

## TRANSMITTAL

TO  
The City Council

DATE  
10-28-16

COUNCIL FILE NO.  
13-1255

FROM  
Information Technology Oversight Committee

COUNCIL DISTRICT

At the October 27, 2016 meeting of the Information Technology Oversight Committee, the Committee considered a request from the Information Technology Agency (ITA) to amend the contract with CGI Technologies and Solutions Inc. (CGI) to modify the Vendor-Self Service module in the Financial Management System. ITA will request the work through a Change Notice to Contract C-124658.

It is therefore recommended that the Council authorize the General Manager of the Information Technology Agency to execute Amendment No. 1 to Contract C-124658 with CGI Technologies and Solutions Inc. to increase the contract spending authority by \$934,840 for a new contract limit of \$20,735,022, without a change to the contract term, to provide full automation of the commodities procurement process by configuring and expanding the Vendor-Self Service module in the Financial Management System, subject to the approval of the City Attorney.


  
Miguel A. Santana, City Administrative Officer  
Chair, Information Technology Oversight Committee

Attachment  
MAS:CEA:11170021

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

Date: October 21, 2016 REF: FAS-212-16 (revised)

To: Information Technology Oversight Committee

From: Ted Ross, CIO & General Manager  
Information Technology Agency 

Subject: **AMENDMENT NO. 1 TO CONTRACT C-124658 WITH CGI FOR FMS 2.0**

**RECOMMENDATIONS**

That the Information Technology Oversight Committee (ITOC) approve and forward the following recommendations to Council for approval:

1. Authorize the General Services Department (GSD), the Information Technology Agency (ITA), and the Controller, in conjunction with CGI Technologies and Solutions, Incorporated, to proceed with the configuration and expansion of the acquired Vendor Self-Service (VSS) module in FMS 2.0 to provide full automation of the commodities procurement process. This work will be done via a Change Notice to City Contract C-124658; and,]
2. Authorize the General Manager of the ITA, or his designee, to execute Amendment No.1 to City Contract C-124658 with CGI Technologies and Solutions, Incorporated, to increase the contract spending authority by \$934,840 from \$19,800,182 to \$20,735,022 to accommodate this Change Notice.

