



**Office of the Inspector General
Los Angeles Unified School District**

**Performance Audit of
Job Order Contracting (JOC) Program**

OA 20-1279

March 25, 2021



Los Angeles Unified School District
Office of the Inspector General

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March 25, 2021

Ms. Judith Reece, Chief Procurement Officer
Procurement Services Division
Los Angeles Unified School District
333 S. Beaudry Avenue, 28th Floor
Los Angeles, CA 90017

RE: Performance Audit of Job Order Contracting Program

Dear Ms. Reece:

This is our report of the Performance Audit of the Job Order Contracting (JOC) Program.

The objectives of the audit were to determine whether (i) JOC contract amounts and terms comply with the limitations specified in the laws and regulations, (ii) JOC were used for the purpose of reducing project cost and expediting project completion, (iii) the job orders were properly approved in accordance with policies and prior to the start of the job, (iv) the job orders were unlawfully split or separated into smaller job orders for the purpose of evading the cost limitation provisions, and (v) Non-pre-priced (NPP) tasks complied with policies.

We appreciate your continued support of our services.

Sincerely,

KM for Austin Onwualu

Austin E. Onwualu, CPA, CIG, CGMA
Deputy Inspector General, Audits

William Stern

William Stern, MBA, CIG, CISM, CPP, CFE
Inspector General

Attachment

C: Richard Lui
Cheri Thomas

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EXECUTIVE SUMMARY

We have conducted an audit of the Job Order Contracting (JOC) program at the Los Angeles Unified School District (District). The objectives of the audit were to determine whether (i) JOC contract amounts and terms comply with the limitations specified in the laws and regulations, (ii) JOC were used for the purpose of reducing project cost and expediting project completion, (iii) the job orders were properly approved in accordance with policies and prior to the start of the job, (iv) the job orders were unlawfully split or separated into smaller job orders for the purpose of evading the cost limitation provisions, and (v) Non-pre-priced (NPP) tasks complied with policies.

Based on our testing of a sample of JOC contracts and job orders, we found the following:

- JOC contract amounts and terms in most part complied with the limitations specified in the laws and regulations.
- Job orders were properly approved in accordance with policies and prior to the start of the job. However, we found one policy that had not been implemented for 10 job orders related to obtaining independent cost estimates. The JOC Contracts Unit (JCU) updated the JOC policy and procedures manual during the audit, removing the policy.
- Job orders were not unlawfully split or separated into smaller job orders for the purpose of evading the cost limitation provisions.
- Non-pre-priced (NPP) tasks complied with policies.

No evidence was provided by Procurement Services Division (PSD) that the use of JOC reduced total project cost and expedited project completion. We found that the requesting branch, Facilities Services Division (FSD) provided written justification for using JOC, and both the Acquisition Strategy Board (ASB) and the JCU approved the use of JOC. However, no determination was completed for each JOC project to ensure that the total project cost was a reduction in cost over other procurement methods and that project completion was expedited, as required by the California Public Contract Code¹ and as amended by the California Assembly Bill (AB) 1431.²

We made two recommendations to improve the process for approving and using JOC contracts and job orders. We also provided two other recommendations during the audit which were implemented immediately during fieldwork. Procurement agreed in writing with one of the recommendations and partially agreed with the other recommendation. Our findings and recommendations are detailed in the Results of Audit section of the report.

¹https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=PCC&division=2.&title=&part=3.&chapter=1.&article=60.4.: PCC 20919.20 (d) The job order contracting approach should be used for the purposes of reducing project cost and expediting project completion. PCC 20919.23 (b) The school district shall determine for each selected project that job order contracting will reduce the total cost of that project. Job order contracting shall not be used if the school district finds that it will increase the total cost of the project. PCC 20919.21 (i) "Project" means the specific requirements and work to be accomplished by the job order contractor in connection with an individual job order.

² https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160AB1431.

