

# **Limited Review of Orange County's Job Order Contract**

**Report by the  
Office of County Comptroller**

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**Report No. 427  
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December 10, 2012

Teresa Jacobs, County Mayor  
And  
Board of County Commissioners

We have conducted a limited review of Orange County's Job Order Contract. The review was limited to purchase orders and related expenditures awarded under the Job Order Contract by the Capital Projects Division and the Facilities Management Division. The period reviewed was October 1, 2010 through June 30, 2011.

We conducted this audit in accordance with generally accepted government auditing standards. 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 based on our audit objectives.

Responses to our Recommendations for Improvement were received from the Director of the Administrative Services Department and are incorporated herein.

We appreciate the cooperation of the personnel of the Administrative Services Department during the course of the review.

Martha O. Haynie, CPA  
County Comptroller

c: Ajit Lalchandani, County Administrator  
Eric Gassman, Chief Accountability Officer  
John Terwilliger, Director, Administrative Services  
Venetta Valdengo, Deputy Director, Administrative Services  
Sara Flynn-Kramer, Manager, Capital Projects Division  
Johnny Richardson, Manager, Purchasing and Contracts Division

# EXECUTIVE SUMMARY

## Executive Summary

We conducted a limited review of Orange County's Job Order Contract (JOC). The scope of the review was limited to purchase orders and related expenditures awarded under the Job Order Contract by the Capital Projects Division and the Facilities Management Division. The period reviewed was October 1, 2010 through June 30, 2011. The primary objectives of this review were to determine the following:

1. Whether County project managers complied with significant provisions of the job order contract, such as determining whether work was priced in accordance with contract terms, dollar limits were not exceeded, and the projects awarded were allowable under the contract scope; and,
2. Whether internal controls were adequate over the review and approval of price proposals, including whether the items proposed were needed to perform the agreed-upon scope of work and whether the price proposed and paid represented an appropriate amount for the actual work performed. In addition, we reviewed whether controls over verifying the performance of the agreed-upon scope of work were sufficient.

Based on the results of our testing, we found the County Divisions reviewed did not comply with contract provisions for issuing purchase orders under the job order contract. Specifically, we noted that work was not priced in accordance with contract terms and dollar limits were exceeded. However, based on our review, the projects awarded were allowable under the contract scope.

In our opinion, the controls over the review and approval of price proposals, including whether the items proposed were needed to perform the agreed-upon scope of work and whether the price proposed and paid represented an appropriate amount for the actual work performed, were not adequate. Controls over verifying the agreed-upon scope of work was actually performed were sufficient.

Specifically, we noted the following:

Work awarded under the County's job order contract was not priced in accordance with contract terms. Section 1.0 of the contract states, "the general guide for pricing and determining allowable work [under the job order contract] is the current RS Means Facilities Construction Cost Data price index." It was a generally accepted practice for the job order contractor (Contractor) to obtain a quote from a subcontractor for each task needed for a project and prepare a RS Means cost proposal to "back in" to the total of the quotes obtained. Consequently, for many of the projects in our sample, we noted significant differences between the items included in the price proposal and the items actually needed to complete the project. Although the County did not receive many of the specific items included on the price proposal they did in general

receive materials that satisfied the overall agreed-upon scope of work. However, it is unclear whether the County paid an appropriate amount for the actual materials provided and the work performed. Relating to the price paid, we noted the following:

- With a few exceptions, the Contractor's payments to the subcontractors for each of the 17 projects in our sample closely match the amounts proposed to and paid by the County (plus contractor's fee). In total, the County paid the Contractor approximately \$17,230 more than could be verified by the Contractor with supporting documents.
- Through the course of our review, four projects were brought to our attention where County personnel had obtained a price proposal from the Contractor but for various reasons, the work was not awarded to the Contractor. Three of the four projects reviewed were ultimately procured through open competition. For two of the competitively procured projects the County paid less for the work than what was proposed under the job order contract. For one of the projects the County paid more under the open competition process.

The JOC is intended for construction work not greater than \$100,000. During our review, we noted that several of the projects were related and when combined exceeded the \$100,000 limit established in the contract documents.

For one project in our sample, we noted the Contractor was used to perform work not within the scope of the proposed project. The scope of work changed after the purchase order was issued and no revised proposal was obtained or change order issued. According to documentation provided by the Contractor, only approximately 5 percent of the bare costs paid to the Contractor (\$4,400 of \$75,676) for this project are attributed to work included on the proposal. In addition, based on the Contractor documents, funds encumbered for work at the location specified in the purchase order were used to pay for design services at two different locations.

We noted that some of the payments made by the County to the Contractor were not reasonable based on the actual progress of work. For 11 percent (2 of 19) of the applicable projects reviewed, the County paid the Contractor before all the work included in the pay application was performed.

Management concurred with all of the Recommendations for Improvement and steps to implement the recommendations have been completed by management. Responses to each of the Recommendations for Improvement are included herein. In addition, Management provided an additional response that is included as an appendix to this report.

# ACTION PLAN

**LIMITED REVIEW OF ORANGE COUNTY'S JOB ORDER CONTRACT  
ACTION PLAN**

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
1.	We recommend the County ensures work awarded under the job order contract is priced in accordance with contract terms. In addition, we recommend the County ensures price proposals accurately reflect the items and quantities needed to satisfy the scope of work. Negotiations to increase or decrease the quantities used in the pricing should be documented.	✓			Completed	
2.	We recommend the County evaluates the proposals received under the job order contract to ensure the County is paying an appropriate amount for the services provided.	✓			Completed	
3.	We recommend the County project managers not exceed purchasing limits without adequate approval. Further, the County should review these instances to determine if additional controls or actions are necessary.	✓			Completed	
4.	We recommend the County perform the following:					
A)	Funds encumbered for a purchase order only be used to pay for the goods and services described in the purchase order; and,	✓			Completed	
B)	Revised pricing be obtained and a change order issued to reflect changes in the scope of work.	✓			Completed	
5.	We recommend the County ensure work is complete or materials are adequately stored and supported before payments are made to contractors.	✓			Completed	