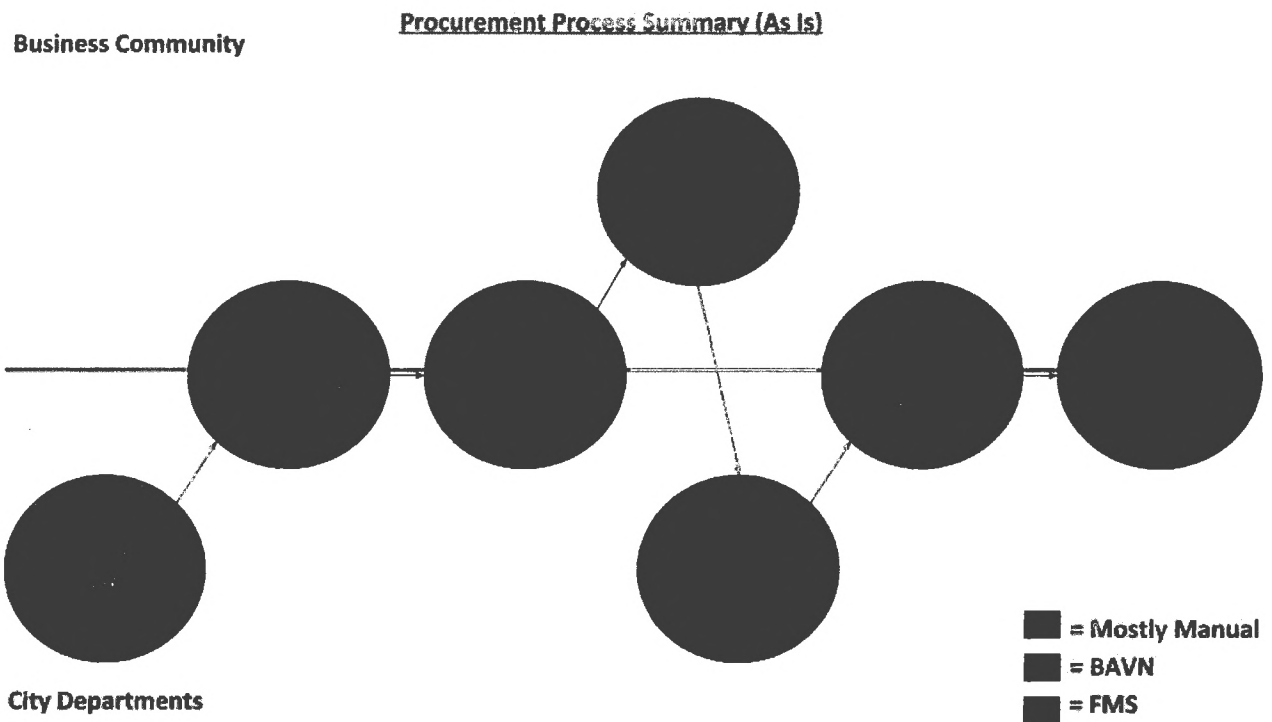
**SUMMARY**

Like most government entities, the City of Los Angeles procurement process has grown over decades due to increased purchasing, regulatory compliance, and City ordinances. This has resulted in a process that is almost unanimously perceived as lengthy, complex, and difficult for vendors, especially small businesses, to navigate. Pursuant to City Council direction, the ITA has been working closely with the Office of the Mayor, Office of the Controller, Office of the City Attorney, GSD, Public Works Bureau of Contract Administration, and City Administrative Officer to research and identify technologies/business process improvements that would substantially improve this situation. As a part of this research, the ITA, GSD, and Controller's Office identified a near term improvement that should be incorporated into the existing FMS 2.0 Procurement project (CF 13-1255). As a result of this opportunity, our department's request the Information Technology Oversight Committee approve the expansion of the FMS 2.0 VSS module to accommodate full automation of commodity procurement, and the concomitant contract authority increase, detailed within this report.

### Existing Procurement Process & Technologies

Before proposing a Contract Management System or technologies that could improve the state of procurement, the Procurement Reform & Technology Working Group examined the current procurement process and technologies already in place. Based upon the research and discussions, the group created a simplified diagram (Diagram A) to illustrate a basic City procurement process, assigning the steps as completed by the business community, City departments, or jointly.

#### Diagram A - Current Technology State of City Procurement Process



#### Diagram A Observations:

- Existing process is highly manual and lacks supporting technologies
- Requires substantial processing by City Departments
- Poor visibility into process by City Management

Based on these observations, the Working Group identified the following critical success factors for a proposed process (aka “to-be” state):

- Business Community → Needs simplification
- City Departments → Needs automation
- City Management → Needs metricizing

### Proposed Technology Solution

The Procurement Reform & Technology Working Group will be recommending a Hybrid Solution which will leverage existing systems and productivity platforms as the best near

term solution. If approved and funded, the group proposes the following “guiding principles” for the proposed solution:

- Leverage existing technology investments and platforms
- Configuration NOT Customization where possible
- Emphasis on user experience (UX) for business community and City employees
- Leverage Proof of Concepts where no current system exists
- Continual improvement and iteration
- Enter Once, Access Many Systems

During the course of this research, there was an immediate opportunity presented by the FMS 2.0 project. The automation of the GSD-controlled Commodities Procurement Process can be implemented immediately, leveraging FMS 2.0 and the Business Assistance Virtual Network (BAVN), with configuration and minor modifications to both systems. This opportunity is unique to the fact that the FMS 2.0 project is getting ready for launch in July 2017. Making these changes now will allow system configuration to occur, staff to be trained, and key benefits in commodity purchases to be realized.

#### **Commodities Procurement Process:**

In reviewing the analysis of the procurement process that the Mayor’s Operations Innovation Team has done, and in consultation with GSD, BCA and CAO. ITA has evaluated the features and functions of BAVN and the system upgrade and expansion of the Financial Management System (FMS 2.0) which will replace the legacy Supply Maintenance System (SMS) and will inject a strong technical foundation into the procurement process.

Based on this evaluation of process and existing technical tools and platforms, our departments have determined that a phased approach to automating and streamlining the total - commodity, construction and services - procurement process is possible, and work should begin immediately, starting with the commodities procurement process.

