

**PURCHASING DEPARTMENT
JOB ORDER CONTRACTING
AUDIT 24-12
SEPTEMBER 5, 2024**



City of Tampa
Jane Castor, Mayor

Internal Audit Department

315 E. Kennedy Boulevard
Tampa, Florida 33602
Office (813) 274-7159

September 5, 2024

Honorable Jane Castor
Mayor, City of Tampa
1 City Hall Plaza
Tampa, Florida

RE: Purchasing – Job Order Contracting, Audit 24-12

Dear Mayor Castor:

Attached is the Internal Audit Department's report on Purchasing – Job Order Contracting, Audit 24-12. We thank the management and staff of the Purchasing Department for their cooperation and assistance during this audit.

Sincerely,

/s/ Christine Glover

Christine Glover
Internal Audit Director

cc: John Bennett, Chief of Staff
Dennis Rogero, Chief Financial Officer
Ocea Wyn, Administrator of Neighborhood and Community Affairs
Sal Ruggiero, Deputy Administrator for Neighborhood and Community Affairs
DeAnna Faggart, Purchasing Director
Bertha Mitchell, Manager, Minority Business Development
Megan Birnholz-Couture, Assistant City Attorney

**PURCHASING DEPARTMENT
JOB ORDER CONTRACTING
AUDIT 24-12**

/s/ Echiemeze Ofili

Senior Auditor

/s/ Vivian Walker

Lead Senior Auditor

/s/ Christine Glover

Audit Director

**PURCHASING DEPARTMENT
JOB ORDER CONTRACTING
AUDIT 24-12**

BACKGROUND

The City of Tampa (City) established a Job Order Contracting (JOC) program to facilitate the repair and rehabilitation of City facilities and infrastructure. Through the JOC program, pre-qualified companies (Prime Contractors) are contracted to perform general construction work on various projects, including:

- electrical, mechanical, plumbing, painting, roofing, and interior renovations
- exterior building envelope improvements, internal and external signage, flooring, etc.

The JOC program allows the City to efficiently address maintenance and improvement needs across its facilities and infrastructure. Prime Contractors must follow a pre-determined price list and the scope of work for each project is detailed in individual job orders. Every project outlines the specific tasks to be completed, the associated price, and the completion timeline.

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Department's FY 2024 Audit Agenda. The objectives of this audit were to determine whether:

1. The system of internal controls related to the JOC program is adequate.
2. The JOC program is being properly administered.
3. The JOC program complies with the protocols for managing scope changes.
4. Performance metrics reported are accurate and relevant.

STATEMENT OF SCOPE

The audit period covered JOC activity that occurred from February 2023 to May 2024.

Tests were performed to determine whether Purchasing Department personnel were fulfilling their stated duties and responsibilities in an effective and efficient manner. The source of information reviewed was the Gordian Cloud Application (System). An analysis was performed and determined that the data generated by the System is reliable. Original records as well as copies were used as evidence and verified through observation and physical examination.

STATEMENT OF METHODOLOGY

To achieve our objectives, we performed the following:

- Evaluated core activities of the JOC program to assess the adequacy of internal controls.

- Reviewed documentation on insurance and bonding certificates for currency and adequacy.
- Reviewed project records to ascertain if Prime Contractors solicited minority subcontractors.
- Reviewed performance evaluation reports for periodic monitoring and adherence to contractual requirements.
- Reviewed project records for compliance with protocols for approval, authorization, documentation of justification, and rationale for scope changes.

The following steps were performed to determine the accuracy and relevance of the metrics reported:

1. Identified the Gordian System as the source for the JOC metrics being reported.
2. Traced reported metrics to supporting documentation.

STATEMENT OF AUDITING STANDARDS

We conducted this performance 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.

AUDIT CONCLUSIONS

Based upon the test work performed and the audit findings noted below, we conclude that:

1. The system of internal controls related to the JOC program needs to be improved.
2. The administration of the JOC program needs to be improved.
3. The JOC program complied with the protocols for managing scope changes.
4. Performance metrics are relevant but not accurate.

PERFORMANCE METRICS

STATEMENT OF CONDITION: The Performance Dashboard on Tampa.Gov erroneously reports dollars awarded as dollars spent for women/minority owned business enterprises (W/MBE) and small local business enterprises (SLBE) as metrics for the Job Order Contracting (JOC) program under the Purchasing Department.”

CRITERIA: An effective performance metric is based on accurate data for the activity being measured. Prior to posting metrics, a quality assurance process should be completed to ensure accuracy.

