

AUDIT REPORT

Date:	April 13, 2021
Department:	Engineering
Subject:	Job Order Contracting
Lead Auditor:	Kate Witek, Sr. Internal Auditor

OBJECTIVE

This audit was conducted to determine whether Job Order Contract (JOC) projects are administered in accordance with established criteria; and whether there are effective controls in place to prevent or detect fraud, waste, or abuse.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards, which 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.

SCOPE & METHODOLOGY

The scope of the audit was Job Order projects completed between July 1, 2018 to June 30, 2020. To accomplish our objectives, we:

- Evaluated the JOC Master contract procurement process to determine compliance with State law, City and department policies.
- Interviewed staff to determine if they were trained to comply with State, City and department requirements.
- Tested project cost proposals, invoices, and payments for accuracy and compliance with City and department guidance.
- Studied JOC projects in CIPMesa, the department's project planning system, to confirm evidence of Supervisor review and approvals.
- Examined inspection Construction Daily Reports and verified contract deliverables were received before final payment.

BACKGROUND & DISCUSSION

The City of Mesa's Engineering department started using the JOC project delivery method in 2012. JOC is an alternative project delivery method using an indefinite delivery, indefinite quantity contract for a specified period of time. This method allows the City to set up master contracts with selected pre-qualified contractors and assign job orders to contractors as-needed, without

having to enter into a separate procurement for each job order. Current categories for JOC master contracts issued by the City include:

General Building	Transportation	Electrical	Specialty Utilities
Small Tenant Improvements	Small Landscaping	General Landscaping	General Utilities
Water and Water Reclamation Plant Facilities	Mechanical and Plumbing	Playground Equipment	

To choose a representative sample of job orders to use for our audit testing, we stratified projects from the two most recent fiscal years by dollar amount and chose a variety of projects from each level (See tables below). In FY 2019/2020, there were 49 job orders issued totaling \$10,611,575. In FY2018/2019, there were 42 job orders issued totaling \$13,935,244. Individual projects were all under the current \$1.5M limit per job order amount set by State law and City Council resolution.

FY2019/2020

\$ Limit	# of projects	Total of all projects	Average \$ per project
>\$500,000	6	\$4,526,091	\$754,349
>\$100,000 and <\$500,000	23	\$5,198,442	\$226,019
>\$5,000 and <\$100,000	20	\$887,042	\$44,352

FY2018/2019

\$ Limit	# of projects	Total of all projects	Average \$ per project
>\$500,000	12	\$8,579,904	\$714,992
>\$100,000 and <\$500,000	17	\$4,722,593	\$277,800
>\$5,000 and <\$100,000	13	\$632,747	\$48,673

CONCLUSION

In our opinion, JOC payments are accurately invoiced and paid, and JOC master contracts and contractor agreements are procured and assigned in compliance with State law, and City and Department policies. However, we concluded controls for the cost proposal review and approval process could be improved and offer the following observation and recommendation.

SUMMARY OF OBSERVATION & RECOMMENDATION

1. Observation: Supervisor reviews of JOC cost proposals were not documented.

Recommendation:

- 1-1 Engineering should ensure all Supervisors are trained to document their review of project documents on the Project Summary form.

Issue and Action Plan #1

Issue #1: Supervisor review of JOC cost proposals was not documented.

Observation:	Supervisor reviews for 4 of 8 vendor cost proposals were not documented.
Criteria:	The JOC Policy and Procedures Manual, Section 7 (Job Order Approval); B(1) G(a) Reviewed by Supervisor states, "Prior to submitting the JOC Routing Package for approval, the Project Manager needs to get approval from their Supervisor."
Comments:	<p>Documented supervisor review is an important control to confirm a review actually occurred. The JOC Project Summary form includes a check box to document the Supervisor review.</p> <p>The Summary form also includes a Cost Summary and Cost Analysis of the vendor cost proposal. Since the vendor cost proposal is not subject to an external bid process, supervisor review of the cost analysis provides additional corroboration the cost proposal is appropriate and reasonable.</p>
Recommendation and Management's Action Plan:	<p>Recommendation #1-1: Engineering should ensure all supervisors are trained to document their review of project documents on the Project Summary form.</p> <p>Action Plan #1-1: CIPMesa will be revised to include the supervisor on the project approval workflow for their review. Supervisors will be trained on the process.</p> <p>Individual or Position Responsible: David Wilkins</p> <p>Estimated Completion Date: October 4, 2021</p>