INTRODUCTION

In October 2003, the California legislature passed, and the Governor signed AB 14 that approved a pilot program for the District until December 1, 2012, to establish JOC as an alternative and optional procedure for bidding public works projects. On October 10, 2015, AB 1431 allowed all school districts to use JOC pursuant to Public Contract Code 20919.20 through 20919.33, and extended the use of JOC through January 1, 2022.³

JOC is a delivery system intended to: (i) accelerate completion of projects through expedited procurement processes, (ii) provide cost savings, and (iii) reduce construction complexity for the District. JOC was not intended to replace traditional methods of contracting, but to offer an alternative resource enabling the District to simplify “the contracting and completion of small modernization projects.” The program is purported to enable the District to “accomplish a large number of small and medium-sized construction projects with a single, competitively bid contract.”⁴

The Procurement Services Division’s JCU is responsible for the procurement, award, and close-out processes of the JOC Program. Duties include, but are not limited to:

- Review and approval of all job order requests, specifically, ensure that the work proposed meets the criteria for JOC use.
- Authority over designated JOC “ordering officials” delegated to approve job orders and ensure compliance with approved policies and procedures.
- Responsible for assignment of JOC contractors based upon the District’s internal contractors’ “rotation” schedule, unless otherwise justified by the Owner Authorized Representative (OAR).
- Responsible for project initiation and setup in eGordian⁵, requests for project numbers, funding verification, requests for encumbrance/de-encumbrance, compliance with licensing requirements, and quality control of job order documents prior to contract approval.
- Approval and issuance of the documents: Notice of Intent to Award, Notice to Proceed, Change Order.
- Development and review of reports to ensure contract data integrity.
- Reconcile / resolve any data, financial, close-out, and/or contract issues.
- Ensure compliance with job order mandated thresholds for awards and change orders.
- Ensure procurement and award process complies with approved policies and procedures; initiate policy and procedures revisions as required.
- Ensure proper closeout of all job orders and master contracts including scanning and document retention.
- Oversee internal process reviews and State required audits.

³ https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201520160AB1431.

⁴ Policies and Procedures 8.7 Job Order Contracting (JOC), Rev 2.0, October 3, 2019, pages 1, 7 and 8.

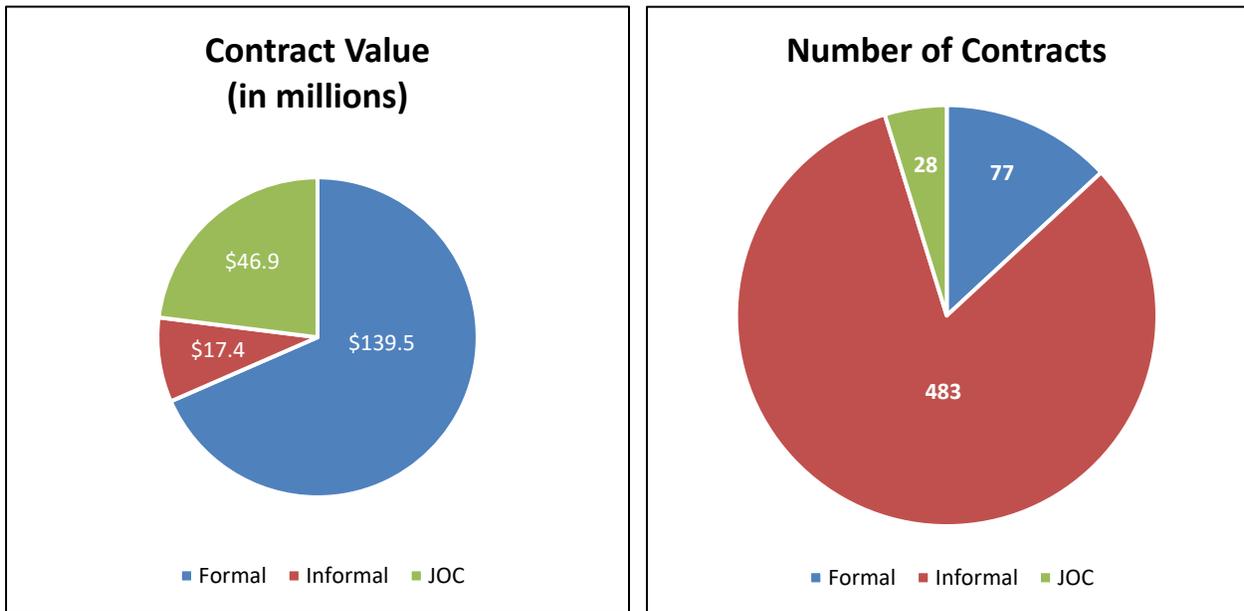
⁵ JCU uses a third-party application, eGordian, managed by The Gordian Group for job order contracting and job order processes.

The JCU is managed by one manager and one supervising JOC Specialist and supported by 13 staff. JCU uses a third-party application, eGordian, managed by The Gordian Group for the JOC and job order processes. Total budget for fiscal year 2020-2021 for the JCU is \$8.5 million.