# INTRODUCTION

**Background**

Orange County uses a job order contract for the performance of a broad range of construction type work for a specified period of time. A job order contract is an indefinite delivery and indefinite quantity contract for construction services delivered on an on-call basis through firm fixed price delivery orders based on pre-established unit prices. A major element of the job order contracting process is the use of a unit price book (UPB), which provides preset costs for specific construction tasks. The unit price book can cover nearly every construction, repair or maintenance task, whether it is replacing air filters, installing carpeting, replacing windows or doors, or even painting. RS Means is the unit price book specified in Orange County's job order contract. RS Means states they are North America's leading supplier of construction cost information. A product line of Reed Construction Data, RS Means provides accurate and up-to-date cost information that helps owners, developers, architects, engineers, contractors and others to carefully and precisely project and control the cost of both new building construction and renovation projects.

Vendors seeking to obtain a job order contract must competitively bid on an adjustment factor known as a coefficient. The coefficient represents a bidder's indirect costs such as overhead, profit, bonds, and insurance. To determine the cost of the work issued under a job order contract, the unit price from the UPB is multiplied by the quantity of units needed to perform the scope of work, and then adjusted by the coefficient. Consequently, under a job order contract, the entity does not have to competitively bid individual contracts for each small project.

Orange County's job order contract specifies that the work awarded should have minimal design requirements and be valued at less than \$100,000. Typical work under the job order contract includes minor construction, repair, rehabilitation, alteration, upgrade and maintenance services. The general guide for pricing and determining allowable work under Orange County's job order contract is the current RS Means Facilities Construction Cost Data price index. The contract includes a provision for pricing items that are not included in RS Means.

## INTRODUCTION



Orange County's job order contract (Y6-1016) was executed on December 8, 2006. The original term was one year. The total duration of the contract including all renewal options is a maximum of 5 years. The following chart is a summary of the purchase orders issued under the County's job order contract since inception in December 2006 through June 30, 2011:

Lot	Lot Description	Number of Purchase Orders Issued	Total Purchase Order Amounts
Lot C	County Wide	220	\$10,468,770
Lot B	Corrections & Courthouse	109	\$4,544,532
Lot A	Convention Center	192	\$11,574,281
<b>Total</b>		<b>521</b>	<b>\$26,587,583</b>

The job order contract is primarily used by the Orange County Convention Center, the Capital Projects Division and the Facilities Management Division. For the period reviewed, October 1, 2010 through June 30, 2011, the County had 113 active purchase orders totaling \$6,242,883 under the job order contract. This includes purchase orders that were issued during the review period as well as purchase orders previously issued and still open at the end of the review period. The following is a summary of active purchase orders by user Division:

	Capital Projects		Facilities Management		Convention Center	
	No.	Purchase Order Amount	No.	Purchase Order Amount	No.	Purchase Order Amount
Lot C	28	\$1,556,568	8	\$532,310	0	\$0
Lot B	11	\$513,948	7	\$250,875	0	\$0
Lot A	0	\$0	0	\$0	59	\$3,389,182
<b>Total</b>	<b>39</b>	<b>\$2,070,516</b>	<b>15</b>	<b>\$783,185</b>	<b>59</b>	<b>\$3,389,182</b>

In addition to the job order contract, the Facilities Management and Capital Projects Divisions manage numerous other projects. In Fiscal Year 2011, budget data indicated that the two Divisions managed over \$75 million in construction/maintenance projects.

### **Scope, Objectives, and Methodology**

The scope of the review was limited to purchase orders and related expenditures awarded under the job order contract (Y6-1016) by the County's Capital Projects Division and Facilities Management Division. The period reviewed was October 1, 2010 through June 30, 2011.

The primary objectives of this review were to determine the following:

- 1) Whether County project managers complied with significant provisions of the job order contract, such as determining whether work was priced in accordance with contract terms, dollar limits were not exceeded, and the projects awarded were allowable under the contract scope; and,
- 2) Whether internal controls were adequate over the review and approval of price proposals, including whether the items proposed were needed to perform the agreed-upon scope of work and whether the price proposed and paid represented an appropriate amount for the actual work performed. In addition, we reviewed whether controls over verifying the performance of the agreed-upon scope of work were sufficient.

To determine compliance with significant provisions of the job order contract, we performed the following:

- Conducted interviews with various project managers and the job order contractor to determine how work awarded on the contract was being priced. These interviews were used as the basis for documentation requested to determine whether the pricing method was in compliance with contract provisions.
- Performed testing to determine whether multiple purchase orders were issued to the job order contractor for the same project. We compared the location and scope of work for the purchase orders in our sample to other purchase orders issued. For the purchase orders that appeared related, we

determined the total amount awarded to the job order contractor and whether it exceeded the limits established in the contract.

- Verified whether work shown in the proposals was allowable under the job order contract, coefficients utilized were in compliance with contract rates and items that were not pre-priced were priced in accordance with contract terms.

To determine whether internal controls were adequate over the review and approval of price proposals, including whether the items proposed were needed to perform the agreed-upon scope of work and whether the price proposed and paid represented an appropriate amount for the actual work performed, we performed the following:

- Conducted interviews with various project managers to gain an understanding of how the job order contract is utilized and how relative projects are managed. This included determining how scopes of service were developed, and how price proposals and payment applications were reviewed. We assessed project managers' understanding of the RS Means price index as well as various provisions of the job order contract.
- Verified whether amounts paid to the job order contractor were reasonable based on the progress of work.
- Compared the items and quantities contained on the price proposals to the agreed-upon scope of services to determine whether the items used to price the work were needed to satisfy the scope of services.
- Determined the amounts the job order contractor paid to its subcontractors. Compared the amount the County paid the job order contractor to the amounts the job order contractor paid subcontractors to complete the scope of services.

