upon inquiry, the JOC Coordinator stated the PMs assigned to the project should also be responsible for maintaining project forms.
- For 5 of 15 task orders reviewed, the PMs assigned were not aware of their responsibility to monitor amounts charged to the JOC project. Further, we found that the PMs interviewed during the audit, were not consistently performing reviews of the costs charged to the projects or performing post project reviews. Therefore, departments are unable to ensure that project costs charged as reported are accurate.

Insufficient Description of JOC Expenditures Recorded in Oracle – The JOC procedures do not require the task order associated with project charges when entering transactions into Oracle. Therefore, it is not possible to identify construction and JOC support charges for each of multiple JOC task orders assigned to a single project in Oracle. As a result, departments are unable to determine whether charges in Oracle are accurate.

According to the COSO internal control framework⁴, the components of an internal control system include assessing the control environment, performing a risk assessment, developing control activities, communicating information about controls to management, and monitoring whether controls are properly functioning.

COSO also states authority and responsibility should be clearly assigned throughout the organization, and clearly communicated to all employees. Further, relevant information about the organization's operations should be identified, captured, and communicated to appropriate personnel to ensure they carry out their responsibilities effectively.

Recommendation: To ensure that there is an adequate system of internal controls over the JOCs, DGS Management should:

1. Perform and document a comprehensive risk assessment of the JOC process and identify required control activities to address the risks.

⁴ The Committee of Sponsoring Organizations of the Treadway Commission (COSO).

2. Develop policies and procedures to document the required activities to properly manage the JOC projects. The policies and procedures should include, but not be limited to,
 - a. Define client department responsibilities and requirements for using JOCs for their projects.
 - b. Establish criteria for determining departmental PMs ability to self-manage projects where JOC is the procurement method.
 - c. Identify project information and approvals needed to manage JOC capacity, including but not limited to, the project charters, budget, phases, schedule, and task order spending plans.
 - d. Provide guidance and responsibilities for PMs assigned to task orders.
 - e. Issue guidance for the submission of changes to existing JOC task orders.
 - f. Provide guidance regarding available expenditure tracking tools.
 - g. Perform on-going monitoring and post-project reviews.
3. Communicate policies and procedures to staff responsible for managing the JOCs and to client departments.
4. Develop a plan to monitor whether controls over the JOC projects are properly functioning.

Finding II:**Strengthen Controls Over Non Pre-Priced Items**

The Catalog establishes a base price for each item, task, and service to be performed. In some cases, the work to be performed may not be included in the Catalog. PMs can purchase items and services not included in the Catalog, called non pre-priced items, by paying the item cost plus a markup cost fee defined in the contract. We found the following exceptions related to non pre-priced items and the Catalog:

Lack of Process for Inclusion of Non Pre-Priced Tasks in the Catalog

– DGS does not have a formal process in place for evaluating non pre-priced items purchased through JOC task orders in accordance with the contract.

During our review, DGS stated that non pre-priced items are evaluated to be included in the Catalog, however we were unable to validate the process because DGS did not document the evaluation.

The JOC General Conditions Contract Template, Section 6.1.2.4.6 states that after using non pre-priced items on three separate job orders, the unit price for the work item will be negotiated and fixed as a permanent pre-priced item that will no longer require price justification.

Lack of a formal process to review recurring purchases of non pre-priced items and include them in the Catalog may result in payment of higher costs and unnecessary fees to contractors.

Improvements Needed to Ensure Completeness and Accuracy of List of Non Pre-Priced Items – DGS does not maintain a complete and accurate inventory list of non pre-priced tasks purchased that would allow them to evaluate the effectiveness and efficiency of the JOC process. While a master list of non pre-priced tasks is kept, we noted the following issues:

- The master list contains non pre-priced tasks proposed by the contractor, including those that were proposed but not purchased. As a result, we are unable to determine the total number of non pre-priced items that have been purchased through the JOCs.
- Non pre-priced items are not assigned a unique item number by DGS for tracking purposes. Since a non pre-priced item does not have a Catalog number associated with it, the contractor creates their own line item and inputs it into the list. As a result, DGS is unable to identify duplicate non pre-priced items and easily determine the number of times a job task has been purchased through the JOCs before, and whether the process to add such items to the catalog as permanent pre-priced items should be triggered.
- DGS does not monitor the cost and markup on non pre-priced tasks nor the client department that purchased them. As a result, key information needed for the tracking and reporting of the total cost related to non pre-priced items is missing.

According to the COSO framework, relevant information about an organization's operations should be identified, captured, and communicated to appropriate personnel to ensure they carry out their responsibilities effectively.