For the period July 1, 2019 to August 30, 2020:

- 28 JOC master contracts valued at \$46.9 million in contract value were awarded.
- 620 JOC job orders costing \$36.5 million were issued. The 620 job orders included 108 time extensions with no additional cost.
- 77 Facilities formal contracts valued at \$139.5 million were awarded,
- 483 Facilities informal contracts valued at \$17.4 million were awarded for the same period.

Figure 1
Value and Quantity of All Contracts
July 1, 2019 to August 30, 2020



RESULTS OF AUDIT

A. To determine whether JOC contract amounts and terms comply with the limitations specified in the laws and regulations.

We found that JOC contract amounts and terms complied with the limitations specified in the laws and regulations.

The Public Contract Code stipulates that JOC contracts awarded for the first term (no more than 12 months) cannot exceed \$5 million and may be extended for two 12-month option periods. The total contract amount cannot exceed \$10 million if extended.⁶

The JOC policy and procedures manual also requires (i) the JCU to approve and issue the Notice of Intent to Award, (ii) the District's Chief Procurement Officer (or designee) and the ASB to approve the contract awards, and (iii) the District's Board of Education to ratify the contract awards.⁵

We randomly selected a sample⁷ of 20 JOC contracts from a total population of 28 contracts. We performed detailed testing of the selected sample and the supporting documentation, and verified that:

- The first term of the contracts was for an initial 12-months period and the initial contract value did not exceed \$5 million. The contract value ranged from \$350,000 to \$1 million.
- The contract amounts were increased through amendments for four contracts during the first term of the contracts but did not exceed \$5 million. The contract value after the amendments ranged from \$2.5 million to \$3.5 million.
- The contracts contain the option, upon mutual consent, to extend the contract for two 12-months periods.
- Five of the 20 contracts exercised the first option extending the contract for an additional 12-months period.
- The total contract value did not exceed \$10 million after exercising the contract extension. The total contract value ranged from \$500,000 to \$5.5 million.
- None of the contracts have exercised the second option to extend the contract period.
- The JCU approved and issued all Notices of Intent to Award.
- The District's Chief Procurement Officer or her designee approved the contract awards.
- The District's Board of Education ratified the contract awards.

We found, however, that the ASB did not approve the 20 JOC contracts we reviewed⁸ in accordance with JOC policy. As a result, ASB personnel may be left unaware of the contracting

⁶https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=PCC&division=2.&title=&part=3.&chapter=1.&article=60.4: PCC 20919.25 (a) The maximum total dollar amount that may be awarded under a single job order contract shall not exceed five million dollars (\$5,000,000) in the first term of the job order contract and, if extended or renewed pursuant to subdivision (b), a maximum of ten million dollars (\$10,000,000) over the subsequent two terms of the job order contract. PCC 20919.25 (b) Job order contracts may be executed for an initial contract

⁷ Random statistical sampling methodology based on a confidence level of 90% and an expected population deviation rate of 2%.

⁸ Policies and Procedures 8.7 Job Order Contracting (JOC), Rev 2.0, October 3, 2019, pages 1, 7 and 8.

process and the selected contractors before contracts are executed. According to the JCU manager, the JOC policy and procedures manual did not reflect current practice and it was an oversight when the manual was drafted. The ASB did not approve JOC contracts but approved the use of JOC for each job order. The JCU only advised the ASB of new JOC contracts. We recommended that the policies be updated. Upon notification from the audit team, the JCU updated the JOC policy and procedures manual during the audit, removing the requirement for ASB approval of JOC contract awards.

We also found that the value of JOC contract number 4400007780 (Piana Construction & Painting) and number 4400007763 (Omega Construction Co. Inc.) were increased through various amendments, approved by the Director of Facilities Contracts to \$5.5 million and \$3.5 million, respectively. The Chief Procurement Officer’s “*Appointment of Designee – Delegated Authority for Approval of Transactions Related to Facilities Contracts*” states that Facilities Contracts staff are responsible for facilities contract actions in the amounts specified below:

AMOUNTS	STAFF
Up to \$3 Million	Jorge P. Ballardo, Director of Facilities Contracts

Amounts above the specified amounts will continue to be reviewed and approved by the Chief Procurement Officer.

While each amendment individually increased the contract value by \$1 million to \$2 million, and was less than the approval limit of \$3 million for the Director of Facilities Contracts⁹, this delegation of authority did not specify whether the limits relate to the individual contract or amendment amounts, or whether the limits relate to a cumulative amount. According to the Chief Procurement Officer, the limits are related to the individual contract, task order, job order or amendment amounts. The impact of unclear authority limits is that unnecessary delays may occur in the awarding of contracts.