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## INTRODUCTION



Limited Review of Orange  
County's Job Order Contract

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To determine whether internal controls over verifying the agreed-upon scope of work was actually performed, we interviewed project managers and reviewed applicable project files to gain an understanding of the actual scope of services provided in relation to the purchase orders in our sample. We also conducted site visits to verify work had been performed.

## Overall Evaluation

Based on the results of our testing, we found the County Divisions reviewed did not comply with contract provisions for issuing purchase orders under the job order contract. Specifically, we noted that work was not priced in accordance with contract terms and dollar limits were exceeded. However, based on our review, the projects awarded were allowable under the contract scope.

In our opinion, the controls over the review and approval of price proposals, including whether the items proposed were needed to perform the agreed-upon scope of work and whether the price proposed and paid represented an appropriate amount for the actual work performed, were not adequate. Controls over verifying the agreed-upon scope of work was actually performed were sufficient.

Opportunities for improvement are described herein.

# RECOMMENDATIONS FOR IMPROVEMENT

**1. Work Should Be Priced in Accordance With Contract Terms and Proposals Should Accurately Reflect the Items and Quantities Needed to Complete the Scope of Services**

Work awarded under the County's job order contract was not priced in accordance with contract terms. Section 1.0 of the contract states, "the general guide for pricing and determining allowable work [under the job order contract] is the current RS Means Facilities Construction Cost Data price index." As a result of interviewing various project managers and reviewing project documentation, we noted that the RS Means price index was not serving as the basis for establishing the value of the work. It was a generally accepted practice for the job order contractor (Contractor) to obtain a quote from a subcontractor for each task needed for a project and prepare a RS Means cost proposal to "back in" to the total of the quotes obtained.

Consequently, for many of the projects in our sample, we noted significant differences between the items included in the price proposal and the items actually needed to complete the project. The price proposals for six of the 20 projects reviewed contained readily apparent items and/or quantities that were not needed to complete the agreed-upon scope of work. Although the County did not receive many of the specific items included on the price proposal they did in general receive materials that satisfied the overall agreed-upon scope of work. However, it is unclear whether the County paid an appropriate amount for the actual materials provided and the work performed. The following are examples of projects where either all or a portion of the price proposal did not agree with the scope of work or actual items received:

**Parking Area (PO #C208)**

The price proposal included 1,000 tons of "Recycled Plant Mixed Bituminous concrete" for a total cost of \$41,500 or \$41.50 per ton. According to general construction calculations, approximately 150 tons of asphalt millings (gravelly substance) were needed for the depth of compacted material specified in the



drawings. Assuming the material actually received was the same as the material priced, the cost for 150 tons at \$41.50 per ton is \$6,225, a difference of \$35,275.

**HVAC Commissioning (PO #C168)**

The scope of work related to this purchase order and actually provided by the Contractor involved HVAC commissioning services at a County owned facility. Commissioning is a service and does not involve the installation of any related equipment. The price proposal included \$61,950 for materials.

**Maintenance Gates (PO #C204)**

The price proposal included 400 linear feet (LF) of 3 inch aluminum conduit and various aluminum conduit components such as elbows and bends. The total cost for the 400 LF of 3 inch aluminum conduit was \$12,480 or \$31.20 per LF. According to the project manager, a 1 inch PVC conduit was actually installed. The RS Means price index for 2010 lists the cost of 1 inch PVC conduit at \$3.07 per LF. For 400 LF the total cost equals \$1,228, a difference of \$11,252.

**Maintenance Gates (PO #C217)**

The price proposal included 275 LF of 1 inch conduit for a total cost of \$5,088. However, no conduit was needed for this scope of work. Based on our understanding, the actual scope included providing and pulling a wire through a conduit that was previously included on the change order proposal for the above project (PO #C204-1). The scope also included adding switches to operate the gates from inside the buildings.

The price proposal included 5 "Security gate, driveway, openers" for a total cost of \$8,000. It is our understanding that this line item was to cover the cost of remote controls; however, the remote controls were removed from the scope of work but not the price proposal. The remote controls were later included on

the price proposal for the change order to this project (PO #C217-1).

The subsequent cost breakdown provided to us by the Contractor agreed with the bare total amount of the price proposal for PO #C217 (\$15k); however, the majority of the tasks described in the breakdown (digging, running additional conduit, and restoration) were previously included on the price proposal for the change order to the initial project (PO #C204-1). We inquired as to why additional costs were included on the proposal for PO #C217 when funding was previously provided for these tasks on PO #C204-1, and no reasonable explanation was provided.

**Gallery Gates (PO #B087)**

For the Courthouse gallery gate project (PO #B087), none of the items (\$44,865) used to prepare the price proposal agree with the actual scope of work. The project involved custom metal fabrication and custom carpentry.

**Playground Renovation (PO #C220)**

For the playground renovation project (PO # C220), the price proposal included a line item for a latex running track surface at a total cost of \$19,640. The material specified on the written proposal and actually installed was rubber mulch (shredded tires).

No documentation was found indicating the project managers were aware that the items and quantities contained on the price proposal differed from the actual items and quantities needed to complete the scope of work. Section 5 of the JOC indicates that quantities may be adjusted to change the unit prices for the items contained in the RS Means price index. However, best practices require such negotiations to be documented and include an explanation as to why a different quantity was used than what was needed. The contract does not include a provision for substituting materials.

Most of the project managers indicated they review the proposals primarily for reasonableness of the overall price and not the individual items used to price the work. Based on interviews and review of the project files, we determined the following:

- Project managers did not possess sufficient knowledge of RS Means to determine whether price proposals accurately reflect the items and quantities needed to satisfy the scope of work.
- Project managers did not ensure items not included in RS Means were priced according to contract terms. The job order contract documents state that the general guide for pricing and determining allowable work is the current RS Means Facilities Construction Cost Data price index. While, some items required to perform the project scope were not listed in the RS Means price index, Section 13 of the Contract contains a provision for obtaining pricing for items that are not included in RS Means. In general, the process requires the Contractor to obtain three quotes and provide support for all cost elements (labor, material, equipment) included in the price proposal. If the items needed to satisfy the scopes of work were not available in the RS Means price index, the project manager should have required the Contractor to use the "Non Pre-Priced Tasks" provision of the contract. Alternatively, the project manager could have used a different procurement method to obtain the needed services.