Non-Compliance with JOC General Conditions – The JOC General Conditions Contract Template, Section 6.1.2.4.3 states the following:

“Pricing data submitted in support of non pre-priced items shall include a cost or price analysis report, establishing the basis for selecting the approach proposed to accomplish the requirements. Unless otherwise directed by the County, costing data will be submitted demonstrating that the contractor sought and received at least three (3) quotes” ...
“The contractor shall provide an installed unit price or demolition price, if appropriate, which shall include all costs required to accomplish the non pre-priced task.”

We judgmentally selected a sample of 10 non pre-priced items purchased using a task order to test whether PMs received the correct number of

quotes and the item markup was calculated accurately. We noted the following issues:

- For 6 of 10 sample items tested, the PM did not have three price quotes from the contractor, as required. For one item, the PM stated the department was using a specific camera system that only one vendor offered, therefore three quotes were not necessary. However, the JOC General Conditions Contract Template does not provide for exemptions to the three quotes requirement.
- For 2 of 10 sample items tested, supporting documentation was not retained on file to show markup cost calculation details. Therefore, we were unable to verify that the amount paid to the contractor was accurate.
- For 3 of 10 sample items tested, the markup cost calculation worksheet had errors because the wrong formula was used. As a result, the markup as recorded in the cost worksheet for two items was overstated by \$2,639, while the third item markup cost was understated by approximately⁵ \$5,580.

Insufficient controls result in increased risk that departments are not accurately billed by contractors, and noncompliance with the terms and conditions of the JOC contract by PMs and contractors.

- Recommendation:**
1. DGS should establish adequate internal controls over the administration of non pre-priced tasks, including policies and procedures that address the following:
 - a. Maintaining a complete inventory listing of non pre-priced tasks performed by contractors.
 - b. Capturing key information for each non pre-priced task, including markup cost, total cost, client department procuring the item for tracking purposes.
 - c. Streamlining the process over item numbers assigned to non pre-priced tasks including accurate descriptions to avoid duplicate tasks recorded under different item numbers.
 - d. Developing a process to evaluate recurring purchases of non pre-priced tasks to determine whether they should be added into the Catalog.
 - e. Outlining specific requirements related to non pre-priced task, such as ensuring that contractor submits at least three quotes and/or following an exemption process if the quotes are not necessary. DGS should confer with the Department of Purchasing and

⁵ The audit scope did not include a review of the contractor's invoice and final payment since the invoice would have cumulative amounts that include various tasks orders.

Contracting to ensure exemption process is in accordance with the terms of the contract.

2. DGS should communicate new policies and procedures to DGS staff responsible for the administration of the JOCs and to client departments.
3. DGS should review the actual markup amounts paid for the three non pre-priced tasks mentioned in this finding to determine whether the actual amount paid was correct.

Finding III:

Accountability Over Project Management Support Costs Needs Improvement

DGS PMs use spending plan forms to document project costs. As costs change, DGS issues amended spending plans and obtains approval from the client department.

Our sample of 15 task orders selected for detail testing included 7 task orders for projects managed by DGS PMs on behalf of a client department. For these 7 task orders we reviewed the support costs estimate listed on the initial spending plan and the actual support costs charged in Oracle and found that the actual charge exceeded the original estimates for all 7 items between 44% to 2890%, as shown in Table 3:

Table 3. Comparison of Estimate to Actual Construction Support Costs for JOC Task Orders Managed by DGS

Project No.	Task Order	Estimate Support Costs	Actual Support Costs	Difference	% Change
J20913	MX16716	\$30,303	\$99,849	\$69,546	230%
J20721	MP15806	\$2,988	\$38,404	\$35,416	1185%
J21606	ML16207	\$11,114	\$60,608	\$49,494	445%
J21607	ML14225	\$49,167	\$149,437	\$100,270	204%
J22720	MH17748	\$50,000	\$104,081	\$54,081	108%
J22723	MP17745	\$53,285	\$76,872	\$23,587	44%
J23525	MP18736	\$5,250	\$156,997	\$151,747	2890%

According to DGS, the initial spending plan is a rough estimate of the cost based on the information available regarding the project. As the scope of the project is further developed, construction and support cost increase. Also, during project construction, changes in scope are common which would also result in an increased project and related support cost.

DGS staff provided a package with amended spending plans for each of the 7 task orders reviewed. However, based on our examination, we determined that the amended spending plans did not include sufficient and adequate information to justify the changes in support cost.

Additionally, there was no true-up report available to reconcile the estimate cost to the actual charges. Therefore, we were unable to determine

whether support cost increases to the task orders in our sample were reasonable or justified.