CAUSE: There is no quality assurance process to ensure accuracy of information before it is posted on Tampa.Gov.

While the JOC Administrator indicated that Equal Business Opportunity (EBO) is responsible for confirming the accuracy of dollars spent, EBO indicated that their current process of confirming the accuracy of subcontractor payments does not include Purchasing activity. EBO has identified inconsistencies in the project naming convention as one reason for not tracking payments to JOC subcontractors.

EFFECT OF CONDITION: The data reported as “spent” dollars is misleading and could inaccurately indicate that the JOC program has a strong positive impact on the minority and small business community. Inaccurate information prevents Management from being aware of potential performance issues. Additionally, the intent of the JOC program is to provide purchasing opportunities to minority vendors. The effectiveness of the program cannot be properly measured without accurate participation data.

RECOMMENDATION 1: Purchasing should evaluate whether the current metric is relevant for reporting JOC activity. If “dollars spent” is deemed relevant, until data that is accurate and verifiable can be presented, the current metrics shown should be removed from the Tampa.Gov dashboard. Additionally, before future metrics are posted, a quality assurance process should be established to ensure the information being reported is accurate.

MANAGEMENT RESPONSE (Purchasing):

Purchasing Management agrees with Internal Audit's recommendation to include quality assurance methodology and has been working closely with EBO to develop an appropriate process. Purchasing Management believes that the reporting of metrics based on certified Women and Minority Business Enterprise (W/MBE) and Small Local Business Enterprise (SLBE) participation within the Job Order Contracting (JOC) program is relevant to show the value the JOC program brings to the community. Purchasing has removed the metrics from the Tampa.Gov dashboard in order to review the information and reevaluate the data.

Self-reporting by the Prime Contractors had been the accepted practice prior to the audit. It should be noted that Purchasing and our JOC Consultant company mirrored EBO's accepted practice with the JOC Prime Contractors reporting their Sub-Contractor information. The metrics were unintentionally but incorrectly labeled as Amount Spent. These should have been labeled as Amount Awarded.

The JOC program has been growing and evolving since its inception in 2020. The City contracts with Prime Contractors who utilize EBO Certified and Non-Certified Subcontractors to help complete the tasks. New JOC contracts were recently awarded by Council and these contracts will benefit from payment validation through the B2G System.

Purchasing is implementing a new eProcurement system and EBO is in the process of upgrading their B2G system and enhancing their data validation and reporting capabilities. Purchasing and EBO will continue to work together to determine if the JOC Sub-contractor metrics should be generated from the B2G system or to continue using the Gordian system for collection and validation.

The city has no indication to date that any sub-contractors have not been paid accordingly within the JOC program.

TARGET IMPLEMENTATION DATE: Due to the system upgrades that are in process and the need to explore this new functionality we are targeting completion no later than July 31, 2025, for the publishing of revised metrics with validation of subcontractor payments.

MANAGEMENT RESPONSE (Equal Business Opportunity):

The Equal Business Opportunity Division (EBO) agrees with the findings. The EBO initiated conversation with the Purchasing Department mid fiscal year 2024 regarding EBO's inability to track and report the JOC Prime Contractor's payments to Subcontractors via EBO's Diversity Management Initiative System, B2Gnow. The EBO's MBD20 Form is utilized to record the Prime's commitment to utilize Subcontractors to include City Certified Firms. There has been a breakdown in communication between the Purchasing Department and EBO due to a reduction in Full Time employees in EBO. A former employee, who transferred to another department, once received emails from the Purchasing Department. After the employee transferred, EBO is not aware that an additional EBO employee was identified to receive notifications from the Purchasing Department regarding JOC transactions.

The MBD20 also identifies the City Certified Firms as a Women/Minority Business Enterprise (W/MBE) or as a Small Local Business Enterprises (SLBE), the ethnic category as well includes the “**anticipated**” commitment to the Subcontractors. The MBD20 Form is also included in JOC contract language regarding the Prime’s utilization of City Certified Subcontractors, etc. The Prime Contractor submits the MBD30 Form to record the actual payments to the Subcontractors. This form is submitted to the User Department and attached in eGordian. Manual tracking and reporting of the Prime Contractor’s actual payments to the Subcontractors can be achieved via the MBD30 Forms, when collected. The MBD30 is included in the JOC contract language with instructions regarding the submittal of the MBD30 to the City of Tampa as well as instruction regarding the Prime’s “**actual**” payments to the Subcontractors.