As a result of the above it was not possible to determine all the cost elements that attributed to the overall project and to assess whether the County paid an appropriate amount for the work performed.

**We Recommend** the County ensures work awarded under the job order contract is priced in accordance with contract terms. In addition, we recommend the County ensures price proposals accurately reflect the items and quantities needed to satisfy the scope of work. Negotiations to increase or

decrease the quantities used in the pricing should be documented.

**Management's Response:**

Concur. When concerns about the use of the Job Order Contract ("JOC") were raised, a new process was put in place. The new Minor Construction Process utilizes Pre-Qualified General Contractors and Continuing Architectural Firms for minor construction projects introducing a competitive bid element to each project. Under the terms of Request for Qualifications Y12-729 for Minor Construction Projects, established in April, 2012, 16 contractors were pre-qualified to competitively bid projects valued up to \$200,000. In addition, Minor Construction Project Design Services Contract Y12-902 was awarded to three Architectural and Engineering firms selected through the Request for Proposal process. These firms assist in the development of a clear scope of work for these projects for projects that require this level of detail for bidding.

This new process ensures a clear, well defined scope of work, utilizing a design consultant if necessary, that is then competitively bid among the qualified contractors. The Purchasing and Contracts Division manages the entire bidding phase which includes the distribution of the scope of work to all sixteen prequalified contractors and the subsequent receipt of sealed price proposals from the contractors. This procedure provides for additional oversight and management of the process.

This process has been in place for over six months with great success.

**2. Proposals Should Be Evaluated to Ensure the County is Paying an Appropriate Amount for the Services Provided**

As noted in Recommendation for Improvement No. 1, it was standard practice for the Contractor to obtain subcontractor prices for tasks needed for the projects then use these

## RECOMMENDATIONS FOR IMPROVEMENT



prices to “back-in” to the RS Means estimate. As part of our testing, we requested a proposal from an established cost estimating firm, however the cost for each project (approximately \$10,000) did not appear to be cost effective for this review’s purpose. Therefore, we performed the following alternative procedures to assess whether the County paid an appropriate amount for the work performed under the JOC:

- A) We obtained cancelled checks and invoices from the Contractor for the payments made to the subcontractors on each of the 17 projects in our sample that were closed. The table below details the results of our analysis:

Description	Cost of Work from JOC Proposals	JOC's Actual Cost of Work	Difference	Percent Amount Proposed Over / Under Actual Cost
Test & Balance	\$45,772	\$37,190	\$8,582	23.08%
Command Center	\$47,520	\$44,749	\$2,771	6.19%
FS57 bay doors	\$40,186	\$37,587	\$2,599	6.91%
Bithlo - pumps	\$74,145	\$73,215	\$930	1.27%
Maintenance gates	\$81,106	\$80,284	\$822	1.02%
Apopka repipe	\$39,636	\$38,960	\$676	1.74%
FS57 demo	\$76,239	\$75,675	\$564	0.75%
Gallery Gates	\$36,973	\$36,437	\$536	1.47%
Maintenance gates	\$23,771	\$23,300	\$471	2.02%
CC EOC upgrades	\$88,832	\$88,418*	\$414	0.47%
Command Center	\$52,312	\$52,059	\$253	0.49%
FS54 Kitchen reno	\$45,895	\$45,645	\$250	0.55%
South St Parking	\$65,521	\$65,349	\$172	0.26%
HS Playground	\$27,734	\$27,700	\$34	0.12%
ISS Leibert install	\$44,489	\$44,457	\$32	0.07%
Bithlo - tank	\$87,603	\$87,602	\$1	0.00%
Command Center	\$66,789	\$68,666	(\$1,877)	(2.73%)
<b>Totals:</b>	<b>\$944,523</b>	<b>\$927,293</b>	<b>\$17,230</b>	<b>1.86%</b>

\*JOC's Actual Cost of Work includes subcontractors' invoices totaling \$13,295 that have not yet been paid.

As shown in the table, with a few exceptions, the Contractor’s payments to the subcontractors closely

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## RECOMMENDATIONS FOR IMPROVEMENT



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match the amounts proposed to and paid by the County. In addition to the Contractor's fee, the County paid the Contractor approximately \$17,230 more than could be verified by the Contractor with supporting documents.

- B) Through the course of our review, projects were brought to our attention where County personnel had obtained a price proposal from the Contractor but for various reasons, the work was not awarded to the Contractor. Three of the four projects reviewed were ultimately procured through open competition. For two of the competitively procured projects the County paid less for the work than what was proposed under the job order contract. For one of the projects the County paid more under the open competition process. The work was never completed for the remaining project. The following is a summary of the three completed projects reviewed:

Project	Cost per the Job Order Contract	Cost per Alternative Pricing Method	Difference
1	\$96,000	\$58,573	\$37,427
2	67,716	\$35,000	\$32,716
3	\$141,523	192,747	(\$51,224)
Totals	\$305,239	\$286,320	\$18,919

### Project No. 1

The County received a proposal under the JOC to repair/reseal the expansion joints on a County owned facility. The scope of work involved removing and replacing caulk/sealant and backer rods on a building with precast panels. The total cost of the work proposed under the JOC was \$96,000 which included \$80,000 for bare material, labor, and equipment as well as \$16,000 for the Contractor's coefficient (fee). The price proposal contained a line item for 3,400 linear feet of 6 inch deep precast panels at a total bare cost of \$65,178. As noted above, the scope was to replace the sealant and did not include replacing any of the precast panels.