This Procurement Reform Project would leverage the work currently being done to integrate the functionality of the legacy Supply Maintenance System (SMS) into the upgraded Financial Management System (FMS 2.0). This project to replace SMS is scheduled for launch in July, 2017 and will add a Vendor Self-Service functionality which will be configured to automate the Performance & Payment for the vendor.

Because the commodities procurement process is handled solely by a single department - GSD, the commodities procurement follows a very structured process and workflow, and because there is a single and consistent process workflow, it has been determined that commodities automation can be taken on immediately. The Vendor Self-Service (VSS) module in FMS 2.0 can be configured and expanded to provide full automation of the commodities procurement process.

The expanded VSS module will allow GSD to electronically create the commodity bid opportunity within FMS 2.0; the opportunity will then be published and managed through BAVN, an interface that is well known and utilized by the business community. Secured

access will allow businesses to register and create business profiles that can eventually be used across all public facing applications and City websites. Bidders will utilize their business profiles to securely access the FMS 2.0 VSS module to electronically submit their bid responses, and the VSS module will be designed to maintain the “look and feel” of the user interface standard that the business community is accustomed to with BAVN, to create a seamless user experience.

GSD will then be able to compare and select an appropriate vendor's response to the bid opportunity, award the bid and create the commodity contract within the FMS 2.0 system. The vendor will perform the awarded work and then again, use their business profile to securely submit their invoice for payment through VSS. FMS 2.0 will process the vendor's invoice, and the vendor can track the payment status through the VSS interface. Because all the legal documents related to the business opportunity have been submitted electronically to FMS 2.0, FMS 2.0 will now be a complete “system of record” repository for all commodity procurements conducted by the GSD on behalf of the City. This will enable the City to utilize FMS 2.0 as the source database for all metrics and statistic generation, including the measures required by the Ethics Department according to Los Angeles Municipal Code § 49.5.11.

The expansion of the FMS 2.0 VSS module to accommodate full automation of commodity procurements will cost \$934,840, and it will be executed via a Change Notice to the current CGI FMS contract. The table below shows the implementation services and related costs.

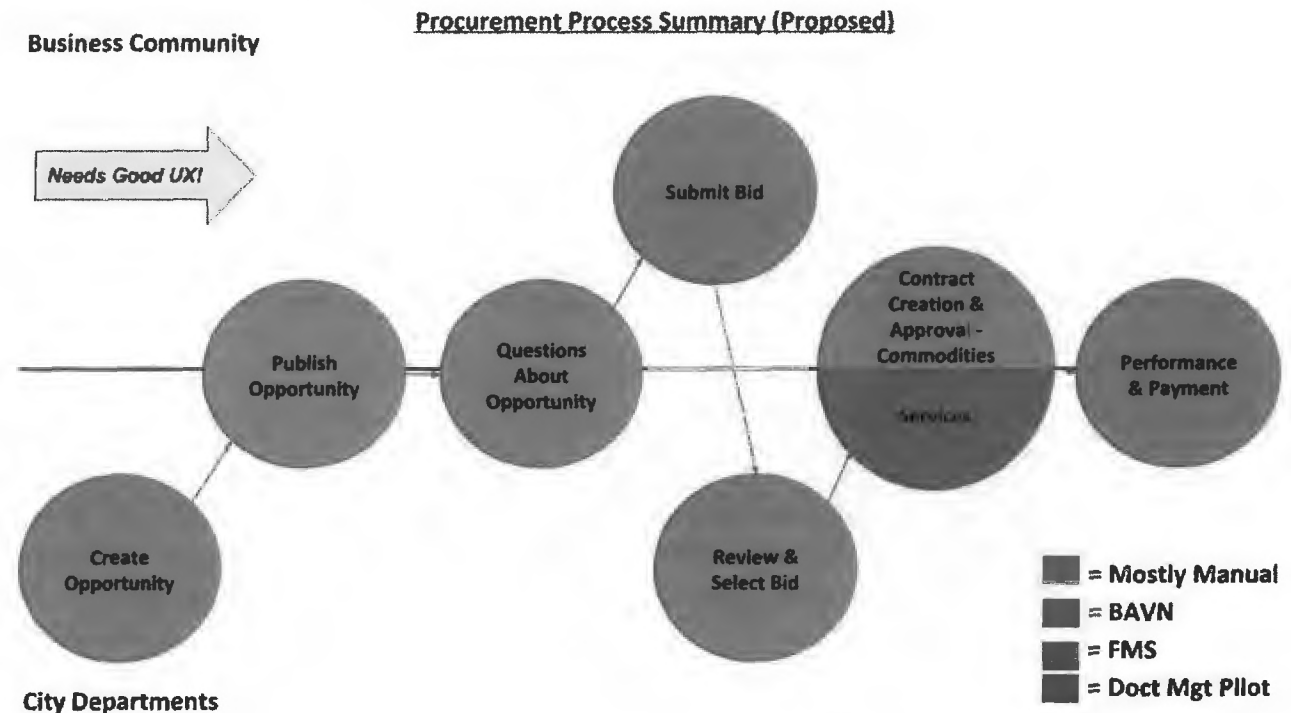
Implementation Services	Amount
Define Business Process and Configure Software	\$ 179,520
User Interface Updates, and Expanded Functionality	\$ 261,640
Reports Development	\$ 119,680
Integrated Testing and User Acceptance Testing	\$ 269,280
Training	\$ 104,720
<b>TOTAL</b>	<b>\$ 934,840</b>

