

**CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE**

DATE: June 12, 2006

TO: Honorable Antonio Villaraigosa, Mayor
Honorable Rockard J. Delgadillo, City Attorney
Honorable Members of the Los Angeles City Council

FROM:  Laura N. Chuk, City Controller

SUBJECT: IMPROVING THE CITY'S CONTRACTING PROCESS

Over the last few years, my Auditing Division has conducted reviews of the contracting process at various City departments. I have found that the City's current professional/personal services contracting process has four systemic problems: 1) the absence of authoritative contracting guidelines, 2) an inefficient contracting process, 3) poor oversight, and 4) inadequate transparency.

This memo provides a discussion of these issues, along with suggestions for improving the citywide contracting process.

Contracting Guidelines

The City has comprehensive guidelines for purchasing contracts (established by the General Services Department) and construction contracts (established by the Department of Public Works). However, for professional/personal services contracts, adequate guidelines do not exist.

General Services Department prepared the current professional/personal services contract manual in 2001 and presented them as guidelines. However, the manual lacks detailed instructions for ensuring fair and open competition when using master agreements, documenting contracting recommendations, expediting contract awards, and administering and monitoring contracts. The manual also does not instruct departments on using less formal "letter" agreements. Most importantly, departments are not even required to follow those guidelines that are presented in this manual. As a result, my auditors have often found inconsistencies in the way departments award professional/personal contracts and the level of documentation supporting awarding decisions.

Contracting Process

The process for awarding City contracts is an overly cumbersome process that involves as many as 15 steps and 10 different departments, agencies and offices (Attachment #1). In one department, my auditors found that it took an average of eight months to execute a contract. In some cases, my audits have found where departments have

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circumvented, unintentionally or intentionally, contracting guidelines to hire contractors using master agreements. In addition, the inefficient contracting process could encourage the practice of sole sourcing without adequate justification, thus avoiding fair and open competition for selecting contractors. It can also result in the City not receiving the best price and for the highest quality available for services it procures.

Contracting Oversight

The City needs a Centralized Oversight Unit to provide departments with expert contracting advice as needed. A likely candidate could be the Office of the City Administrative Officer (CAO), which already conducts the most comprehensive review (under Mayor's Executive Directive No. 3) of any of the departments, agencies and offices currently involved in the contracting process. The Oversight Unit could provide guidance, expertise, and centralized authority for all aspects of professional/personal service contracting.

Without such oversight, the City cannot have assurance that established guidelines are consistently followed, further contributing to inconsistent contracting practices. There are many cases in which we have noted inconsistencies and confusion on the part of departments, as well as on the part of the departments they rely on to obtain advice. A Centralized Oversight Unit could provide the type of expertise necessary to ensure consistency in City contracting practices, as well as ensuring compliance with contracting guidelines.

Contracting Transparency

The transparency of the City's contracting activities can be improved by requiring reports to City leadership (Mayor and Council) on departmental contracting activities. Although we have reviewed contract solicitations where no indication of intentional wrongdoing exists, there sometimes was an appearance of impropriety due to the selection process not being transparent. The periodic reporting of department's contracting activities, including detailed information on the selection process (see Attachment # 2 for example), should be made to the Centralized Oversight Unit. This Unit should provide a summary to City leadership to increase transparency and promote accountability.

Conclusion and Suggestions for Improvement

Rather than adding additional rules and duplicative checks, leading to increased costs and a lack of departmental accountability, we should consider streamlining our contracting process. This can be achieved in part through decentralizing the contracting process and placing greater responsibility on departments to "own" each step in their

