

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: March 5, 2024

To: The Mayor
The City Council

From: Matthew W. Szabo, City Administrative Officer 

Subject: **INNOVATION FUND RECOMMENDATION – END-TO-END PROCUREMENT SYSTEM**

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Establish and appropriate a new appropriation account entitled Office of the City Administrative Officer – End-to-End Procurement System in the amount of \$400,000 within the Innovation Fund No. 105/10 from the available cash balance of the Innovation Fund.
2. Transfer \$400,000 from the Innovation Fund No. 105/10, Office of the City Administrative Officer – End-to-End Procurement System to Fund No. 100/10 as follows:

<u>Fund/Dept.</u>	<u>Acct No.</u>	<u>Account Name</u>	<u>Amount</u>
100/10	003040	Contractual Services	\$ 400,000

3. Instruct the Office of the City Administrative Officer to:
 - a. Separately track all encumbrances and expenditures of Innovation Fund monies so that unspent funds can be returned to the Innovation Fund at the end of the fiscal year;
 - b. Report to the Innovation and Performance Commission with an accounting of the funds, the lessons learned, and any obstacles faced;
 - c. Report to the Innovation and Performance Commission if, after the receipt of funds, the scope of the funded item differs from the scope approved for funding by the Mayor and the City Council; and,
 - d. As appropriate, include acknowledgment of the Innovation and Performance Commission on public materials, such as press releases or websites that reference the End-to-End Procurement System project.
4. Authorize the City Administrative Officer to make technical corrections as necessary to those transactions included in this report to implement Mayor and Council intentions.

SUMMARY

The City Administrative Officer herewith transmits the recommendation of the Innovation and Performance Commission (IPC) to approve funding in the amount of \$400,000 from the Innovation Fund (IF) for the Office of the City Administrative Officer (CAO)– End-to-End Procurement System pilot project. As with all IPC recommendations, this report presents the idea that the CAO submitted and the IPC approved, along with the necessary recommendations to implement the idea as presented. If the scope of the Innovation Fund item changes after the CAO receives funding, the CAO must return to the IPC to present the revised scope to the IPC to determine whether alternative recommendations are required.

The CAO, in partnership with the Board of Public Works (BPW) and the Information Technology Agency (ITA), is proposing to develop an end-to-end procurement system that would create a centralized procurement system. Feedback from City staff and businesses regarding the current procurement process showed that it is cumbersome, disjointed, and confusing, and leads to delays in services and/or payments for services. These issues result in many businesses choosing to not participate in the City's competitive bidding process. The CAO intends to address these issues by developing a system that will incorporate all the functionalities necessary to procure services, including drafting and advertising solicitations, receiving and evaluating bids, managing contracts, receiving and approving invoices, and more. This centralized system would be an integral part to streamlining and standardizing the procurement process for City staff and businesses working with the City. The system would also improve transparency and accountability as the system would be able to monitor the progress of solicitations as they are routed within and between City departments and gather data about bidders. This system would also include a module that would allow City vendors to submit invoices in a centralized system and track the progress of payments. This system will also enable the City to assess the efficacy of various efforts to improve procurement, including prompt payments and increasing local, small and diverse business participation

The End-to-End Procurement System pilot project will provide the following:

- a. *Efficiency*: Centralized invoicing consolidates invoice management into a single location, making it easier to process, track, and manage invoices. This streamlines the invoicing workflow, reducing the chances of errors and speeding up the payment process.
- b. *Improved Visibility*: Centralized invoicing provides a centralized view of all invoices, allowing City departments to have better visibility into their financial obligations and expenditures. This real-time visibility enables more informed decision-making.
- c. *Enhanced Control*: Centralization allows for greater control over invoicing processes. It can help implement standardized invoicing procedures, enforce compliance, and establish clear approval workflows. This control can lead to better financial management and reduced risk of fraud.
- d. *Data Analytics*: This system will have built-in analytics and reporting tools. This enables City departments to analyze invoicing data more comprehensively, identify trends, and make data-driven decisions to optimize their financial processes.
- e. *Remote Work and Collaboration*: In a digital age and with the rise of remote work, centralized invoicing systems enable employees to collaborate on invoicing tasks from anywhere, promoting flexibility and efficiency.

