



# Action Plan

## Recommendations for Open Contracting reforms in the City of Los Angeles

May 2019

Helping business owners from a diverse range of social and economic backgrounds to thrive is the key to helping an inclusive and dynamic economy flourish in Los Angeles.

The City of Los Angeles has seized an opportunity to reform public procurement in support of better business inclusion. In September 2018, the City's Chief Procurement Officer (CPO) Team within the Mayor's Office of Budget and Innovation began a user-centered design research process with the Sunlight Foundation<sup>1</sup> and the Open Contracting Partnership (OCP)<sup>2</sup> to unearth opportunities for Open Contracting reforms. Open Contracting is a method to reform procurement by publishing, analyzing, and acting on government contracting information in an accessible and timely manner.

### Our Key Insight

**The Challenge** Decentralized data governance practices across departments create barriers to measuring business inclusion progress, reduce transparency, and amplify inefficiencies for vendors.

**The Solution** Standardize methods for collecting the right data on underrepresented businesses. Then centralize that data across departments so it can be shared for analysis by city staff, vendors, and advocates in order to maximum transparency and accountability.

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<sup>1</sup> The Sunlight Foundation is a national, nonpartisan nonprofit organization dedicated to the use of civic technologies, open data, policy analysis, and journalism to make government and politics more accountable and transparent to all.

<sup>2</sup>The Open Contracting Partnership opens up public contracting through disclosure, data and engagement so that the huge sums of money involved are spent honestly, fairly, and effectively.

When City procurement is transparent and accountable, providing bid opportunities to all eligible businesses in the region, public procurement can empower the local economy. To engage the local community, our team used design research techniques in the development of our recommendations. We gathered input from local community members on what procurement practices they want the City to reform and where the City could be more transparent or accountable.

### The City's Roadmap

These are actions that the City recognizes will improve procurement performance in the long run, starting with efforts undertaken as part of this collaborative project.

- **Engage the community** to shape business inclusion practices and effectively create a procurement environment that is friendly to all companies and stakeholders.
- **Improve data governance** the CPO Office will provide Procurement Data accountability and leadership to impact on internal efficiency, saving the City both time and money and promoting better understanding of who does business across all departments.
- **Share open data** to produce insight into the lifetime performance of a contract, ensuring partnerships with vendors are efficient and effective
- **Streamline user experience** around procurement to reduce barriers for new market entrants.
- **Make a measurable impact** on investing in underrepresented businesses through City contracting.

To support the release of globally standardized open contracting data, the City is also pursuing the implementation of the international gold standard for making contracting data freely available, the Open Contracting Data Standard (OCDS).

## Procurement Reform Areas

Our research surfaced three major areas for procurement reform that would greatly support the economic inclusion of underrepresented businesses:

1. **Centralize procurement data systems.**
2. **Collect data to better track business inclusion.**
3. **Reform policy and culture to prioritize inclusion.**

This report presents key solutions within these three areas drawn from a longer list of solutions found in the Actionable Opportunities Report—an in-depth internal document Sunlight compiled with support from OCP that provides more specific procurement policy and open data solutions to the City. This Action Plan is a public-facing summary of that report.

# 1. Centralize procurement data systems.

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The City’s procurement data is spread out across departments with very few linkages that would allow internal decision-makers to analyze performance or trends.

Although these datasets are often high quality, data analysis requires painstaking manual labor to clean, process, and join disparate datasets. This issue presents transparency and accessibility challenges for the City to report on basic procurement outcomes, especially for business inclusion.

## Community Example

Certified vendors and new market entrants expressed that they were aware of opportunities to win on-call contracts for different City departments, but they were unsure whether being on a “bench” ever resulted in actual contracts for vendors like them. The City has no central, public data that could help these community members better understand how on-call contracts are awarded or to whom. Although a contracts database exists, it’s not searchable by vendor certification *and* contract type.

## Featured Solutions

Short-term 3-6 months	Medium-term 6-12 months	Long-term 12+ months
1.1 Forecasting Reports <sup>3</sup>	1.3 Bench Vendor Utilization	2.5 Citywide E-procurement System
2.2 Contracting Database Template	4.2 Subcontracting Data Audit & Analysis	

### Contracting Database Pilot

To address this issue area, we recommended a short-term pilot which the City has undertaken to prototype centralized contracts data which would allow the CPO team to effectively analyze and publish basic data about City procurement performance, including on business inclusion.

**Short-term Pilot** The CPO team will experiment with internal performance dashboards to help individual departments track their procurement and inclusion performance.

**Long-term Solution** A centralized data system built on this prototype could minimize the reporting burden for internal City departments, allow for valuable contracting data to be shared across silos, and facilitate the publication of public performance data on City procurement.

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<sup>3</sup> Numbering and solution titles refer to detailed solution descriptions in the internal Actionable Opportunities Report

## 2. Collect data to better track business inclusion.

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Vendors are not tracked uniformly across the City, so vendor certification status and vendor roles, like prime vendor or subcontractor, are not tracked across procurement data systems.

Without uniform identifiers, the City is unable to track any vendors throughout the procurement process. Specific to inclusion, the City won't be able to provide a comprehensive picture of how certified vendors engage with the City.

### Governance Pain Points

Some of the City's data systems track vendors using an ID number automatically generated through the City's advertising platform, the Business Assistance Virtual Network (BAVN), others use Business Tax Registration Certificate (BTRC) numbers. Others still use an unvalidated mix of any ID numbers that departments choose to submit.