We noted that the description of the charges recorded in the Oracle burdened cost report did not align with the description of costs listed in the spending plan.

Further, the majority of the line items on the spending plans we reviewed, were blank. As a result, it was difficult to tie estimate costs to actual cost as reported in Oracle.

We also identified one spending plan in our sample that was missing the department approval required for walk-in projects.

The lack of supporting documentation to justify the underlying reasons for exceeding original estimates of support costs, results in the client departments' inability to ensure that support costs charged to their projects are justified and accurate, and prevents DGS from ascertaining the effectiveness of the support costs estimation process.

Recommendation: To increase the accountability and accuracy of JOC construction support costs, DGS should develop procedures for the accounting and monitoring of project management support costs charged to departments. At a minimum, these procedures should enable DGS to:

1. Provide sufficient detail on the amended spending plans to document changes in scope and related construction and support cost increases.
2. At the end of each project, generate and provide support cost true-up reports for client departments to allow them to examine and validate actual project costs charged.
3. Ensure that the support costs in Oracle are aligned with the description on the project spending plan.

Office of Audits & Advisory Services



VALUE

DEPARTMENT'S RESPONSE
(DEPARTMENT OF GENERAL SERVICES)



County of San Diego

DEPARTMENT OF GENERAL SERVICES

5560 OVERLAND AVENUE, SUITE 410, SAN DIEGO, CA 92123

MARKO MEDVED, PE, CEM
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ASSISTANT DIRECTOR
(858) 694-3885

August 18, 2020

TO: Juan R. Perez
Chief of Audits

FROM: Marko Medved, Director
Department of General Services

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: **JOB ORDER CONTRACT MANAGEMENT AUDIT**

Finding I: Insufficient Internal Controls Over JOC Task Order Management

OAAS Recommendation:

To ensure that there is an adequate system of internal controls over the JOCs, DGS Management should:

1. Perform and document a comprehensive risk assessment of the JOC process and identify required control activities to address the risks.
2. Develop policies and procedures to document the required activities to properly manage the JOC projects. The policies and procedures should include, but not be limited to,
 - a. Define client department responsibilities and requirements for using JOCs for their projects.
 - b. Establish criteria for determining departmental PMs ability to self-manage projects where JOC is the procurement method.
 - c. Identify project information and approvals needed to manage JOC capacity, including but not limited to, the project charters, budget, phases, schedule, and task order spending plans.
 - d. Provide guidance and responsibilities for PMs assigned to task orders.
 - e. Issue guidance for the submission of changes to existing JOC task orders.



- f. Provide guidance regarding available expenditure tracking tools.
 - g. Perform on-going monitoring and post-project reviews.
3. Communicate policies and procedures to staff responsible for managing the JOCs and to client departments.
 4. Develop a plan to monitor whether controls over the JOC projects are properly functioning.

Action Plan: DGS agrees with the recommendations. To address the risk assessment of JOC processes and control activities, a JOC manual is being developed for posting on the DGS Intranet that will cover contract administration and training topics. DGS will share the manual with client departments and conduct periodic reviews of the JOCs. The manual will be reviewed periodically to ensure processes continue to meet business needs and minimize risk.

Planned Completion Date: December 2020

Contact Information for Implementation: Billy Votava, DGS Project Manager

Finding II: Strengthen Controls Over Non Pre-Priced Items

OAAS Recommendation:

1. DGS should establish adequate internal controls over the administration of non pre-priced tasks, including policies and procedures that address the following:
 - a. Maintaining a complete inventory listing of non pre-priced tasks performed by contractors.
 - b. Capturing key information for each non pre-priced task, including markup cost, total cost, client department procuring the item for tracking purposes.
 - c. Streamlining the process over item numbers assigned to non pre-priced tasks including accurate descriptions to avoid duplicate tasks recorded under different item numbers.
 - d. Developing a process to evaluate recurring purchases of non pre-priced tasks to determine whether they should be added into the Catalog.
 - e. Outlining specific requirements related to non pre-priced task, such

as ensuring that contractor submits at least three quotes and/or following an exemption process if the quotes are not necessary. DGS should confer with the Department of Purchasing and Contracting to ensure exemption process is in accordance with the terms of the contract.

2. DGS should communicate new policies and procedures to DGS staff responsible for the administration of the JOCs and to client departments.
3. DGS should review the actual markup amounts paid for the three non pre-priced tasks mentioned in this finding to determine whether the actual amount paid was correct.