#### **Procurement Beyond Commodities**

To continue the effort to streamline and automate the remaining City procurement functions - construction and services - the Working Group has begun requirements studies with the departments that are most active in the two (2) other procurement areas - Construction and Services. Preliminary results from these meetings indicate that is possible to utilize a common procurement methodology and automate components of both the construction and services procurement processes with minor modifications to both processes. Further requirements gathering will be necessary to determine the type

and number of modifications needed to the construction and service processes, but it appears that construction and some service bid opportunities could follow the process laid out by the commodities procurement process, up to the management and creation of the contract process. The details of this proposal will be documented in the ITA report for Council Motion (Krekorian/Martinez), Council File No. 15-1507.

**Diagram B - Proposed Technology State of City Procurement Process**



### Identified Benefits

The ITA, GSD, and Controller's Office have identified the following benefits:

1. Greatly improved efficiency for substantial portion of City's procurement process (commodity purchases)
2. Improved vendor experience (streamlined, self-service website for viewing bids, applying for bids, monitoring bid status, submitting invoices for payment, viewing invoice payment status, etc)
3. Provides holistic metrics of City's procurement process for commodities (e.g. length of procurement cycle, types of vendors involved in bid process, reasons for bid rejection, etc)
4. Provide a basis and baseline for procurement process analytics
5. Establishes framework for future automation of City's procurement process (e.g. services, construction, etc)
6. Utilizes core functionality within technology that the City currently owns, and maximizes the functionality and stability of the City's FMS system

**FISCAL IMPACT STATEMENT**

Approving these recommendations will have no fiscal impact on the General Fund. The General Services Department has identified savings of \$934,840 in its current budget to fund the configuration and expansion of the VSS module in FMS 2.0. The minimal modifications to BAVN to allow for seamless integration between the FMS 2.0 bid processing and the publications of the bid opportunities, estimated at \$10,000, will be funded by ITA.

If you have any questions or would like further information regarding this report, please feel free to contact me or Joyce Edson, Assistant General Manager, at 213-978-3311.

Attachment: Contract Amendment #1 to Agreement C-124658

cc: Matt Szabo, Office of the Mayor  
John Chavez, Office of the Mayor  
Miguel Santana, City Administrative Officer  
Ben Ceja, Asst. City Administrative Officer  
Claudia Aguilar, Office of the City Administrative Officer  
Jody Yoxsimer, Office of the City Administrative Officer  
Karen Kalfayan, Chief Legislative Analyst  
Mandana Khatibshahidi, Office of the Chief Legislative Analyst  
Matt Crawford, Office of the Controller  
Rashad Mfume, Office of the Controller  
Deborah Ramos, General Services Department  
Laurel Lightner, Assistant City Attorney  
ITA Executive Team

**CONTRACT AMENDMENT NUMBER 1 TO AGREEMENT C-124658  
BETWEEN THE CITY OF LOS ANGELES  
AND  
CGI TECHNOLOGIES AND SOLUTIONS INC.  
FOR THE FMS 2.0 PROJECT**

This Contract Amendment Number 1 ("Amendment") to Agreement No. C-124658 (the "Agreement") dated September 25, 2014, by and between the City of Los Angeles, California, a municipal corporation (hereinafter referred to as the "CITY") and CGI Technologies and Solutions Inc. (hereinafter referred to as "Contractor" or "CGI"), with reference to the following facts.