Recommendation A-1:

We recommend that the Procurement Services Division (PSD) clarify in the delegation of authority that the limits are related to the individual contract, task order, job order or amendment amounts.

The PSD agreed with our recommendation and will clarify in the delegation of authority that the delegation is applicable per individual contract action.

B. To determine whether JOC was used for the purpose of reducing project cost and expediting project completion.

No evidence was provided by JCU that the use of JOC reduced total project cost and expedited project completion, and therefore we could not determine whether the use of JOC reduced total project cost and expedited project completion for the sample of job orders we reviewed.

⁹ Chief Procurement Officer’s Appointment of Designee – Delegated Authority for Approval of Transactions Related to Facilities Contracts, dated July 1, 2019.

Public Contract Code 20919.20 (d) specifies that “the job order contracting approach should be used for the purposes of reducing project cost and expediting project completion.” Public Contract Code 20919.23 (b) states that “the school district shall determine for each selected project that job order contracting will reduce the total cost of that project.” Public Contract Code 20919.23 (b) further states that “job order contracting shall not be used if the school district finds that it will increase the total cost of the project.”¹⁰

We randomly selected a sample of 20 job orders (6 original job orders, 2 rapid action projects and 12 change orders) from a total population of 480 job orders for review. Table 1 below describes some of the justifications for using JOC as a procurement method.

Table 1
Documented Justifications for Using JOC

Project No.	Description	Justification
10367053	President ES - ADA Chair Lift	High priority project and avoid project delays.
10368177	Vinedale ES - ADA Phase 2	Project is required to be delivered with a specific time frame.
10369343	Canyon Charter ES - Classroom Replacement	JOC will expedite project and other method (formal) will take longer time causing delays.
10370523	Porter Ranch Community School - New Playground Equipment and Matting	JOC procurement approved by ASB.
10370560	"Audubon MS - Exterior Painting"	Single trade, non-DSA.
10370674	Buchanan ES - RAP New accessible walkway to main entrance	Preliminary cost estimate does not qualify for A/B letter work. Formal bid will delay completion date. RAP project, therefore, JOC is appropriate.
10371001	Stoner ES - Playground Solar Reflective Asphalt	Contractor has previously done this work.
10371041	(RAP) Belvedere ES - Sloped Walkway and Changing Table	More Expeditious delivery method.
10369343	President ES - ADA Chair Lift	High priority project and avoid project delays.

Based on our review of 6 original job orders and 2 rapid action projects (RAP), we found that the requesting Facilities’ branch provided a justification for using JOC and the use of JOC was approved by the JCU and the ASB. However, the justifications did not make a determination whether the use of JOC, as a procurement method, saved total project cost or expedited project completion. We found that the requesting branch, the JCU, and the ASB did not perform a substantive analysis for each JOC project providing evidence that the use of JOC saved total project cost and time, as required by the Public Contract Code. Without such a determination, the use of JOC could result in higher project cost compared to other procurement methods.

¹⁰https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=PCC&division=2.&title=&part=3.&chapter=1.&article=60.4

Furthermore, we found that: (i) the JCU only verifies that the use of JOC was approved by the ASB and (ii) the ASB Informative, which is reviewed by the ASB, did not provide a substantive analysis showing evidence that the use of JOC would reduce project cost and expedite project completion. The ASB Informative generally contains a project name, project type and program, scope, schedule, and budget information for school projects. Therefore, the ASB Informative did not contain the necessary information for the ASB to conclude that the use of JOC reduced project cost and expedited project completion.

According to the Chief Procurement Officer, the District did not look at the individual job orders to calculate estimated cost savings, since it would be very cumbersome and costly to analyze each project in advance. Instead, the District conducted two third-party reviews of the cost benefits of JOC and both found that the time saved was equivalent to cost savings and that the District does save construction and overhead costs when using JOC. The time savings are factored into the project schedule, so the District knows the average cost savings.

Third-Party Reviews

The latest third-party review conducted by Sjoberg Evashenk Consulting, Inc. in 2011 compared the procurement time between JOC projects and a sample of formally procured construction contracts that were similar in scope and value to JOC projects. The review found that the time to procure a project through the formal contract process ranged from 60 to 161 days while the time to procure a project through JOC ranged from 13 to 157 days. The review did not compare the project cost of using JOC to other procurement methods. Instead, the review compared the project cost for 2,587 JOC projects to the District’s estimate and found a 9.26% cost savings from the District’s independent estimate.¹¹

Table 2
2011 Third-Party Review of Estimated Cost Savings for 2,587 JOC Projects

Total Estimated Costs	\$342,197,036
Total JOC Project Costs	<u>\$310,528,353</u>
Savings from Estimates	<u>\$ 31,668,683</u>
Percent Savings	9.26%

We also compared the job order costs to the District’s independent estimates for the sample of 6 original job orders and 2 rapid access projects and found a 2.93% cost savings from the independent estimate.

