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BOARD OF SUPERVISORS

Hilda L. Solis
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COUNTY OF LOS ANGELES DEPARTMENT OF CONSUMER AND BUSINESS AFFAIRS

"To Enrich Lives Through Effective and Caring Service"



Joseph M. Nicchitta
Director

Joel Ayala
Chief Deputy

Rafael Carbajal
Chief Deputy

April 4, 2019

To: Supervisor Janice Hahn, Chair
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Kathryn Barger

From: Joseph M. Nicchitta
Director

COMBINED REPORT AND RECOMMENDATIONS ON:

(1) A PLAN TO ACHIEVE 25 PERCENT PROCUREMENT ATTAINMENT GOAL BY LOCAL SMALL BUSINESS ENTERPRISES (ITEM NO. 17, AGENDA OF MARCH 5, 2019); AND

(2) IMPROVING THE COUNTY'S COMMUNITY BUSINESS ENTERPRISE CONTRACTING PROGRAM (ITEM NO. 12, AGENDA OF OCTOBER 16, 2018)

I. SUMMARY OF REPORT

Your Board has advanced major programmatic efforts to support local small business enterprises (LSBEs), disabled-veteran business enterprises (DVBES), social enterprises (SEs), and community business enterprises (CBEs) (collectively "Certified Businesses").

In 1994, your Board adopted a policy that, among other things, established a 25 percent overall annual participation goal for CBEs. CBEs include DVBES, minority business enterprises (MBEs), woman business enterprises (WBEs), and disadvantaged business enterprises (DBEs).

In 2016, your Board adopted a four-year utilization plan for LSBEs, DVBES, and SEs. As part of the plan, your Board established contracting goals for LSBEs and DVBES, and directed sweeping programmatic changes, incentive programs, and ordinance amendments to accomplish those goals.

Under the four-year utilization plan, the County will increase LSBE contracting from 2.03 percent in fiscal year 2015-2016 to 25 percent in fiscal year 2019-2020, or approximately \$1 billion in total LSBE contract awards. The County will increase DVBE contracting from 0.02 percent in fiscal year 2015-2016 to 3 percent in fiscal year 2019-2020, or approximately \$117 million in DVBE contract awards.

These goals, when achieved, will provide more contracting dollars to Certified Businesses than any other municipal or county agency in the State.

In addition, the County established a first-in-the-nation certification for SEs, created a master agreement for SEs to do business with the County, and awards millions of dollars in contracts to certified SEs annually.

In a pair of motions in October 2018 and March 2019, your Board directed the Department of Consumer and Business Affairs (DCBA) and other departments to report back on progress and identify areas for improvement.

Your Board's four-year utilization plan was prepared by DCBA with the assistance of KH Consulting Group, a certified LSBE, and CBE/WBE. In response to your Board's motions, DCBA again retained KH Consulting Group to conduct an independent analysis of the County's progress.

KH Consulting Group surveyed County staff, Board offices, and County Small Business Commissioners; evaluated the County's efforts to date; identified successes and gaps; and flagged barriers that make it more difficult for certified businesses to do business with the County. A copy of KH Consulting Group's report, titled "Mid-Way Evaluation of Utilization Plan," is attached.

This memorandum:

- Provides an overview of the County's LSBE, DVBE, and SE utilization and contracting goals;
- Describes the County's CBE program and goals;
- Summarizes KH Consulting Group's findings;
- Provides recommended Board actions to advance the County's utilization goals; and
- Identifies next steps.

II. OVERVIEW OF THE COUNTY'S LSBE, DVBE, AND SE UTILIZATION AND CONTRACTING GOALS

A. Your Board Established the Small Business Utilization Program in 2016 Through a Series of Programmatic Changes and Ordinance Amendments, Including Providing a Bid-Point Preference for Certified Businesses.

On January 12, 2016, your Board designated DCBA the lead department to implement a County small business and social enterprise utilization initiative. Your Board also directed DCBA, the Internal Services Department (ISD), Public Works, the County Health Agency, Community and Senior Services (now Workforce Development, Aging and Community Services (WDACS)), and other departments to prepare a four-year action plan to attain procurement goals of 25 percent for LSBEs and 3 percent for DVBEs by 2020, and directed DCBA and other departments to provide your Board with options for bid price reductions and other incentives for certified businesses, among other actions.

