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TONI PRECKWINKLE

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March 21, 2016

The Honorable Toni Preckwinkle, President
And Board of Cook County Commissioners
118 N. Clark Street, Room 537
Chicago, Illinois 60602

Dear President Preckwinkle and Board of Commissioners:

We conducted an audit of the contract for Job Order Contracting (JOC) Consultant Services between Cook County Government and The Gordian Group, INC. (Contract #11-28-043) in accordance with the Cook County Auditor Ordinance.

The scope and objectives of our audit were designed to assess The Gordian Group's overall compliance with the terms and conditions of contract #11-28-043. Our objectives were designed to determine if the County's JOC program is operating in accordance with the established Policies and Procedures and Contract guidelines for the Administration of the JOC program and that the JOC projects were properly accounted for and appropriately awarded.

Please refer to the following audit report for the results of our audit. Our audit identified one finding that was presented to management. The [Executive Summary](#) of our report provides an overview of the audit and the conclusion(s) reached.

We express our appreciation for the assistance the Department's staff extended to Mr. Damon Howell during the course of our examination.

Respectfully Submitted,

Shelly A. Banks, C.P.A.
Cook County Auditor



**COOK COUNTY GOVERNMENT
OFFICE OF THE COUNTY AUDITOR**

Job Order Contracting

Internal Audit Report

Report Date: March 2016

Issued By:

Shelly A. Banks, County Auditor

Audit Conducted By:

William Carroll, Audit Supervisor

Damon Howell, Field Auditor V

EXECUTIVE SUMMARY

We have completed an audit of the Job Order Contracting Consultant Services Contract with The Gordian Group, Inc. The contract with The Gordian Group, Inc. was approved by the Cook County Board on May 14, 2012 and was for a three year term with an expiration date of April 30, 2015. The contract contained an extension option which allowed the Chief Procurement Officer at any time before the contract expired to extend the contract for up to 2 additional one-year periods under the same terms and conditions as the original contract. This option was exercised and the contract has an expiration date of April 30, 2016.

The scope of services to be provided by The Gordian Group included the development of a JOC program, customized JOC documents, procurement support, information management system, training, post implementation JOC administrative support and post implementation JOC facilitation support.

The scope and objectives of our audit were designed to assess The Gordian Group's overall compliance with the terms and conditions of the contract. Our objectives were also designed to determine if the County's JOC program is operating in accordance with the established policies and procedures and contract guidelines for the administration of the JOC program and that the JOC projects were properly accounted for and appropriately awarded.

Based on the results of our audit procedures, The Gordian Group was in compliance with the terms and conditions of the contract. We also concluded that the County's JOC program is operating in accordance with the established policies and procedures and contract guidelines for the administration of the JOC program and that the JOC projects were properly accounted for and appropriately awarded.

During our review of the processes associated with the JOC program we identified and presented to management one finding and recommendation designed to improve the accountability over the reporting of Minority and Women-Owned Business Enterprises (MBE/WBE) participation in association with JOC projects.

Please refer to the [Findings](#) section for more detail on the finding, recommendation and management's response.

BACKGROUND

On May 14, 2012, Cook County entered into an agreement with The Gordian Group (TGG) to develop and provide implementation oversight of a Job Order Contracting (JOC) program. The JOC program was implemented and is currently administered by TGG in accordance with the terms of the contract.

The Gordian Group was established in 1990 for the purpose of implementing JOC programs for non-Federal agencies. A JOC is a quantity based procurement process that allows the owners to complete a multitude of repair/maintenance and construction projects with a single, competitively bid contract.

The Gordian Group works directly with the Cook County Department of Capital Planning and Policy (CCDPP). CCDPP provides cost-effective, day to day asset management of the Capital Improvement Program (CIP) for Cook County facilities. The CIP sets forth the plan for the design, construction and renovation of buildings and building systems. It emphasizes safety and code compliance, and improvements to security and fire and life safety systems.

The Cook County JOC program is used by CCDPP as an alternative method of procurement for smaller to medium sized projects and/or emergency construction services. The JOC is utilized for increased efficiency and expediency and for reducing procurement time.

Developing a JOC process involves first selecting a pool of contractors through a competitive procurement process. The program currently has a contractor's pool that can be utilized for projects under the categories of: General Construction, Mechanical, Electrical, Site Work/Highway and Residential projects.