Table 3
2019 Estimated Cost Savings for 6 Original Job Orders and 2 RAPs

Total Estimated Costs	\$1,924,564
Total JOC Project Costs	<u>\$1,868,258</u>
Savings from Estimates	<u>\$ 56,306</u>
Percent Savings	2.93%

¹¹ Los Angeles Unified School District – Audit of Job Order Contracting, dated November 15, 2011.

We performed research on JOC and found: (1) an industry analysis of the cost benefits of using JOC as a procurement method, and (2) a JOC performance industry survey conducted by the Arizona State University (ASU) in 2015 and published in 2016¹². The ASU industry survey found that 44 owners responded to having experienced cost savings when using JOC. Only 18 of the 44 owners could quantify the cost savings and reported on average 24% cost savings (highest cost saving reported was 80% and, lowest cost saving reported was 0%). The research also found that 13 contractors reported a 21% cost savings.

Other results of the survey included:

- ✓ 75% of respondents attributed the cost savings to decreased procurement time, and
- ✓ 52% of respondents attributed the cost savings to decreased project management support time.⁹

However, project cost and time are limited to the work related to the job order's scope of work and should not include any other related costs or time for procurement and project management, as mandated by the Public Contract Code. The Code defines "project" in section 20919.21(i) as "the specific requirements and work to be accomplished by the job order contractor in connection with an individual job order."¹³

Recommendation B-1:

We recommend that the Procurement Services Division implement policies and procedures to ensure that a comparison of project costs and time is performed in a cost effective manner between using JOC and other traditional procurement methods before choosing JOC for each project.

The PSD will work with contract sponsors to develop a cost comparison metric between using JOC and other traditional procurement methods. The PSD and the Facilities Services Division, however, disagree with what is included as project costs and will include overhead costs as project cost savings.

OIG Response: We reiterate that the Public Contract Code defines "project" in section 20919.21(i) as "the specific requirements and work to be accomplished by the job order contractor in connection with an individual job order."¹⁴ Therefore, overhead costs are not part of project cost savings, as defined by the Public Contract Code.

C. To determine whether the job orders were properly approved in accordance with policies and prior to the start of the job.

Job orders were properly approved in accordance with policies and prior to the start of the job. However, we found a policy that was obsolete and needed revision related to obtaining estimates.

¹² Arizona State University – Job Order Contracting Performance, 2015 Industry Survey, dated February 2016.

¹³ https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=PCC&division=2.&title=&part=3.&chapter=1.&article=60.4.

¹⁴ Ibid.

The District's JOC policy and procedures require all job order requests to be reviewed by the JCU, issue the Notice to Proceed (NTP) after completing the review, and perform validation of the requested job order. Some of the procedures that the JCU conducted include:

- Obtain ASB approval for the use of JOC for each job order.
- Verify that the job order meets the definition of a public work project or an approved JOC use for minor new construction, renovation or repair. Regular maintenance work does not qualify for JOC.
- Ensure that the job order does not exceed \$1 million.
- Review the reasonableness of the price.
- Ensure that an independent cost estimate is completed and a justification is provided (i) if the delta between the independent cost estimate and the current proposal is above or minus 10% relative to the independent cost estimate or (ii) the delta between the preliminary cost estimate and the current proposal is above or minus 20% relative to the preliminary cost estimate.¹⁵

Section 6.0 titled Roles and Responsibilities include the following policies: "Development of an "independent" cost estimate (Exhibit B). Estimate date must be within six months of request. NOTE: An OAR may provide estimates for Change Orders not exceeding \$25,000. Cost Estimates must be verified by the Estimating Unit, Program and Project Controls."¹⁶

Our review of the sample of 20 job orders found that:

- The ASB approved the use of JOC for each job order.
- Each job order met the definition of a public work project or approved JOC use for minor new construction, renovation and repair.
- Each job order did not exceed \$1 million.
- The price in the contractor proposal agreed to the prices in the construction task catalog for each job order.
- An independent cost estimate was completed and a justification was provided for those that: (i) the delta between the independent cost estimate and the current proposal is above or minus 10% relative to the independent cost estimate, or (ii) the delta between the preliminary cost estimate and the current proposal is above or minus 20% relative to the preliminary cost estimate.