Your Board adopted the four-year utilization plan on January 12, 2016.¹ Other efforts in support of the utilization and contracting initiative include:

- On October 1, 2016, ISD approved the simplified acquisition process for LSBEs, DVBEs, and SEs. The simplified acquisition process applies to departmental purchases from \$5,001 to \$24,999 and allows departments to acquire services or supplies with only two valid bids from an LSBE, DVBE, or SE.
- Effective October 25, 2016, the Board established by ordinance a preference program for LSBEs, DVBEs, and SEs in County contracting. Generally, LSBEs, DVBEs, and SEs that have been certified by DCBA are entitled to a 15 percent bid-point preference, up to a maximum \$750,000 for concessions contracts and \$150,000 for all other contracts.
- On December 30, 2016, WDACS released a Request for Statement of Qualifications (RFSQ) which allowed firms that are certified as SEs to enter into the County's Social Enterprise Master Agreement. Currently, there are 31 certified SEs on the agreement which provides a variety of services to a transitional workforce.

In addition to programmatic and ordinance changes, DCBA has supported the procurement and contracting goals in the following ways:

¹ The four-year utilization plan is available online at <https://bit.ly/2HUu3Yq>.

- Growing the County's Office of Small Business, launching a concierge service dedicated to helping small businesses navigate permitting and licensing and grow their revenue, and offering one-on-one business counseling services and procurement technical assistance, among other services.
- Conducting extensive outreach Countywide to inform small business owners about opportunities to do business with the County. In fiscal year 2017-2018, DCBA hosted or participated in 103 events, reaching over 17,000 attendees. In the first two quarters of fiscal year 2018-2019, DCBA hosted or participated in 76 events reaching over 7,000 attendees.
- Leveraging digital media and partnerships with business affinity groups to create a series of webinars on the County's utilization goals and preference programs.
- Launching an online business certification portal to streamline the County certification process, and certifying hundreds of businesses as LSBEs, DVBES, SEs, or CBEs. At the close of the second quarter of fiscal year 2018-2019, there were 1,554 LSBEs, 675 CBEs, 179 DVBES, and 147 SEs certified with the County.
- Revamping the Office of Small Business website to allow business owners to navigate available resources easily.
- Working closely with departments to support their individualized Certified Business procurement activities and partnering with ISD and the Auditor-Controller to establish data sharing and reporting protocols.

B. The County Has Increased Its Contract Awards to LSBEs, DVBES, and SEs, but Has Not Yet Reached Its Utilization Goals

In fiscal year 2015-2016, prior to your Board-established utilization goals for LSBEs and DVBES, the County awarded approximately \$181 million to vendors that qualified for certification as an LSBE or DVBE. The County has substantially increased awards to Certified Businesses each subsequent fiscal year. Some highlights of this progress include:

- In fiscal year 2017-2018, the County awarded approximately \$355 million to Certified Businesses, over a 96 percent increase from fiscal year 2015-2016.
- In the first half of this fiscal year 2018-2019, the County awarded approximately \$313 million to Certified Businesses, a 55 percent increase from approximately \$202 million during the first half of fiscal year 2017-2018.

- The County awarded approximately \$4.2 million to Certified Businesses through the simplified acquisition process in fiscal year 2017-2018, a 250 percent increase from the approximately \$1.2 million awarded in fiscal year 2016-2017.
- In the last two fiscal years (fiscal years 2016-2017 and 2017-2018), the County has awarded over \$150 million to SEs.

Although the County has seen awards increase significantly over the past two fiscal years, more progress is needed over the last half of this fiscal year and through next fiscal year (fiscal year 2019-2020) to achieve the Board-established utilization goals.

III. OVERVIEW OF THE COUNTY'S CBE PROGRAM AND GOALS

A. Board Policy 5.130 – “Contracting with Community Business Enterprises”

In addition to stepping up efforts to increase LSBE, DVBE, and SE utilization, your Board has taken significant steps to increase the number of CBEs that win County contracts.

CBEs include DVBEs, WBEs, MBEs, and DBEs. DBEs are for-profit small businesses where the ownership is socially and economically disadvantaged, as defined by applicable law and regulations. To qualify for the CBE program, a business must be 51 percent owned and controlled by the qualifying individual or individuals.