IT decision-makers should prioritize using data standards like OCDS to ensure that data is interoperable across departments. Data systems like BAVN should uniformly track both vendors and contracts using unique identifiers. For example, adding validated fields for BTRCs or Tax Identification Numbers (TINs) consistently across procurement data systems could allow the City's Bureau of Contract Administration and other stakeholders to track whether certified vendors are winning contracts *and* whether those contracts are resulting in payments that match (or don't match) the contracted amount.

### Community Example

Data on vendor roles emerged as a key data point through our conversations with local vendors. Small business owners noted that most opportunities to work with the City are too large for their business and that they often pursue subcontracts in addition to appropriately sized prime contracts. However, the City doesn't collect any digital data on subcontractor relationships, including in the payment phase, where payments are logged only by amount paid to a prime vendor. Re-structuring data systems to collect digitized data on subcontracting will provide City decision-makers with a previously hidden view of how the City's certified vendors are winning business from City contracts as subcontractors

### Featured Solutions

Short-term 3-6 months	Medium-term 6-12 months	Long-term 12+ months
4.1 Inclusion Performance Data	2.4 Prime Payments to Subcontractors	2.5 Citywide E-procurement System
	4.2 Subcontracting Data Audit & Analysis	4.4 Publish Schedule B Data

### 3. Reform policy and culture to prioritize inclusion.

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The City doesn't currently have a formalized, City-wide policy commitment to focus on including underrepresented businesses.

Without authoritative policy measures from leadership offices at the City to enable this cultural shift, departments may not undertake needed reforms. An updated inclusion policy or new Citywide inclusion goals or commitments would shift the City's culture toward pursuing equitable, inclusive procurement processes as an explicit goal.

#### Governance Pain Points

Updating and reforming existing practices<sup>4</sup> like the Business Inclusion Program (BIP), which have created additional tasks for already strained underrepresented businesses as prime contractors and have failed to generate meaningful returns for them as sub contractors, could lower barriers to entry for underrepresented vendors and create Citywide support for inclusion reform. Due to lack of effective Citywide policy, departments struggle to get internal buy-in or funds to focus on inclusion efforts.

#### Community Feedback

Community advocates and long-time Los Angeles business owners in particular, noted in our research that they were uncertain whether the City had any political commitment to business inclusion. Although past administrations have set forth specific goals around business inclusion or procurement reform, many respondents were unsure whether the City had made any progress toward those goals.

#### Featured Solutions

Short-term 3-6 months	Medium-term 6-12 months	Long-term 12+ months
<ul style="list-style-type: none"><li>1.2 BAVN for Networking</li><li>2.1 BuyLA Pre-solicitation and Solicitation Guidance</li><li>2.3 Improved RFP writing</li><li>3.1 Community Event Calendar</li><li>4.1 Inclusion Performance Data</li></ul>	<ul style="list-style-type: none"><li>3.2 Local and Regional Events<sup>5</sup></li></ul>	<ul style="list-style-type: none"><li>3.3 Redesign Business Source Centers</li><li>4.3 Update Business Inclusion Program</li></ul>

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<sup>4</sup> Refreshed Executive Directive 14: [https://www.lacity.org/sites/g/files/wph1101/f/villaraigosa\\_ed14.pdf](https://www.lacity.org/sites/g/files/wph1101/f/villaraigosa_ed14.pdf); and Executive Directive 27: [https://www.lacity.org/sites/g/files/wph1101/f/villaraigosa\\_ed27.pdf](https://www.lacity.org/sites/g/files/wph1101/f/villaraigosa_ed27.pdf)

<sup>5</sup> Garcetti series: ED14: [https://www.lacity.org/sites/g/files/wph1101/f/villaraigosa\\_ed14.pdf](https://www.lacity.org/sites/g/files/wph1101/f/villaraigosa_ed14.pdf); and ED27: [https://www.lacity.org/sites/g/files/wph1101/f/villaraigosa\\_ed27.pdf](https://www.lacity.org/sites/g/files/wph1101/f/villaraigosa_ed27.pdf)

# Contracting Data Needs

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The key to more transparent and accountable procurement processes through open contracting is having quality, relevant data to publish openly for public use.

The City still needs to prioritize collecting a few missing data points that could help improve issues around business inclusion. Internally, this data would make procurement processes more efficient and accountable. The data would also provide a clearer picture of City procurement for those outside the government, especially to empower and enable local advocates and certified businesses.

## Contracting Data Needs List

### **Dataset Needs - Availability and Use**

- Historic contracts data
- Payments data, including subcontracting data on:
  - New and/or certified vendor bidders
  - New and/or certified vendor winners as primes or subs
  - Contract award dates to track cycle times
- Vendor performance data

### **Data Process Needs - Systems and Measurement**

- New data collection through BAVN for better interoperability with internal data systems.
- Performance indicators to allow for regular updating data to track progress over time.

## Using OCDS

The City could use OCDS best practices to align data systems internally and with global standards. We recommend OCP's [Guide to OCDS for E-Procurement Systems](#). This guide can be used to develop functional requirements for Open Contracting as well as for how to implement the OCDS when purchasing a new e-procurement system, building an Open Contracting Data Portal, or upgrading the functionality of an existing e-procurement system.

OCP also provides free technical support for the implementation of OCDS. Email OCDS questions directly to [data@open-contracting.org](mailto:data@open-contracting.org) for a response within 2 business days.