However, we reviewed 10 job orders that did not exceed \$25,000 and found that the OARs provided the independent cost estimates for all 10 change orders. However, those cost estimates were not verified by the Estimating Unit, as stated in the JOC policies and procedures.

These conditions occurred because, according to the JCU manager, the JOC policy and procedures manual did not reflect current practice and it was an oversight when FSD drafted the manual. As a result, (i) the old policy may have led to confusion in implementation between FSD personnel and inconsistent practices, and (ii) incorrect cost estimates prepared by the OAR could result in higher project costs paid to contractor.

¹⁵ Policies and Procedures 8.7 Job Order Contracting (JOC), Rev 2.0, October 3, 2019, pages 12 to 28.

¹⁶ Ibid, Page 8

The JCU manager stated that the policy of requiring cost estimates to be verified by the Estimating Unit was intended for cost estimates over \$25,000. We recommended that the policies be updated. As a result, the JCU updated the JOC policy and procedures manual during the audit, removing the requirement for the Estimating Unit to review cost estimates that did not exceed \$25,000.

We also visited two school sites and verified the completion of some JOC job orders (See Exhibit 1).

D. To determine whether the job orders were unlawfully split or separated into smaller job orders for the purpose of evading the cost limitation provisions.

Based on our review, we did not find any instances of job orders being unlawfully split or separated into smaller job orders for the purpose of evading the cost limitation provisions (i.e., a single job order cannot be issued for more than \$1 million)¹⁷.

Public Contract Code 201919.25 (e) states, "It is unlawful to split or separate into smaller job orders any project for the purpose of evading the cost limitation provisions." However, Public Contract Code 20919.21(i) defines project as "specific requirements and work to be accomplished by the job order contractor in connection with an individual job order."¹⁸ Therefore, branches of the FSD and the JCU can use multiple JOC job orders for construction or repairs in an overall construction project, as long as the individual job orders plus any subsequent change orders does not exceed \$1 million. As a result, the risk of bid splitting is inherently low.

For the selected sample of 20 job orders, we calculated the total amount of job orders issued under a single construction project ID and found that the amount of job orders issued for 15 of the 20 project IDs amounted to less than \$1 million.

For the five project IDs where the total amount of job orders totaled more than \$1 million, we reviewed the scope of work for the job orders issued under the same project ID to determine whether the job orders were split or separated into smaller job orders. We found that that the job orders were not unlawfully split or separated into smaller job orders. Specifically, we found that the job orders were issued to different contractors for different trades (e.g., electrical, modular relocation, abatement/demolition and painting) or to the same contractors but for different phases (e.g., phase I and phase II) of the overall project.

In addition, we calculated the total amount of job orders issued for each project ID during our audit period and only found one out of 198 projects where the total amount of job orders exceeded \$1 million. However, the job orders were issued to four different contractors for different trades or phases.

¹⁷https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=PCC&division=2.&title=&part=3.&chapter=1.&article=60.4.

¹⁸https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=PCC&division=2.&title=&part=3.&chapter=1.&article=60.4.

E. To determine whether Non-pre-priced (NPP) tasks complied with policies.

We found that FSD branches complied with the District's Non-pre-priced (NPP) policies and procedures.

For NPP tasks, the cost proposal submitted by the requesting branch must include:

- A completed NPP Worksheet.
- Three independent price quotes obtained by the contractor.
- Complete specifications and technical data.
- Justification letter for sole source task and any manufacturer certification, if applicable.¹⁹

The contractor is also required to use the lowest quoted price in the cost proposal with a profit margin not exceeding 10%.

We reviewed a sample of 20 job orders and found one job order containing NPP tasks. For the one job order with NPP tasks, we found that the cost of materials was the only NPP task, the materials were sole source, a justification and a manufacturer letter/certification for the sole source materials were included, and a profit margin of 10% was used.

AUDIT TEAM

This audit was conducted by the Office of the Inspector General's Audit Unit team:

Katharine Monishi, Audit Manager
Armando Ng, Principal Auditor

¹⁹Policies and Procedures 8.7 Job Order Contracting (JOC), Rev 2.0, October 3, 2019, page 17 and 18.