The project was transferred to a different project manager that considered the JOC price proposal too high for the scope of work. The project manager opted to more clearly define the scope and procure the services through a traditional design and bid method. The total cost of the design and work performed was \$58,573 which is \$37,427 less than the amount proposed under the JOC (\$96,000).

**Project No. 2**

The County received a proposal under the JOC to paint the exterior window frames on a multi-story facility. The written scope of work involved removing existing paint, painting all exterior window frames, and equipment rental. The total cost of the work proposed under the JOC was \$67,716 which included \$56,430 for bare material, labor and equipment as well as \$11,286 for the Contractor's coefficient (fee).

The County placed the project on hold at the start of our review due to concerns with the JOC procurement system. Through an open competition process, the County procured a term contract for painting that included the types of services described above. The County issued a purchase order to the painting contractor for \$35,000 to repaint all the exterior window frames. This is \$32,716 less than the proposal received under the JOC (\$67,716).

**Project No. 3**

The County received a proposal under the JOC to replace a portion (phase I – 795 linear feet) of the sewer line at a County owned facility. The total cost of the work proposed under the JOC for phase I was \$90,662 (\$114.04 per linear foot) which included \$80,231 for bare material, labor and equipment and \$10,430 for the Contractor's coefficient (fee).

The County also placed this project on hold due to concerns with the JOC procurement system. Subsequent to the project being put on hold, the

Division opted to replace the entire sewer line (1,245 linear feet) and procured the services through a design and bid method. The total cost of the design, work, and overhead/profit for the entire system was \$192,747 (\$154.82 per linear foot) which, if extrapolated to the proposed price under the JOC contract is \$51,224 more than the Contractor's proposed price.

As noted above, the work for the fourth project reviewed was never completed. However a cost estimate based on design documents indicated the cost would be less than what was proposed under the job order contract. The County received a proposal under the JOC to remodel two restrooms in a County owned facility. The scope of work involved demolishing and installing floor and wall tiles, partitions, doors, counters, and plumbing. The total cost of the work proposed under the JOC was \$95,023 which included \$73,095 for bare material, labor, and equipment and \$21,928 for the Contractor's coefficient (fee).

This project was also transferred to a different project manager. To better define the scope and potential cost of work, the project manager engaged an architectural firm to prepare bid and construction documents and requested a cost estimate from a cost estimating firm. The total cost of the design, the cost estimate, and the estimated cost of the work and overhead was \$88,555 which is \$6,468 less than the amount proposed under the JOC (\$95,023). As indicated in documentation obtained from County Divisions this is a reasonable variance and since this work was never completed it is not known if bids received through open competition would have been higher or lower than the estimated amount.

One of the benefits of a having a job order contract is the ability to award work for small projects without having to competitively bid individual contracts, which can include costs for design and take additional time and resources. Although not pertinent to the projects discussed above, there are times when projects are time sensitive and not good candidates for the open bid process. The cost of the work



awarded under the job order contract is intended to be arrived at by using fixed unit costs agreed to during the competitive award process of the contract (such as those contained in the RS Means price index) applied to the quantities of materials needed to perform the agreed to scope. Since the quantities and materials reflected in the price proposals do not agree to the scope of services requested and neither the price index nor open competition was used to establish the cost of work, the County has no definitive way to assure that the appropriate amount was paid for the projects awarded under the job order contract.

**We Recommend** the County evaluates the proposals received under the job order contract to ensure the County is paying an appropriate amount for the services provided.

**Management's Response:**

Concur. As indicated in the response to the first recommendation above, the use of the JOC was terminated and the new Minor Construction Process has been put in place.

The New Minor Construction Process (Y12-729) assists by introducing a competitive process for each project. Therefore pricing for each project will reflect current market conditions versus being locked into a pricing mechanism that does not take into account the varying local environment. The Project Managers will review all bids to ensure that the work can be performed for the price proposed eliminating any potential for "lowball" bids being accepted.

The three qualified Architectural and Engineering firms can assist by providing project estimates and reviewing the constructability and accuracy of the bids. If necessary, the County also has access to a construction estimating firm on continuing contract (Y12-100) to assist staff with developing a project budget to be used when evaluating the bids.



**3. Purchasing Limits Should Not Be Exceeded Without Adequate Approval**

As a result of reviewing the purchase orders and price proposals for the projects in our sample, we noted that several of the projects were related and when combined exceeded the \$100,000 threshold established in the contract documents. Our sample consisted of 20 purchase orders; however, only 15 individual projects are represented. Multiple purchase orders were issued to the Contractor for 4 of the 15 projects as follows:

	PO No.	PO Date	Original PO Amount	Change Orders	Final PO Amount	Total amount to JOC for project
1	C211	12/30/2010	\$67,991	\$22,466	\$90,457	\$190,451
	C214	2/10/2011	\$65,540	\$34,454	\$99,994	
2	B102	8/23/2010	\$64,173	\$11,814	\$75,987	\$190,102
	B104	8/23/2010	\$51,704	\$2,469	\$54,173	
	B105	8/23/2010	\$55,177	\$4,765	\$59,942	
3	C204	8/13/2010	\$79,420	\$19,529	\$98,949	\$127,950
	C217	3/21/2011	\$18,360	\$10,641	\$29,001	
4	C178	12/22/2009	\$49,205	\$0	\$49,205	\$134,055
	C168	8/18/2009	\$84,850	\$0	\$84,850	

Specifically we noted the following:

- A) PO #C211 and PO #C214 are related to upgrading the Bithlo water system. The design for this project contained two phases. The first phase involved installing a chloramination system to temporarily improve the water quality and comply with Florida Department of Environmental Protection mandates. The second phase was a permanent solution to separate the potable water from the water used in the fire distribution system to provide a means to only treat the potable water. The second phase involved installing a water storage tank, two high service pumps to draw water from the new tank, and new water lines for the potable system. PO #C211 includes the components for the first phase of the

Engineer's design as well as the two high service pumps needed for the second phase. PO #C214 includes the water storage tank needed for the second phase.