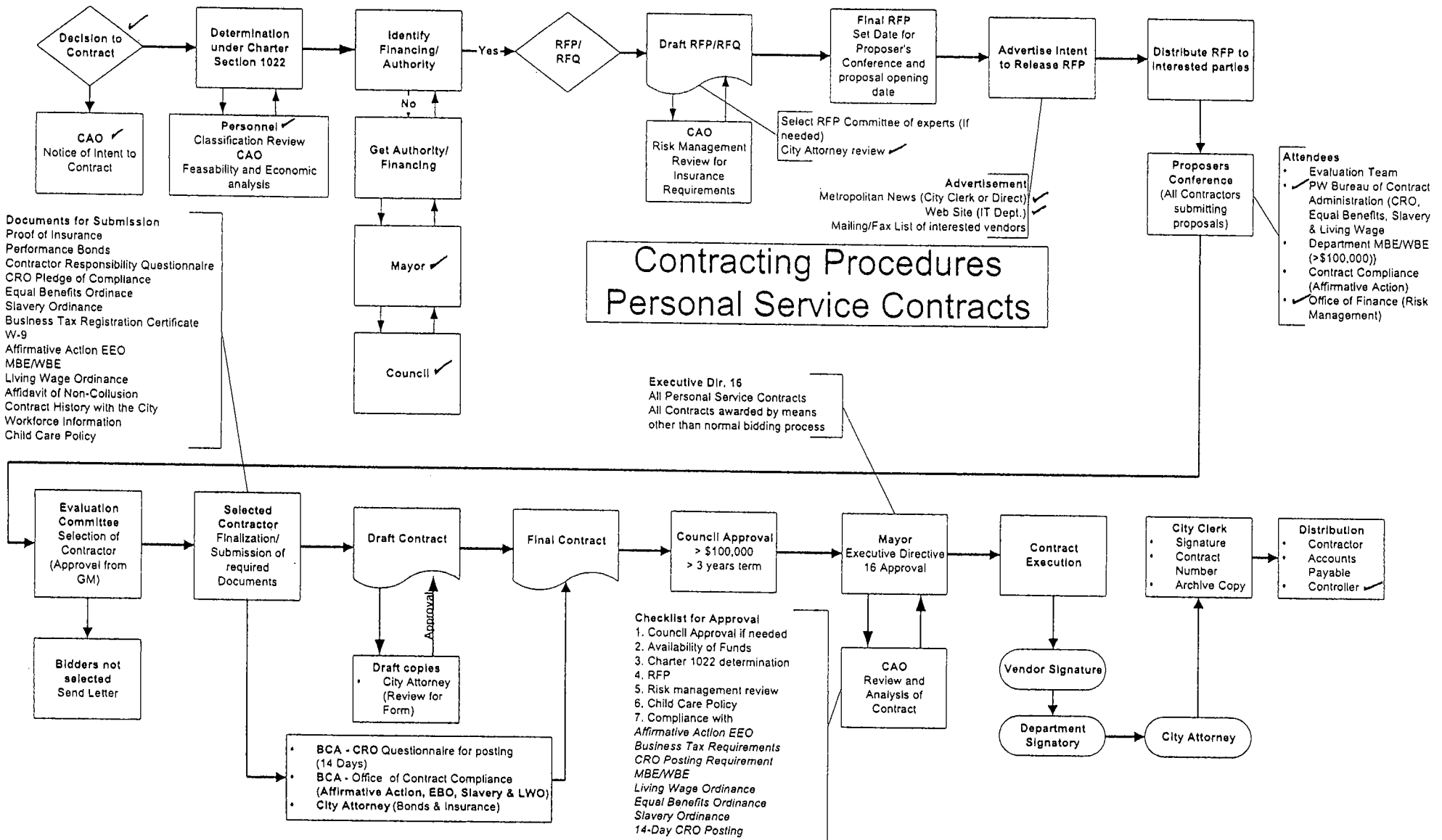
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contracting process. This will create greater accountability and provide departments with more incentive to understand and comply with City contracting requirements.

I recognize that addressing these issues in a comprehensive manner is not a simple task, and will require the consideration of many offices, agencies and departments. However, I believe that it is time to reexamine the City's contracting process, in a collaborative manner, with the goal to improve its overall effectiveness. Establishing a committee of City and other private and public sector contracting experts to develop a streamlined contracting process may be a desirable approach to address these concerns.

cc: William T Fujioka, City Administrative Officer
John L. Reamer, Jr., Director
Public Works Bureau of Contract Administration

Attachments



✓ = involvement by another City agency, office, or department. Most of these indicated are involved multiple times throughout the process.

DATE: xxxxxx

TO: xxxxxx

FROM: xxxxxxxx

SUBJECT: EVALUATION OF RESPONSES TO XXX *[name of audit or project]*
RFP

A request for proposal to perform xxx *[name of audit]* was issued on xxxx. In response to the request, we received proposals from xxxx, xxxx and xxx *[names of firms that submitted bids]*.

We determined that xxx *[name of the firm]* did not comply with the City's good faith effort outreach policy relating to MBE/WBE/OBE. We gave xxx *[name of the firm]* until xxxx to appeal the decision and submit additional information for consideration. However, xxxx *[name of the firm]* did not submit any additional information. Thus, xxxx *[name of the firm]* was deemed non-responsive and disqualified from further evaluation. *[include this paragraph only if any firm is disqualified for non-compliance with City's good faith efforts or any other policy]*

As a result of evaluating the xxx *[number of the proposals]* remaining proposals, xxxx *[the firm being recommended]* achieved the highest average technical points of xx as well as the highest total points of xxx. Xxx *[the firm being recommended, if applicable]* also received the highest technical points on each member's evaluation. As a result, the evaluation committee recommends xxxx *[the firm being recommended]* as the contractor. The total amount of the contract will be \$xxx for xxx period.

Methodology

In accordance with the RFP, we evaluated and assigned points as follows:

- Qualifications - xx points
- Evidence of ability to perform timely – xx points
- General direction and supervision by management -xx points
- Optional audit work – xx points
- Corporate capability – xx points
- Costs – xx points

Each member of the three-member panel evaluated each technical component separately. Scores for the three panel members were averaged to determine the bidders' technical score.

The cost points assigned to each firm was based on the ratio of the firm's proposed costs to the lowest bidder's costs. The lowest bidder *[name of the firm with lowest cost]* received the maximum cost points of xx.