**SCOPE AND OBJECTIVES, METHODOLOGY, INTERNAL CONTROL
EVALUATION AND PREVIOUS AUDIT REPORT**

SCOPE AND OBJECTIVES

The objectives of the audit were to determine whether (i) JOC contract amounts and terms comply with the limitations specified in the laws and regulations, (ii) JOC were used for the purpose of reducing project cost and expediting project completion, (iii) the job orders were properly approved in accordance with policies and prior to the start of the job, (iv) the job orders were unlawfully split or separated into smaller job orders for the purpose of evading the cost limitation provisions, and (v) Non-pre-priced (NPP) tasks complied with policies.

We conducted our audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions on our audit objectives. The audit covered the period from July 1, 2019 through August 30, 2020.

METHODOLOGY

To accomplish our audit objectives, we (i) reviewed pertinent District policies and procedures, applicable state laws and regulations, and the Public Contract Code; (ii) interviewed key personnel of the JOC Contracts Unit (JCU) and performed walkthroughs to obtain an understanding of the process and internal controls over JOC; (iii) conducted random statistical samples for detailed testing; (iv) tested sample of JOC contract awards and job orders issued; and (v) conducted site visits to schools to verify the completion of the job order.

EVALUATION OF INTERNAL CONTROLS

In accordance with *Government Auditing Standards*, we obtained an understanding of internal control that is significant within the context of the audit objectives. We assessed whether internal control was properly designed and implemented. For those controls that were deemed significant, we obtained sufficient, appropriate evidence to support our assessment about the effectiveness of those controls.

We are required to report deficiencies in internal control that are significant within the context of the audit objectives. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct (i) impairments of effectiveness or efficiency of operations, (ii) misstatements in financial or performance information; or (iii) noncompliance with provisions of laws, regulations, contracts, or grant agreements on a timely basis. Based on our audit, we did not find any deficiencies in internal controls, but we found that internal controls could be strengthened and improved, details of which are provided in the Results of Audit section of this report.

PRIOR AUDIT REPORT

The Office of the Inspector General (OIG) conducted a performance audit of the District’s JOC program from August 2009 through September 2010 to determine whether (i) the JOC program complied with the requirements of the Public Contract Code; and (ii) the District’s JOC policies and procedures were complied with. The report titled **Performance Audit - Job Order Contracting Program** was issued in October 2011.

OIG also conducted a special review of the JOC Contractor Prequalification and Selection Processes within the JOC Program in 2015 and a subsequent follow-up review of the findings and recommendations in 2017. The reports titled **Special Review of JOC Contractor Prequalification and Selection Processes** and **Follow-up Review of JOC Contractor Prequalification and Selection Processes** were issued in October 2015 and August 2017, respectively.

The following table presents a high-level summary of recommendations that are related to the scope of our current audit.²⁰ We present the status of implementation of each of these recommendations.

**Table 4
Summary of Related Recommendations from JOC Program Reports**

Recommendation	Difficulty to Implement	Level of Benefits	Status of Implementation in 2020
Implement policies and procedures to ensure (i) that a comparison is made of estimated project costs between using job order contracting and traditional procurement methods before choosing job order contracting for each project, and (ii) that job order contracting will not be used if it would result in a higher cost for the project. Also, seek clarification of the legislation to determine whether management and overhead costs can be included in the consideration of cost savings for a project.	HIGH	HIGH	Not Implemented
Ensure that JOC is used only for public works or maintenance projects.	LOW	HIGH	Implemented
Require a secondary review of all JOC packages after the OARs review to ensure that the cost proposals and estimates are prepared	LOW	HIGH	Implemented

²⁰ OIG Performance Audit Report CA 09-865 dated October 17, 2011, OIG Special Review Report CA 15-1044 dated October 30, 2015 and OIG Follow-up Review Report CA 17-1104 dated August 30, 2017.

Recommendation	Difficulty to Implement	Level of Benefits	Status of Implementation in 2020
appropriately and reflect the final detailed scope of work.			
Require independent estimates to be prepared by a person from outside the location requesting for the work, such as by the Estimating Unit or an outside firm.	LOW	HIGH	Implemented
Perform centralized and consistent oversight and monitoring to ensure that the JOC Standard Policies are well designed and are being complied with.	MEDIUM	HIGH	Implemented
Implement policies and procedures requiring the cancelation of a JOC project and utilize another procurement method for the work if it finds the JOC proposal to be unreasonable, not cost effective, or undesirable. Such requirement should be exempted only by senior management, and the reasons for exemption should be documented.	LOW	HIGH	Implemented