- B) PO #B102, PO #B104 and PO #B105 are related to the command center at the County's Correctional facility. The description on PO #B102 reads, "labor and material to install construction services shown on drawings to renovate the Building A Visitation Center to create a central command." The description on PO #B104 reads, "labor and materials to demo security aspects of four existing cells.... Install new door and ceiling to create office space at Corrections cell renovation project". PO #B105 includes providing and installing a generator but no physical location is specified.

We reviewed the architectural drawings and found that the area described as the building A command center was physically adjoined to the area described as the cell renovation project. In fact, the cells were being renovated into offices for the command center. We compared the scope of work on each of the three purchase orders and associated proposals to the architectural drawings and noted the following:

- The proposal for the area described as the building A command center (PO #B102) includes tasks that are physically located in the area described as the cell renovation project. This includes some of the door installations and the cabinets for the break room.
- The proposal for the area described as the cell renovation project (PO #B104) includes tasks that are physically located in the area described as the building A command center. This includes demolition of the existing infrastructure, installation of new acoustical ceiling, relocation of fire sprinklers, and new metal framed walls.

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- The change order proposal attached to the cell renovation project (PO #B104-1) is actually for work in the area described as the command center. This included replacing the double door to the mechanical room located in the Command Center.
  - The proposal for PO #105 is to provide and install a generator that will provide back-up power for both areas.
- C) PO #C204 and PO #C217 are related to installing motorized gates and card readers at five maintenance yards. The initial scope was to modify the entry gates by adding motorized sliding gates and a card reader system (PO #C204). The description on PO #C204 reads, "modify entry gates at Roads & Drainage Division Maintenance yards – Apopka, Bithlo, Taft, Zellwood." Although not noted on the PO, West Orange was also included in the scope of work.

During the course of the project the user Division requested the ability to open the gates from the building interiors. The project manager issued a second purchase order (PO #C217). The description on PO #C217 reads, "provide and install remote gate operators @ Road & Drainage Division Public Works." The Contractor submitted a proposal on February 15, 2011, indicating the new scope of work was for the five maintenance yards. However, on February 16, 2011 the Contractor submitted a revised proposal that was ultimately submitted to the County's Purchasing Division and attached to PO #C217. The building name was changed from "O.C. Maintenance Yards Electric Gates" to "Roads and Drainage Division, Public Works". The general description of work was changed from "...to install manual gate openers at the five O.C. Maintenance Yards.." to "...to install manual gate openers at the O.C. Maintenance Yard.." Specific tasks were revised from "run additional low voltage wiring through conduit already laid for each gates sensor system" to "run low voltage wiring in

new conduit” and “provide and install switches at each location in building specified by owner” was changed to “provide and install switches in building specified by owner.”

County personnel informed us that because this project involves five separate locations, the project manager could have issued a separate purchase order for each location.

- D) PO #C168 and PO #C178 are related to the HVAC replacement project at one of the County's operation centers. PO #C168 includes commissioning services for phase II and phase III of the HVAC replacement project and PO #C178 includes test and balance services for phase II of the HVAC replacement project. The project manager does not view this as a violation of the contract thresholds as the purchase orders are for two different scopes of service. This explanation does not take into account that most projects involve multiple scopes of service to be performed by various trades (e.g., an office renovation could require a carpenter, electrician, plumber, etc).

The JOC is intended for construction work not greater than \$100,000. According to Section V. of the JOC, no single job order project shall exceed \$100,000.

As a result, controls established by the County's Purchasing and Contracts Division to ensure adequate authorization for expending public money were overridden by County project managers. Section 17-310 of the Orange County Ordinance requires approval from the Board of County Commissioners for bid awards in excess of \$100,000.

**We Recommend** the County project managers not exceed purchasing limits without adequate approval. Further, the County should review these instances to determine if additional controls or actions are necessary.

**Management's Response:**

Concur. A new comprehensive process to track projects from conception to completion has been implemented to ensure that ongoing and upcoming projects stand on their own and comply with all Purchasing requirements and limits.

Three new project tracking lists were developed to track projects, the Projected, Active, and Completed or Canceled Project Lists are now compiled and updated on a monthly basis. Tracking all projects this way now allows for an opportunity to compare project descriptions from list to list to ensure that projects are not being broken into components. These tracking forms are only accessible to management and not to the Project Managers. New Project Authorization Forms (Attachment A – Management's Exhibits) and Project Information Sheet (Attachment B – Management's Exhibits) were also developed to track projects and notify management of all projects as they develop into Active Projects and move into Purchasing to be implemented.

First, the Projected Project List was developed to track projects as soon as they are contemplated. At this stage, the projects are tracked with as much information as possible. From there, if a project is requested and funding is available, a Project Authorization Form was developed which both gathers all of the pertinent project and financial information, but also notifies upper management of each project that is being requested. This way not only is the funding source, funding approval and limit determined, but the project, before any requisition requests such as purchase orders can be issued, must be submitted by a Manager or Director. This form is copied to four levels of Management, including the appropriate Deputy or Assistant County Administrator. After this form is received and processed, the project is moved from the Projected Project List to the Active Project List and assigned to a Project Manager.

All requisition requests from the Project Managers are reviewed and signed off first by the Financial Advisor, and then reviewed and signed off by the Manager of the Division

prior to being given to the Senior Fiscal Coordinator to process for submission to Purchasing. During this review the requisition requests are compared to the Active Project List project description to make sure that the request correlates with the scope and that the accounting line and budget are reviewed for compliance.

When a project reaches the stage where the bid documents are complete and ready to submit to Purchasing for bidding, they are now accompanied by a new Construction Project Information Sheet. The existing form has been revised to require the signature of the Manager and the Director for each project. Now, prior to any project going out for bid, and on to the BCC for approval this is one last check to make sure that the project is still in compliance with the original scope and budget.