A. On September 25, 2014 the City Clerk attested to the Agreement for the Financial Management System 2.0 Project (FMS 2.0 Project, aka SMS Replacement), as defined therein, in the Project Price amount of Seventeen Million, Six Hundred Thousand, One Hundred and Eighty Two Dollars (\$17,600,182).

B. On February 16, 2016 the parties entered into Change Notice Number 1 in the amount of One Million, Four Hundred Forty Eight Thousand, Seven Hundred and Forty Dollars (\$1,448,740) in order to add new software modification deliverables CGI-20.13 and CGI-20.14 and corresponding payment Milestones.

C. On or around November 4, 2016, the parties entered into Change Notice Number 2 in the amount of Seven Hundred Nineteen Thousand and Ninety Five Dollars (\$719,095) in order to: (i) add new software modification deliverables CGI-20.15 thru CGI-20.17 and corresponding payment Milestones (ii) add new vendor self-service commodity online bidding deliverables CGI-19.4, CGI-19.5, CGI-20.18 thru CGI-20.24, CGI-25.5, CGI-25.6, CGI-29.4, CGI-30.10, CGI-32.6, and CGI-36.2 and corresponding payment Milestones; (iii) delete CAFR support deliverables CGI-39.1 thru CGI-39.4 and corresponding payment Milestones; and (iv) remove technical post-implementation support for deliverables CGI-37.7 thru CGI-37.12 and modify corresponding payment Milestones.

D. As of the date of last signature affixed to this Amendment ("Effective Date") the parties desire to enter into this Amendment to increase the Contract Sum and contingency amount by Nine Hundred Thirty Four Thousand, Eight Hundred and Forty Dollars (\$934,840).

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree to this Amendment as follows:

1. Definitions. Capitalized terms used but not defined in this Amendment will have the meanings indicated for them in the Agreement.

2. Increase in Contract Sum. The Project Price identified in Subparagraph 17.4.1. (General) of Subparagraph 17.4 (PROJECT PRICE; CONTRACT SUM) of Paragraph 17 (PAYMENT TERMS) of the Agreement remains unchanged at Nineteen Million, Seven Hundred Sixty Eight Thousand, and Seventeen Dollars (\$19,768,017). The contingency amount, against which the City will write Change Notices, is hereby increased by Nine Hundred Thirty Four Thousand, Eight Hundred and Forty Dollars (\$934,840) from Thirty Two Thousand, One Hundred and Sixty Five Dollars (\$32,165) to Nine Hundred Sixty Seven Thousand and Five Dollars (\$967,005). The Contract Sum is hereby increased by Nine Hundred Thirty Four Thousand, Eight Hundred and Forty Dollars (\$934,840) from Nineteen Million Eight Hundred Thousand, One Hundred and Eighty Two Dollars (\$19,800,182) to Twenty Million, Seven Hundred Thirty Five Thousand, and Twenty Two Dollars (\$20,735,022).

3. Amendments. No amendment, modification, or supplement to this Amendment shall be binding on either party unless it is in writing and duly executed by the parties in interest at the time of the modification.

4. Entire Agreement. Except as expressly and specifically changed hereby, the Agreement shall remain in full force and effect. There are no other agreements, representations, or warranties between or among the parties, written or oral, concerning the subject matter hereof.

5. Headings and Labels. Article, section, and subsection titles and captions contained in this Contract Amendment Number 1 are inserted as a matter of convenience and for reference and in no way define, limit, extend, or describe the scope of this Amendment or the intent of any of its provisions.

**IN WITNESS WHEREOF**, the parties hereto have caused this Amendment to be executed by their duly authorized representatives as of the Effective Date.

THE CITY OF LOS ANGELES  
A Municipal Corporation

CGI Technologies and Solutions Inc.

By: \_\_\_\_\_  
TED ROSS  
General Manager  
Information Technology Agency

By: \_\_\_\_\_  
PANKAJ JOSHI  
Vice President

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**APPROVED AS TO FORM:**  
Michael N. Feuer, City Attorney

By: \_\_\_\_\_  
LAUREL L. LIGHTNER  
Assistant City Attorney

Date: \_\_\_\_\_

Agreement Number: C-124658