Action Plan: DGS agrees with the recommendations. A JOC Manual is being developed that will be posted on the DGS Intranet will cover contract administration and training topics including how to account for non-pre-priced items/tasks and determine if actual amounts paid are correct. DGS will share the manual with client departments.

Planned Completion Date: December 2020

Contact Information for Implementation: Billy Votava, DGS Project Manager

Finding III- Accountability Over Project Management Support Costs Needs Improvement

OAAS Recommendation:

To increase the accountability and accuracy of JOC construction support costs, DGS should develop procedures for the accounting and monitoring of project management support costs charged to departments. At a minimum, these procedures should enable DGS to:

1. Provide sufficient detail on the amended spending plans to document changes in scope and related construction and support cost increases.
2. At the end of each project, generate and provide support cost true-up reports for client departments to allow them to examine and validate actual project costs charged.
3. Ensure that the support costs in Oracle are aligned with the description on the project spending plan.

Action Plan: ①

Department of General Services (DGS) does not agree with Finding III. Throughout the audit process DGS attempted to work with OAAS to explain why Finding III is not relevant to the Job

Order Contract Audit. The finding relates to Major Maintenance Support Costs and not to JOC specific processes or costs and therefore is outside the scope of this audit of the use of JOC.

JOC is a procurement methodology used to obtain a contractor that is faster than the traditional design-bid-build method. JOC is one aspect of a project, specifically to contractor procurement and is utilized by several departments including DGS. Only Major Maintenance projects run by DGS have intra-departmental support costs. Not all Major Maintenance projects use JOC as the contractor delivery method, and not all projects that use JOC are Major Maintenance. JOC related costs and Project Support costs are not mutually exclusive. If a department is managing their own project using JOC as the construction delivery method, this does not apply. If DGS is managing a JOC project this may or may not apply. If support costs on this type of project do increase, a client department must authorize changes via a spending plan. Support costs will increase if a construction budget increases, but there is not a percent formula for this. Each project is unique and requires more or less time for support depending on a variety of factors. Client departments must sign an amended spending plan that will authorize DGS to bill hours to these projects.

At the beginning of the Fiscal Year DGS staff receive Maintenance Projects based on the Major Maintenance Implementation Plan (MMIP), a document approved by the Facilities Planning Board. The budget amounts on the MMIP projects are typically high-level estimates submitted by client departments or come from DGS facility condition assessments, and/or DGS Strategic Planning. To obtain consultants and begin development of a scope, PMs are required to obtain a signed spending plan. At that time there is typically not a fully formed project, only the given budget and brief descriptor in the MMIP amount. Support costs are initially set based on that amount.

As a project develops, estimates are obtained. As scope is refined and amended by client departments, scope and associated costs often increase. PMs provide clients with a spending plan amendment with itemized additional costs. The scope of work provides reasons for spending plan increases. Costs are outlined in each section of the spending plan.

The project does not move forward without a client approved and signed amended spending plan. The client may or may not have the funding necessary to move forward with the project and may choose to terminate a project at any time.

Although DGS does not agree with this finding, there are new processes that went into effect 7/1/2020 regarding Spending Plans. Clients will receive a Spending Plan and Charter through Adobe sign for electronic signature and receive the fully executed copy automatically. Project Charters provide additional project detail related to scope and schedule not found in Spending Plans. The electronic packet will prevent clients from signing and scanning only the summary page of the Spending Plan so that DGS will have full historical documentation of Spending Plans and Charters.

Planned Completion Date: N/A

Contact Information for Implementation: Rich Grudman, Chief DGS

**Office of Audits & Advisory Services
Job Order Contract Management Audit (A19-011)
Rebuttal to the Department's Response**

① **Finding III:** Ensuring the accuracy of audit reports is of utmost importance for OAAS and to that extent, the audit process is designed to provide opportunities for resolution of disagreements while communicating audit results at least twice before an audit report is finalized. In accordance with audit standards, OAAS requires that requests to modify or remove an audit finding be accompanied by adequate supporting evidence that justifies the finding's modification or removal. This requirement was clearly communicated to the department on multiple occasions, but OAAS did not receive supporting evidence requested to justify the removal of the finding. Although the department states that they disagree with the finding, they state that new processes have been implemented to address concerns cited in the report. OAAS will review and assess these new processes as part of the audit recommendation follow-up, and in accordance with audit standards, determine if a follow-up audit is warranted. The department also states that the finding relates to Major Maintenance Support Costs and not to JOC specific processes and therefore is outside of the scope of the audit. However, the audit finding is based on our review of a sample of 30 JOC task orders, and within the scope of work specified in the report's audit objective and scope and methodology sections.