The scope and budget for each project are then monitored monthly in the Active Project List by project reporting from the Project Managers and monthly financial updates by the Financial Advisor. At the conclusion of a project, the completed project information is transferred to the Completed or Canceled Project List. This is one of three lists that is then referenced for comparison every time a new project is presented for consideration. With these new procedures and tracking processes in place, the opportunity for exceeding purchasing limits without approval has been eliminated.

#### **4. Work Should Be Completed as Specified in the Purchase Order Document or a Properly Authorized Change Order Should Be Processed**

For one project in our sample, we noted the Contractor was used to perform work not within the scope of the proposed project as follows:

- A) The scope of work changed after the purchase order was issued and no revised proposal was obtained or change order issued. All of the items included on the price proposal associated with purchase order no.

C171 are related to demolition and the removal of equipment at the new location for fire station 57. However, according to documentation provided by the Contractor, only approximately 5 percent of the bare costs paid to the Contractor (\$4,400 of \$75,676) are attributed to work included on the proposal. Bare costs include labor, material, and equipment with no overhead or profit included. The remaining funds under purchase order #C171 were used as follows:

- \$9,928 (13%) was used to pay for various interior renovations at fire station 57;
- \$45,308 (60%) was used to pay for work related to the construction of the exit/entry drives at fire station 57; and,
- \$17,000 (22%) was used to pay for design work at other fire stations (see part B) below).

A revised proposal detailing the actual scope of services and associated costs was not obtained from the Contractor. Revised pricing should be obtained and a change order should be issued to reflect changes in scope of work.

- B) Funds encumbered for work at the new location for fire station 57 (PO #C171) were used to pay for design services at fire station 51 and fire station 66. Based on supporting documentation from the Contractor, we found that funds paid to the Contractor under PO #C171 for work at fire station 57 were used to pay for design work at fire stations 51 and 66 (\$17,000).

Funds encumbered for a purchase order should only be used to pay for the goods and services described in the purchase order.

As a result, controls established by the County's Purchasing and Contracts Division to ensure projects undertaken by County staff are properly approved were overridden by



County project managers. The County uses a purchase order system to ensure its managers and employees do not make unauthorized purchases.

**We Recommend** the County perform the following:

- A. Funds encumbered for a purchase order only be used to pay for the goods and services described in the purchase order; and,
- B. Revised pricing be obtained and a change order issued to reflect changes in the scope of work.

**Management's Response:**

- A. Concur. The new tracking and approval processes described in the previous response virtually eliminates the possibility of misusing funds because each requisition request is being intricately reviewed. To add one more layer of review and accountability, one additional new process related to the Notice to Owner ("NTO") Log was put in place. Previously as the NTO's were received, they were logged into the individual job logs without being reviewed. The new process is that all NTO's are to be reviewed and signed off by the Manager for appropriateness prior to being logged in the NTO Log and filed. This affords one more opportunity to confirm that all requisition requests align with the scope of work that is described in the project description in the Active Project List.
- B. Concur. If changes to the scope are requested and approved, the existing approved Project Authorization Form is to be revised, initialed, and then redistributed to all parties to accurately reflect the changes in the scope of work. In addition, any time any changes are made to a project, even if the changes result in a zero dollar change, they are now required to be documented by change order. It is important to accurately document any changes to ensure that only the work approved in the new Project Authorization Forms is being implemented.

**5. Payments Should Not Be Made Until Work is Complete**

As a result of our review of applications for payment for the projects in our sample, we found that some of the payments made to the Contractor were not reasonable based on the actual progress of work. For 11 percent (2 of 19) of the applicable projects reviewed, the County paid the Contractor before all the work included in the pay application was performed. Specifically, we note the following:

- A) For the parking area project (PO #C208), the County paid the Contractor \$27,000 for work through January 15, 2011. However, work on the project did not begin until July, 2011.
  
- B) For the HVAC commissioning project (PO #C168), the County paid the Contractor \$33,960 for commissioning services through July 30, 2011. According to the project manager, the commissioning subcontractor provided services during the design and bid phases of the larger HVAC replacement project. However, construction related to the HVAC replacement project did not begin until September, 2011; therefore, no construction related commissioning services were performed until after September, 2011. According to the subcontractor's proposal, the total cost of the commissioning is \$40,850 of which only \$10,750 is for design and bid related services and the remaining \$30,100 is for construction and warranty related services. Also, as of July 30, 2011, the commissioning subcontractor had only invoiced the Contractor \$10,750.

JOC Contract documents specify that applications for payment should include the labor, materials, and equipment incorporated in the work and/or the materials and equipment suitably stored at the site or at some other location agreed-upon in writing.

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Paying for goods and services before they are incorporated in the work or delivered to the site puts the County at risk for financial loss.

**We Recommend** the County ensure work is complete or materials are adequately stored and supported before payments are made to contractors.

**Management's Response:**

Concur. A schedule of values will be obtained during the pre-construction meeting with the contractor. This will be particularly important if equipment must be pre-ordered such as a chiller or air-conditioning unit, or where a large part of the project cost is for materials or equipment. The project management staff will verify pay requests and confirm that the equipment has been received or ordered prior to authorizing any payment to the contractors. All work will be finalized to the satisfaction of the County before the final pay applications are authorized.

# Appendix A - Management's Supplemental Response

**Management's Supplemental Response:**

In response to the audit, the Administrative Services Department evaluated the existing process and looked for ways to improve it. Originally, the County Job Order Contract (JOC) was established to provide a mechanism for the Convention Center, Capital Projects and Facilities Management to complete minor construction projects with a limit of \$100,000 per project. A General Contractor was selected through a competitive procurement process and was awarded the JOC contract (Y6-1016). The projects were to be priced based on R.S. Means, a cost estimating tool widely used in the industry.

The intent of the JOC was not necessarily to be the most cost efficient method, but to provide a process through which minor construction projects could be completed more quickly; thus avoiding the lengthier design and bid process. R.S. Means estimating method utilizes unit pricing in related databases to assist with project cost proposals. A limited understanding of the R.S. Means database by staff and contractor alike led to errors when preparing proposals.