Your Board first adopted Board Policy 5.130 (“Contracting with Community Business Enterprises”) in April 1991, effective May 14, 1991, with subsequent non-substantive amendments. The policy requires each department submitting a contract for Board approval to:

- Describe the process used to identify minority, women, disadvantaged, and disabled veteran-owned businesses;
- For each firm bidding on the contract, provide the percentage of staff and ownership who are minority, women, disadvantaged, or disabled veterans;
- Compare the CBE participation among the competing vendors; and
- Stipulate that, on final analysis and consideration of the award, the vendor was selected without regard to race, creed or color.

B. Board Policy 5.010 – “CBE Utilization Goal for County Contracts”

In 1994, your Board strengthened the County’s commitment to CBEs by adopting Board Policy 5.010 (“CBE Utilization Goal for County Contracts”), which became effective November 15, 1994. Among other things, the policy established a 25 percent overall annual participation goal, determined by total dollars awarded, Countywide and for departmental and other County contracting authorities.

C. Data Shows Contract Awards to CBEs Can Continue to Improve

Proposition 209, passed by California voters in 1996, prohibits the County from considering race, sex, or ethnicity in public contracting and other areas. For this reason, the County cannot offer CBEs (other than DVBES) a bid-point preference or other incentive to lower barriers for CBEs to contract with the County. Anecdotally, DCBA staff have heard from businesses that the time and effort to certify as a CBE is not justified since the certification provides no benefit for State, County, or other local agency contracting. County contract awards to CBEs are likely impacted by these factors, and CBE award data may be underreporting awards to CBE-eligible businesses that have not certified with the County.

In fiscal year 2017-2018, the County awarded \$84.6 million in contracts to CBEs. Contract awards by CBEs subtype are reported in the table below.²

CBE Award Data by Subtype Fiscal Year 2017-2018	
Certification Type	Total Contract Awards (\$)
WBE	\$24.6 million
MBE	\$67 million
DBE	\$9.6 million

IV. SUMMARY OF KH CONSULTING GROUP’S FINDINGS

DCBA worked closely with KH Consulting Group to ensure that the Mid-Way Evaluation of Utilization Plan was thoroughly researched and informed by the experience of departmental procurement staff and Board offices. Among its efforts, KH Consulting Group conducted six focus groups with 32 participants from Board offices and 11

² One business can qualify for multiple designations within the CBE program. For example, it is not uncommon for a business to certify as both an MBE and WBE. For this reason, award data across the CBE subtypes cannot be totaled without double-counting some awards.

departments to solicit feedback regarding progress made and challenges experienced. Participants included procurement management, departmental small business advocates, and procurement staff.

Additionally, KH Consulting Group conducted one-on-one interviews with DCBA leadership, six members of the County Small Business Commission representing each Supervisorial District, and staff from ISD, Health Services, Public Works, Public Health, and the Chief Executive Office's Initiative on Women and Girls.

KH Consulting Group also worked with DCBA to develop and distribute an online survey to executive, managerial, purchasing, and contracting staff from all County departments and members of the Small Business Commission. Survey results are summarized in Appendix B of the attached report.

Specific to CBEs, KH Consulting Group reviewed and analyzed the recent study on equity in public contracting by the Government Alliance on Race and Equity (GARE Study), and a study entitled "Improving Government Vendor Diversity" by the Harvard Kennedy School's Government Performance Lab (Harvard Study). KH Consulting Group summarized the recommendations of the GARE Study and Harvard Study and used those recommendations to inform its own recommendations around the County's CBE contracting efforts.

Finally, KH Consulting Group evaluated the County's data and vendor infrastructure and researched best practices from other jurisdictions to determine whether the County's infrastructure is sufficient to support the County's procurement goals.

KH Consulting Group identified 20 recommendations to achieve the County's small business and CBE contracting utilization goals. KH Consulting Group organized its recommendations in five issue areas, described below.

1. Increasing the pool of Certified Businesses.

KH Consulting Group found that the County must increase its pool of Certified Businesses to ensure there are sufficient bid-ready and contract-ready businesses available to win contracts at the scale necessary to achieve the County's utilization goals. Among other things, KH Consulting Group recommended the County increase the availability of certification information on County websites, expand media opportunities and better track the effectiveness of outreach efforts.

