

JOINT PRESS RELEASE

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Separate City and County Audits Find Similar Problems in Contracting Method

Expediency and Convenience Take Precedence over Proper Controls

Procedures Now Being Implemented to Enhance Project Oversight

Los Angeles, CA – Los Angeles County Supervisor Janice Hahn and Long Beach City Auditor Laura Doud have announced that separate County and City audits found remarkably similar concerns with oversight of the Job Order Contract program (JOC) in each jurisdiction.

JOCs allow public agencies to quickly procure building repair, remodeling and other repetitive work at set unit prices from private construction firms, without conducting a full solicitation process for each project. Under the JOC model, the awarding agency initially selects contractors through a formal solicitation process and then issues work orders for building rehabilitation, repair and remodel services. JOC cannot be used for new construction.

“The whole idea of the JOC program is to make sure we avoid project delays that can happen with conventional procurement methods, while at the same time assuring the taxpaying public gets the best bang for its buck,” said Hahn. “Unfortunately, the audits found that all too often, JOCs saved time but cost much more than they should have.”

The City of Long Beach audit was released in May 2016. Based on the findings of that audit, the Board of Supervisors ordered a County Auditor-Controller audit of the County's JOC program. The county audit was released last month.

“While separate and independent and covering two entirely different jurisdictions,” Doud said, “the audits found remarkably similar flaws. Each audit found systemic lapses in management controls over the JOC process, lax oversight of project costs, vague contractor scopes of work, and a pattern of unrealistically low bids that were inflated to make a profit after contract award.”

The County audit also found that contractors in many instances inflated project costs by charging for items outside of the pre-established pricing catalog. This resulted in the County negotiating project pricing outside of the catalog which defeats the JOC established pricing model, and resulted in projects costing more than what the County should have contractually paid.

“The JOC system was meant to save the government time and taxpayer money but the results we are seeing show just the opposite,” Hahn said.

The City of Long Beach enacted legislation to implement City Auditor Doud's recommendations to provide key controls around program processes and requirements including independent review of project proposals, prequalification of JOC contractors, and setting a cap of 10% on the amount of non-catalogue items that can be used on a project.

The County audit recommended the formation of a work group, comprised of management from the Chief Executive Officer and each department that utilizes JOC, to address the report's findings and implement audit recommendations to standardize program processes and policies thus strengthening the JOC program.

In December, Supervisor Sheila Kuehl introduced a motion calling for a report with recommendations for a standardized protocol for active management of the initial solicitation process for JOCs, a uniform approach to managing and evaluating JOC work orders and possible policy changes to enhance the County's ability to evaluate contractors based on performance criteria.

"I commend and support Supervisor Kuehl's proposal as well as the recommendations of the County Auditor-Controller's audit," Hahn said. "I also want to commend and thank Long Beach City Auditor Laura Doud for the audit she conducted in her City. It turned out to be a template for the County and a good example of how the County and our cities can learn from one another as we work together on common problems."

The complete Long Beach City Auditor's Job Order Contract Audit can be viewed [here](#) and the complete County of Los Angeles Department of Auditor-Controller Job Order Contract Audit can viewed [here](#).

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