After concerns were raised regarding the use of the JOC, the Mayor directed County Administration and the Administrative Services Department to identify an alternative process to eliminate and replace the use of a single General Contractor JOC. It was determined that a new process would include the use of Continuing Architectural Firms for design, if necessary, and Pre-qualified General Contractors for minor construction projects up to a new increased limit of \$200,000. All projects over \$100,000 would still require the Board of County Commissioners' approval.

If design documents are required, staff now has access to three continuing architectural firms which were competitively selected through a Request for Proposal solicitation. For the construction, sixteen contractors were pre-qualified through a Request for Qualifications solicitation. These contractors are all contacted and proposals requested for all minor construction and rehabilitation projects.

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## Appendix A - Management's Supplemental Response



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This new process as summarized was fully implemented and operational in April, 2012. As a result of this new process, all of these minor projects are able to be competitively bid within a reasonable timeframe resulting in a system that is working very well for everyone.

## Appendix B – Management's Exhibits

<b>Capital Projects Division Project Authorization Form</b>	
Client Information	
<b>Name:</b>	
<b>Phone Number:</b>	
<b>Fax Number:</b>	
<b>E-mail:</b>	
<b>Department / Division:</b>	
Project Information	
<b>Project Name:</b>	
<b>Project Address:</b>	
<b>Purpose and Justification:</b>	
<b>Scope of Work:</b>	
Project Funding	
<input type="checkbox"/> ASSESSMENT ONLY	<input type="checkbox"/> PROJECT
<b>Authorization:</b> <input type="checkbox"/> Approved CIP <input type="checkbox"/> Operating Budget <input type="checkbox"/> Grant   Other: _____	
<b>For Assessment Only, Include an Estimated Project Cost (can be a range):</b>	
<b>Approved Budget:</b>	
<b>Accounting Line:</b>	
Approval	
<b>Requesting Manager/Director Signature:</b>	<b>Date:</b>
Project Receipt Confirmation	
<b>Project Manager Signature:</b>	<b>Date:</b>
<input type="checkbox"/> Copy to Deputy / Assistant County Administrator _____	
<input type="checkbox"/> Copy to Director of Administrative Services _____	
<input type="checkbox"/> Copy to Director of Requesting Division _____	
<input type="checkbox"/> Copy to Capital Projects Manager _____	



**CONSTRUCTION PROJECT INFORMATION SHEET**  
(Provide attachments if necessary)

Major Construction                                       Minor Construction Project  
Estimated Project Cost \$ \_\_\_\_\_ Requisition No. \_\_\_\_\_ Account No. \_\_\_\_\_  
Project Title: \_\_\_\_\_  
Dept: Capital Projects Contact: \_\_\_\_\_ Phone: \_\_\_\_\_ Fax: \_\_\_\_\_  
Purpose & Justification (describe intended use, benefit to County/Department, etc.)

Scope of Work:

Consultant: \_\_\_\_\_  
Address: \_\_\_\_\_  
Contact: \_\_\_\_\_ Phone: \_\_\_\_\_ Fax: \_\_\_\_\_  
Cost of Bid Documents: \_\_\_\_\_ Refundable? Yes  No  Documents/Addenda Available at:

Pre-Bid Conference: Yes  No  Mandatory? Yes  No  Date: \_\_\_\_\_ Time: \_\_\_\_\_  
Pre-Bid Location: \_\_\_\_\_

Request for Interpretation should be Addressed to: \_\_\_\_\_ To be Received: \_\_\_\_\_ Days prior to  
Bid Opening/County Project Manager: \_\_\_\_\_

Substantial Completion: \_\_\_\_\_ Final Completion: \_\_\_\_\_ Liquidated Damages: \$ \_\_\_\_\_

**CHANGES/ADDITIONS TO BASIC BOILERPLATE – Include all alternates, conditions, conflicts with the standard front-end, etc. If necessary, provide Supplementary Conditions/Provisions to add bid documents. If Mandatory Pre-Bid Conference is requested to provide justification as to why it has to be mandatory.**

Fees/Permits to be Paid by Owner: \_\_\_\_\_  
Fees/Permits to be Paid by Contractor and Cost: \_\_\_\_\_  
Is Per Cent Allowed for Mobilization being limited and to what percent of Total Base Bid Amount? \_\_\_\_\_  
Specifications Attached Yes  No                                       Plans Attached Yes  No

Project Manager's Signature \_\_\_\_\_ Date \_\_\_\_\_  
Manager's Signature \_\_\_\_\_ Date \_\_\_\_\_  
 Copy to Director of Administrative Services

SIMILAR PROJECT DESCRIPTION

For the purpose of this solicitation, a similar project is a project for a

(eg. new building or the rehabilitation of an existing facility of at least 5,000 SF) that includes the following basic \*elements:

- a. (eg. Demolition)
- b. (eg. Mechanical)
- c. (eg. Electrical)
- d. (eg. Plumbing)
- e. (eg. Interior Finishes)

REFERENCES

Bidder shall provide (with the bid) a list of four similar projects completed by the bidder within the past \*years. Failure to provide this information may be cause for rejection of the bid. To demonstrate this requirement, the bidder **shall** have performed or managed the work IN THE CAPACITY specified \*below:

- a. One similar project completed with the bidder as the prime contractor.
- b. Two similar projects with the bidder as a subcontractor in which the subcontract included all of the requirements of the similar project.
- c. One similar project in which the bidder's proposed project manager supervised the construction of the similar project.

**NOTE:** This language is not a requirement but only an opportunity to give consideration to what would be considered a minimum or at least criteria to qualify a bidder.

The contact person listed as a reference shall be someone who has personal knowledge of the bidder's performance on the project. Also, contact persons shall be informed that they are being used as a reference and that they will be contacted by the County.