EXHIBIT 1
Site Visits Conducted

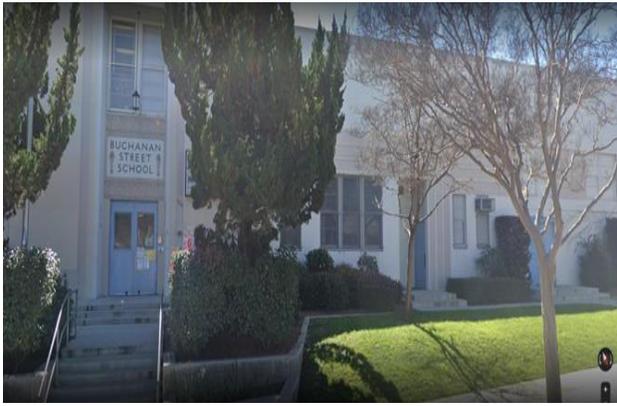
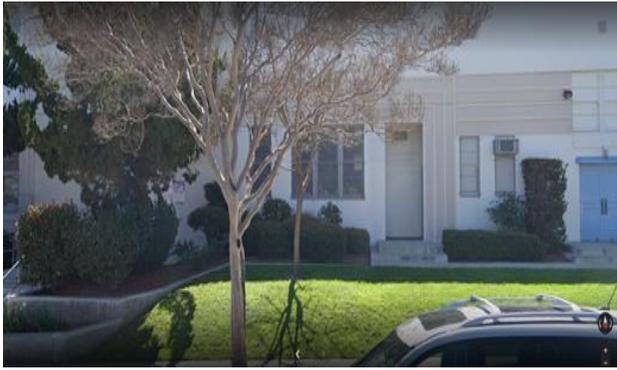
Site Visits Conducted

No.	School/Department Name	OIG's Site Visit Date
1	Belvedere Elementary School	12/4/2020
2	Buchanan Street Elementary School	12/7/2020

Belvedere Elementary School – Upgrade Walkway – ADA Barrier Removal



Buchanan Street Elementary Street – New Accessible Walkway

Before	After
	
	
	

ATTACHMENT A

Verbatim Response to Draft Report
from
Procurement Services Division
and
Facilities Services Division

Los Angeles Unified School District Procurement Services Division

AUSTIN BEUTNER
Superintendent

MEGAN K. REILLY
Deputy Superintendent



DAVID D. HART
Chief Financial Officer

JANICE SAWYER
Business Manager

JUDITH REECE
Chief Procurement Officer

March 9, 2021

Mr. Austin Onwualu, Deputy Inspector General, Audits
Los Angeles Unified School District
Office of the Inspector General (OIG)
333 S. Beaudry Avenue, 12th Floor
Los Angeles, CA 90017

RE: RESPONSE TO DRAFT AUDIT REPORT NO. OA 00-0000

PERFORMANCE AUDIT OF JOB ORDER CONTRACTING (JOC) PROGRAM

Dear Mr. Onwualu,

Procurement Services Division (PSD) is in receipt of the above-referenced draft performance audit of Job Order Contracting (JOC) Program dated February 9, 2021. Below is an outline of our responses to the audit findings and recommendations.

Recommendation A-1: We recommend that the Procurement Services Division clarify in the delegation of authority that the limits are related to the individual contract, task order, job order or amendment amounts.

Response: We will clarify in our delegations that the delegation is applicable per individual contract action.

Recommendation B-1: We recommend that the Procurement Services Division implement policies and procedures to ensure that a comparison of project costs and time is performed in a cost-effective manner between using JOC and other traditional procurement methods before choosing JOC for each project.

Response: Procurement Services Division (PSD) and Facilities Services Division (FSD) will clarify our policy and procedure to regarding utilization of JOC as a cost-effective contracting method per PCC 20919.20. PSD and FSD disagrees with the recommendation regarding project costs and what is included. We will work with contract sponsors to develop a cost comparison metric which can be periodically produced and include all appropriate and relevant project cost savings including overhead costs.

If you have any questions, please do not hesitate to contact me at judith.reece@lausd.net

Sincerely,

JUDITH REECE
Chief Procurement Officer

cc: A. Padi

J. Ballardo

R. Kapoor

PROCUREMENT SERVICES DIVISION
333 S. Beaudry St., 28th Floor, Los Angeles, CA 90017
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If you wish, we will keep your identity confidential. You can remain anonymous, if you prefer. And you are protected by law from reprisal by your employer.

Whistleblower Protection

The Board approved the Whistleblower Protection Policy on February 12, 2002. This policy protects LAUSD employees who make allegations of improper governmental activity from retaliation or reprisal. To assure the reporting of any activity that threatens the efficient administration of the LAUSD, reports that disclose improper governmental activities shall be kept confidential.

General Contact Information

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