

### Editorial

## City's bidding process risked fraud, waste

For the last 13 years, a little-known city of Long Beach program that aimed at completing small construction projects at competitive prices has done anything but that.

In a scathing report, City Auditor Laura Doud said her review of the Job Order Contract program "clearly supports the evidence of a systemic lack of controls and insufficient oversight at all levels of the program."

To make matters potentially worse, the JOC program was operating "in the perfect environment for fraud or waste to occur," the audit said. "Too much emphasis is placed on completing projects quickly instead of ensuring projects are properly defined and competitively priced."

Doud said the audit, which took almost a year to complete, was one of the most serious in her 10 years as auditor.

The audit criticizes officials on several fronts, everything from lack of training to overreliance on consultants to even ignoring warnings from the city's own vendor — managing the city's price book — that contractors were submitting unrealistically low bids.

The JOC program was started in 2003 as an alternative to traditional procurement methods for routine maintenance, repair and minor construction work.

Since then, it has been used to complete approximately \$68 million in projects. That accounts for about 8 percent of all of the work done by the city's Public Works Department.

The key is a construction catalog that has prices for various tasks, including materials, equipment and labor. Instead of bidding a single price for the entire contract, as is typical in construction contracts, the contractor bids a percentage of the prices in the catalogue, which are combined to create a total cost.

Since 2003, contractors of-

fered to do jobs at lower and lower prices, to the point at which some projects would be bid at 50 percent to 71 percent of book value, the audit said.

Because contractors were not likely to earn profits by asking for so little, they were able to seek out "alternative ways" to increase costs.

One way contractors could manipulate the system was to use items not in the catalog, the audit said. These items are charged at 110 percent instead of the lower bid percentage.

The audit also raised concerns about using JOC for large projects like the \$14 million remodeling of the offices of the Harbor Department when it moved to temporary quarters near Long Beach Airport, and the \$2.6 million Belmont Olympic Plaza Pool demolition.

JOC was primarily intended for smaller projects.

Doud brought early findings of her audit to the attention of Mayor Robert Garcia, and the city wisely suspended all JOC projects in April.

Garcia said the JOC audit had nothing to do with the proposed sales tax increase on the June 7 ballot that would pay for infrastructure and public safety improvements.

He said the JOC program wouldn't be used to pave streets or do other major infrastructure projects built with the sales tax revenue.

The City Council last week passed reform legislation based on Doud's recommendations, including a hard limit of \$500,000. This should help prevent future problems, but more effective monitoring and accountability than we've seen in the past 13 years will be essential.