When CCDPP identifies a project in which they plan to utilize the JOC program to complete, CCDPP and TGG meet to select a contractor from the pool of contractors. CCDPP, TGG and the selected contractor finalize a scope of work and the contractor prepares a price proposal based on the Construction Task Catalog (CTC) and the agreed upon adjustment factors. The price proposal is submitted to TGG for review. TGG reviews the proposal and works with the contractor to make necessary revisions to the project and price proposal as needed. Once TGG has finished their review, TGG submits the final purchase order package to CCDPP for their final review and approval.

All JOC contractor proposals include subcontracting opportunities intended to address inclusion of Minority and Women's Business Enterprises. TGG receives an administrative fee percentage based on the total cost of the project.

AUDIT SCOPE AND OBJECTIVES

The scope and objectives of our audit were designed to assess The Gordian Group's overall compliance with the terms and conditions of the contract. Our objectives were also designed to determine if the County's JOC program is operating in accordance with the established policies and procedures and contract guidelines for the administration of the JOC program and that the JOC projects were properly accounted for and appropriately awarded.

Our objectives included determining if:

- CCDPP's JOC Complete Solutions procedures were followed for all JOC projects.
- JOC project costs were appropriately based on the Construction Task Catalog (CTC) rates in effect at the time.
- JOC project costs based on the CTC were correctly adjusted based on the adjustment factor(s) agreed to in the contractor's contract.
- Payments from Cook County to the TGG were made in accordance with contract guidelines.
- Contractor compliance for MBE/WBE provisions were monitored.
- Contractor adhered to MBE/WBE participation goals.

AUDIT RESULTS

In order to reach a conclusion on our objectives we performed the following procedures regarding the Job Order Contracting agreement:

- Obtained and reviewed the current Policies, Procedures and Contract for the Administration of the Job Order Contracting program.
- Tested a sample of JOC projects to verify it was conducted in compliance with the established policies, procedures and contracted terms.
- Tested a sample of JOC projects cost to determine if they were calculated using appropriate Construction Task Catalog rates.

- Reviewed a sample of contractor price proposals to determine that the appropriate adjustment factors were used based on the terms of the contractor's contract.
- Tested a sample of fees paid to TGG to verify that the payments were made in accordance with contract guidelines.
- Reviewed JOC projects to determine level of oversight and adherence to MBE/WBE participation goals.

Based on the results of our audit procedures, we determined that the JOC program is being administered in accordance with the established policies, procedures and contract terms. The finding presented below recommends improvements in the accounting of the payments made to the JOC prime contractors for the reporting of MBE/WBE participation. Our recommendation is designed to provide an accurate percentage of MBE/WBE participation in JOC projects to ensure MBE/WBE compliance.

FINDING

Finding #1:

The MBE/WBE reporting for the JOC projects indicated noncompliance with the goals, inconsistencies with payment amounts and overdue reporting. The MBE/WBE participation is tracked in the Diversity Management System (B2G) by JOC contractor. The B2G system tracks the amount paid to the prime contractor, the amount reported by the prime as being paid to the subcontractor and the amount confirmed or disputed by the subcontractor. There were 10 JOC contractors reported. As of November 2015, all 10 contractors were not current with the reporting and all reported discrepancies with the numbers. The discrepancies included: not meeting the MBE/WBE goal, no payments reported, subcontractors confirmed payment amounts lower than amount reported as paid by contractor, and subcontractor payment amount disputed.

In addition, the prime payment amounts reported in B2G were not consistent with the payments amounts verified in the JD Edwards System. The percentage of MBE/WBE participation is tracked by the total amount reported as paid to the prime and the total amount reported as paid to the subcontractor. The calculated percentage is then tracked against the participation goal of 34%. If the prime payment amounts are over/under stated then the participation goal would be skewed. According to the Office of Contract Compliance, the payments to the prime contractors are uploaded to the B2G system from the JD Edwards system. The Procurement Department performs the upload for Contract Compliance, but their role is strictly limited to uploading the data.

Recommendation

We recommend, due to the noncompliance and inconsistency issues, that Cook County Department of Capital Planning and Policy (CCDPP) implement additional controls to verify the accuracy and follow up on any discrepancies with the JOC contractor MBE/WBE reporting.

Management Response

The Department of Capital Planning is in agreement with the findings by the Cook County Auditor as it relates to MBE/WBE compliance and agree that having an overall goal for compliance at the end of a 2 year contract allows for missed reporting, and ultimately not meeting the compliance goal at a point to late in the contract for the contractor to take appropriate measures to rectify their compliance commitments. Our department will work with the Department of Compliance to institute measures to track the reporting of these goals on a project basis to ensure that the goals are being met as set forth in their commitments to the contract.

Estimated Completion Date

November 30, 2016