Your Board has already highlighted the importance of strategic outreach to Certified Businesses in your motion, adopted April 24, 2018, regarding publicizing County contracting opportunities. As directed in the motion, ISD, DCBA, and other departments will continue to incorporate expanded outreach strategies, including leveraging hyperlocal and nontraditional media.

KH Consulting Group also recommended the County review all contract awards to determine whether the winning bidder is eligible for certification and, if so, certify the business to access benefits such as the County's prompt-pay program, which provides more rapid payment of invoices to Certified Businesses.

DCBA will work with ISD and other departments to implement these recommendations. In addition, ISD is preparing to upgrade its "Doing Business with LA County" website, which will dramatically increase the usability of the site from a vendor perspective and feed businesses to DCBA's certification programs and the County's contracting opportunities.

KH Consulting Group also noted that many other jurisdictions within the County are struggling with similar issues. KH Consulting Group recommended that the County work with other local agencies to develop a common certification application, which would eliminate the need for businesses to complete multiple applications. KH Consulting Group also stated the County "could launch a Regional Clearinghouse for Procurement and invite other jurisdictions to participate in sharing bid opportunities," and allow vendors to "learn about bid opportunities that fit their profiles across multiple local jurisdictions."

DCBA concurs with these findings. During outreach events, DCBA has learned that many businesses are certified in multiple federal, state, and local jurisdictions. Some businesses carry over a dozen certifications. This creates a heavy administrative burden for small business owners. Owners who carry multiple certifications and do not regularly win contracts are likely to doubt the benefits of certification outweigh the costs of keeping all certifications current.

The County includes a large unincorporated area, 88 cities, multiple non-municipal government agencies, privately owned public utilities, and other large purchasers of goods and services, all of which contract with local small and other Certified Businesses. We believe that existing technology and a growing movement toward regional continuity in advance of large sporting events like the Olympics, the Super Bowl, and the World Cup, uniquely allows for a regional partnership that promotes Certified Business utilization and increases the number of bid-ready vendors available to all partner agencies.

DCBA has had discussions with the Los Angeles Area Chamber of Commerce (LA Area Chamber) about launching a regional procurement initiative. Discussions have included both a common digital platform for all partner agencies and cooperative efforts such as business outreach and technical assistance. The LA Area Chamber identified over a dozen partner agencies and large businesses who will be targeted to participate in the regional procurement initiative.

The LA Area Chamber also identified a common technology platform to support the regional initiative. Avisare Corp., a technology firm, has developed a modern contract marketing and compliance platform that streamlines certification applications across multiple government agencies, matches vendors with upcoming contracting opportunities

and allows prime contractors to identify certified businesses as partners on upcoming jobs or bids.

Avisare Corp.'s platform is currently in use at the City of Los Angeles and Los Angeles World Airports. Citi Community Development, a division of Citigroup that focuses on growing underserved markets and sectors, provided funding to the City of Los Angeles to use Avisare Corp.'s platform as a pilot program.

DCBA, after consultation with the Chief Information Officer, recommends the County also use Avisare Corp.'s platform as a pilot program and partner with the LA Area Chamber to increase the County's pool of Certified Businesses and grow our vendor network.

On September 19, 2017, your Board authorized DCBA to accept a grant award and enter into a public-private partnership with Citi Community Development to advance utilization efforts and support underserved markets and sectors. Your Board authorized DCBA to execute amendments to make technical changes and extend the agreement terms as needed to implement and sustain the efficacy of the programs, upon approval as to form by County Counsel, with the requirement that DCBA report to your Board and CEO within 30 days of execution of any amendments. Consistent with your Board's authorization, DCBA will work with Citi Community Development to utilize previously awarded grant funds to use Avisare Corp.'s platform for a one-year pilot period and conduct business outreach and other related activities.

Lastly, the Small Business Commission and affinity groups urged that the County's utilization goals be expressly extended to all County-related contracting agencies, such as the Community Development Commission, water districts, flood control districts, regional park and open space districts, and others. DCBA concurs with this recommendation as it would increase opportunities for Certified Businesses to win government contracts and incentivize businesses to become certified.

2. Increasing the likelihood of Certified Business success.

KH Consulting Group reported that Certified Businesses face numerous hurdles when trying to do business with the County and other government agencies. KH Consulting Group offered recommendations to reduce these hurdles.