The Purchasing Department and the Equal Business Opportunity Division has agreed to enter into a Memorandum of Understanding (MOU) within the near future, so that the integration of metadata between ORACLE, eGordian System, OpenGov, and B2Gnow can be shared utilizing computer technology. The goal of utilizing a standardized shared naming convention for this purpose is explained in part with flowcharting. For FY2024, the Purchasing Department and EBO will start to manually track the payments to subcontractors until such time as integration occurs. EBO will be training JOC Prime Contractors to utilize B2Gnow to record payments to Subcontractors; the Subcontractors will verify their payments via B2Gnow as well. Once full integration is realized and the MOU is finalized, the details will be shared with the Internal Audit Department.

TARGET IMPLEMENTATION DATE: Integration Completion, Tuesday, December 31, 2024 (Tentative).

POLICIES AND PROCEDURES

STATEMENT OF CONDITION: There is currently no formal standard operating procedures (SOP) manual that documents the daily activities of the JOC program.

CRITERIA: City Code of Ordinance (Code) Chapter 2-46 requires that all departments establish and maintain policies and procedures.

CAUSE: The process for the formalization of the SOP started but has not been finalized and approved.

EFFECT OF CONDITION: Operating without written procedures is not compliant with the requirements of Chapter 2-46 of the Code. Further, without formalized procedures, there is a high likelihood of inconsistency in how tasks are carried out leading to inefficiencies and a potential loss of institutional knowledge.

RECOMMENDATION 2: Management should develop written policies and formalize the daily operating procedures for the JOC program.

MANAGEMENT RESPONSE: Purchasing Management agrees with Internal Audit's finding that written procedures need to be developed.

TARGET IMPLEMENTATION DATE: January 1, 2025.

SEGREGATION OF DUTIES

STATEMENT OF CONDITION: A review of the JOC program processes showed there is lack of segregation of duties in the administration of the program. We found that key tasks, responsibilities, and incompatible duties were being performed by an individual employee. For example, the employee has sole discretion in selecting contractors, obtaining documentation, completing job order reviews, scheduling final walk-throughs, verifying inspections, and overseeing final project activities.

CRITERIA: The concept of segregation of duties is to separate key tasks and responsibilities within each business process so that no individual employee handles more than one key function.

CAUSE: The shortage of staff to handle the different duties within the JOC program.

EFFECT OF CONDITION: The lack of separation of the key tasks and responsibilities in the administration of the program could lead to an increased risk of errors. There is also the potential risk of irregularities, improper oversight, and conflict of interest.

RECOMMENDATION 3: Management should implement a robust system of checks and balances by increasing segregation of incompatible duties in the administration of the program.

MANAGEMENT RESPONSE: Purchasing Management agrees that segregation of key duties is critical to ensure proper and responsible administration of the Job Order Contracting program.

TARGET IMPLEMENTATION DATE: January 1, 2025.

CONTRACTOR PERFORMANCE EVALUATION

STATEMENT OF CONDITION: We found that contractors' performance evaluations were not conducted during or at the close of every project. For example, we judgmentally selected three Prime Contractors with JOC activities during the audit period to verify whether performance evaluations are being conducted. The results showed no performance evaluations are being conducted for Prime Contractors.

CRITERIA: According to the Purchasing Department procedures, “the selection of a contractor and the award of job order contract will be based on the evaluation of past and current performance on job order contracts of a similar nature and type of work, project size, construction management challenges, schedule performance, and design management.”

CAUSE: Contractor performance evaluation has not been mandated and implemented in the JOC program.

EFFECT OF CONDITION: The absence of contractors' performance evaluation is a lack of oversight and accountability that may lead to an increased risk of recurring poor performance.

RECOMMENDATION 4: Management should ensure the procedure for evaluating contractors is implemented consistently in the JOC program. Regular performance evaluations for all contractors should be required at key project milestones and the end of each project.

MANAGEMENT RESPONSE: Purchasing Management agrees with this recommendation and has already implemented Contractor Evaluations at the completion of each Job Order. Job orders are typically completed in a short amount of time, so milestone evaluations are not needed.

Purchasing has worked with the Gordian Group to create an electronic Contractor Evaluation Form. The evaluations were implemented in alignment with the most recent JOC renewal. Evaluations must be submitted by the Project Manager upon completion of each Job Order as of April 18, 2024.

TARGET IMPLEMENTATION DATE: Completed.