- f. *Customer and Vendor Relationships*: Efficient invoicing processes can improve relationships with customers and vendors by ensuring timely and accurate billing and payments. This can lead to increased trust and better business partnerships.

The CAO plans to complete the system on a module-by-module basis. To date, the CAO has worked in-house with ITA on the system development, however other citywide priorities for ITA can result in the de-prioritization of the system's development. With that in mind, the CAO would like to use ITA's bench list of contract programmers to develop some of the modules in order to accelerate the System's development. The specific modules for which additional funding would be used towards, in whole or in part, includes:

- *Invoice submission*: This module would connect both the City's Regional Alliance Marketplace for Procurement (RAMP) and Financial Management System (FMS) for construction and personal services contracts payments. This pilot invoice management system will initially use the Board of Public Works and its Bureaus as its test case, with the intention to build out the system for citywide use. The Board of Public Works is an ideal pilot candidate as they have a centralized accounting team that serves five other bureaus, providing an invoicing network of sufficient complexity and payments that involve both construction and personnel services contracts.
- *Bid creation module*: This module will help City staff with drafting procurement solicitations. The module will include templates and a bid wizard to guide city staff on the development of the relevant bidding documents and relevant contract compliance documentation. In addition, the module will also have the capability to track user activity, route draft solicitations between department staff for review, and directly post the solicitation to RAMP upon completion.
- *E-bidding and evaluation module*: This module would allow vendors to complete and submit bid proposals in concurrence with the bid creation requirements. The module will also help guide proposers and vendors with contract compliance documentation to ensure that all required fields are completed so that the City's proposal review process can be focused on the merits of the proposal rather than a proposer's ability to complete the City's compliance documentation. This module would also allow subcontractors to submit bids to prime contractors directly. In addition, this module would allow City staff to notify evaluators who have been assigned to review bids, enable auto score calculation once all the points from the evaluators have been assigned, analyze the highest and lowest bidders, and create relevant summary reports
- *Contract Creation module*: This module would assist City staff in drafting contracts once a bidder or proposer has been selected. It will include templates and a library of clauses that can be used for City contracts. In addition, the module will also allow staff to route the document within the department and also to the City Attorney for review upon completion.

The CAO plans to launch an educational campaign directed towards the City's business community through its monthly RAMP training sessions and social media channels to inform and train businesses on the Los Angeles Procurement Opportunity Portal/Regional Alliance Marketplace for Procurement (LAPOP/RAMP) platform enhancements. The proposed timeline from funding to implementation is one year. The CAO anticipates that there will be no additional cost once funding is received as current ITA staff resources are able to develop future

enhancements and maintain what the contractor develops. The CAO's Office of Procurement will manage the training and support for City departments using the new platform.

The success of this pilot will be measured by to increases in the number and diversity of vendors who could work with the City, increases in competition in order to get the best value from bidders/proposers, the reduction of the amount of time necessary for City staff to draft procurement solicitation documents (RFP and RFQ), and saving staff time and resources by prompting the completion of necessary pre-award contracting requirements, freeing up staff time to address any questions and issues in real-time.

The IPC recommends \$400,000 for the End-to-End Procurement System pilot project. All funds will be used towards a contractor to develop an invoice intake and tracking platform within the LAPOP/RAMP.

FISCAL IMPACT STATEMENT

Approval of these recommendations will allocate \$400,000 of the remaining \$2,608,016 Innovation Fund 2023-24 available balance. The \$400,000 will be transferred to the CAO to begin implementation of the pilot project that the Innovation and Performance Commission approved. In some cases, departments will incur ongoing costs.

FINANCIAL POLICIES STATEMENT

The recommendations of this report are in compliance with the City's Financial Policies as Innovation Fund monies are being utilized for an eligible project which will improve the quality, efficiency and effectiveness of City service through innovation, productivity, and performance measurement.