Key among KH Consulting Group's recommendations is to expand opportunities for Certified Businesses to compete only with one another. Because the County does not have a Certified Business set-aside or preference program, KH Consulting Group recommended the County increase the limits on the simplified acquisition program from \$24,999 to \$249,999, which is consistent with the limits set by statute for State agencies.

DCBA concurs with KH Consulting Group's recommendations to increase the simplified acquisition process limits. However, in consultation with Auditor-Controller, DCBA supports a tiered approach to the simplified acquisition process limits based on a department's budget and overall expenditures, and its past compliance with contracting policies and procedures and its abilities to monitor and evaluate potential fraud.

KH Consulting Group also recommended reducing the length and complexity of County contracts and scaling insurance, indemnification, and bonding requirements to the size of the contract. Small Business Commissioners also provided feedback that the timing of when vendors were required to obtain insurance or bonds should be evaluated, as many small vendors are forced to pay for expensive insurance or bonds for the privilege of bidding on a government contract months before they will see any revenue.

Many of these issues are being addressed by the CEO and other departments, as reported in the CEO's report regarding streamlining the County's contracting process, filed on February 28, 2019.³ The CEO's report recommends, among other things, updating policies, procedures, and requirements to make contracting less burdensome for vendors and County staff.

On January 23, 2018, your Board also directed the CEO to establish a contractor bonding assistance program to support the County's utilization goals. On January 28, 2019, the CEO reported that a pilot program for bonding assistance was available through the City of Los Angeles, and the Department of Public Works is evaluating the cost and requirements to participate.⁴

DCBA recommends, however, expanding existing analyses to focus on scaling and timing requirements for insurance, indemnification, and bonds.

KH Consulting Group also highlighted opportunities for the County to develop incentives for prime contractors to include Certified Businesses as subcontractors through pilot programs. On March 19, 2019, your Board adopted a motion to create a ladder of growth for local small and medium-sized businesses, including an analysis of incentive programs for prime contractors to utilize small and medium-sized businesses as subcontractors. DCBA is working with Public Works and other departments to prepare options and will report to your Board as directed in the motion.

³ Available at <https://bit.ly/2YHUK7I>

⁴ Available at <https://bit.ly/2VpJqes>

3. Supporting County departments in achieving their goals.

KH Consulting Group found that more centralized coordination and support is needed to ensure County departments are moving together in support of the County's utilization goals.

Among other recommendations, KH Consulting Group recommended establishing a utilization steering committee with executive leadership from County departments to monitor progress, share lessons learned, and identify necessary changes to policies or programs. DCBA has already convened an initial steering committee consisting of executive leadership from the Chief Executive Office, ISD, Public Works, Auditor-Controller, and the Chief Information Officer. DCBA will expand steering committee membership to include high-volume contracting departments to ensure that departmental efforts are uniform and supported.

KH Consulting Group also recommended establishing a universal Management Appraisal and Performance Plan (MAPP) goal for department heads to achieve utilization goals. DCBA concurs with KH Consulting Group's recommendation, but steering committee members raised concerns over whether MAPP goals could cause departments to make decisions that were not in the County's best interest financially simply to achieve MAPP requirements.

DCBA recommends mandating universal MAPP goals for department heads, but clarifying that goals should be developed based on each department's individual circumstances, and should include short- and long-term steps to support contracting with Certified Businesses but need not to establish a utilization percentage or dollar award.

KH Consulting Group also noted that continued staff training was important to ensure each department's leadership, and procurement staff understood the County's utilization and contracting goals and took advantage of opportunities to contract with Certified Businesses, such as the simplified acquisition process. DCBA concurs and recommends developing standard mandatory training via the County's "Learning Net" system.

4. Managing metrics and data.

KH Consulting Group evaluated the County's payment and awards data and found that system improvements and upgrades would help the County make more consistent progress toward its utilization goals.

For example, KH Consulting Group recommended changes to the way payment, work order, and award data is captured and the creation of automated scorecards to track progress quarterly and annually.

The State of California has recently begun online reporting on Certified Business contracting.⁵ The State's online dashboard provides the public comprehensive utilization data by department, fiscal year, certified vendor and type of purchase. This could become a model for the County going forward.

KH Consulting Group also recommended that the County's vendor registration system be modified to make searching for available Certified Businesses that provide needed services or supplies easier.

