

MOTION BY SUPERVISOR DON KNABE

June 14, 2016

The Board of Supervisors routinely authorizes County departments and agencies to sign Job Order Contracts (JOCs) with contractors, which are used as an alternative to traditional procurement methods in order to expedite and competitively bid various construction and refurbishment projects. In the last four months alone, the Board has authorized departments to sign 17 separate JOCs for \$4.5 million each, totaling \$76.5 million.

A recent article in the *Long Beach Press Telegram* reports that an audit of the City of Long Beach’s use of JOCs found “a significant lack of controls over all key areas of the process, creating an environment that is highly vulnerable to fraud.” The audit found that contractors would lowball their bid for a JOC in order to be awarded the contract, and then proceed to charge the City for multiple change orders, unnecessary parts and labor, and specialty items that are not listed within the price book, for which the City must pay full value plus a 10 percent premium. Over the 17- month period of the City’s use of JOCs that was reviewed in the City’s audit, 91 percent of JOC projects had change orders and cost overruns, and cost city taxpayers \$1.9 million.

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MOTION

RIDLEY-THOMAS \_\_\_\_\_

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Given the County's extensive use of JOCs and the large amount of public funds used to pay for them, it is imperative that the processes and procedures used by our County departments to administer their JOCs ensure that this type of abuse does not happen.

**I, THEREFORE, MOVE** that the Board of Supervisors instruct the CEO, in coordination with the Auditor-Controller and all departments that utilize JOCs, to report back in 45 days on:

1. The percent of JOC projects over the last year that exceeded the initial project cost estimate due to change orders or fees for specialty items not listed in the price book; and
2. The process by which departments evaluate requests by JOC contractors for change orders and fees for specialty items; and
3. The frequency with which contractors made unreasonably low bids for JOCs, and whether the County was warned about these low bids by The Gordian Group, with whom the County contracts to help administer JOCs;
4. A thorough review of the concerns raised in the audit released by the City of Long Beach's Auditor on May 25, 2016, and identification if similar concerns exist within the County's use of JOCs, with recommended corrective actions if any similarities are found.

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