KH Consulting Group also emphasized the need to recognize awards to businesses that could qualify for an incentive program but have not completed the certification process. The County should outreach to these businesses to encourage participation in the County's certification programs to more accurately understand its utilization rates and increase its pool of certified and bid-ready vendors.

DCBA is working with ISD to implement these recommendations. DCBA is also partnering with the Auditor-Controller to procure Dun and Bradstreet business analytics services, which will allow DCBA to closely analyze County contractors, determine which contractors are eligible for certification but have not been certified, and work proactively to certify those contractors.

5. Increasing vendor diversity and CBE utilization.

KH Consulting Group found that CBE firms typically face the same barriers as LSBEs, and reported that over 90 percent of CBEs nationwide, Statewide, and Countywide are also small businesses. KH Consulting Group recommended more precise tracking of CBE firms and firms that could qualify as CBEs but have not yet been certified to better understand the scope of County CBE contracting. KH Consulting Group further recommended working with affinity groups focused on diversity to attract CBEs to County contracting opportunities.

DCBA concurs with KH Consulting Group and further recommends incorporating Certified Business utilization goals into existing County inclusivity and diversity initiatives.

Over the past several years, your Board has championed inclusivity and diversity across numerous County programs. For example, on December 13, 2016, your Board adopted a motion establishing the Los Angeles County Initiative on Women and Girls to examine the systemic issues that lead to inequitable gender outcomes and recommend changes

⁵ Available at <https://bit.ly/2I7aNGt>.

to improve the quality of life for women and girls in the County. The Initiative on Women and Girls published its strategic framework for 2018-2021.⁶ The framework identified as a strategic priority to ensure economic mobility for women and girls in the County by increasing their assets and income throughout their lifespan. One goal within this strategic priority is removing barriers and creating opportunities to help women navigate County contracting opportunities, creating pilot outreach and marketing campaigns using a gender lens to inform women about County contracting opportunities, and increasing the number of women of color who qualify for prime procurement contracts.

Additionally, in October 2017, your Board launched a Center for Health Equity as an initiative of the County Health Agency led by Public Health in partnership with Health Services and Mental Health. The Center for Health Equity's action plan dated February 14, 2019,⁷ explained that government contracting has the power to uplift and promote economic growth and security to advance equity and climate resiliency. The action plan prioritized partnerships with LSBEs, "historically underutilized businesses," MBEs, WBEs, and LGBT business enterprises to benefit historically underserved communities.

DCBA can support the above efforts by working with the Initiative on Women and Girls, the Center for Health Equity, ISD, and other County departments to create programmatic outreach efforts to CBEs, partner with affinity groups that support CBEs, and develop tailored technical assistance and other programming that addresses CBEs' unique needs.

V. RECOMMENDED BOARD ACTIONS TO ADVANCE THE COUNTY'S UTILIZATION GOALS

As explained above, your Board has consistently emphasized the importance of inclusivity and economic support for all County communities, and your Board has taken distinct but related actions to implement this effort. Your Board's directives and current efforts across multiple departments align and overlap considerably with, KH Consulting Group's findings and recommendations. However, multiple simultaneous efforts across numerous County departments have the potential to become duplicative and disjointed.

For this reason, we have conducted a comprehensive global analysis of KH Consulting Group's recommendations and the Countywide efforts described above, with a focus on recommendations and actions that can push the County's LSBE, DVBE, SE, and CBE utilization goals forward in the short term, with sustainable outcomes in the long-term.

⁶ Available at <https://bit.ly/2OPyKTR>.

⁷ Available at <https://bit.ly/2TVyAv8>.

Based on our analysis, we recommend your Board take the actions outlined below, which fall within four primary recommendation areas.

1. Recommendation No. 1: Expressly align the County's procurement and contracting goals with the County's diversity and inclusivity initiatives.

The County's utilization and contracting goals for Certified Businesses will increase the diversity of the County's vendor pool and support equity and inclusion initiatives prioritized by your Board and County departments. Understanding the County's utilization goals against the backdrop of diversity, equity, and inclusion appropriately contextualizes the criticality of these goals and the important policies underpinning the goals.

We recommend that your Board:

- Starting in fiscal year 2019-2020, mandate a MAPP goal for all department heads to take material steps to support the County's utilization goals, and direct the Director of Personnel, in consultation with DCBA, ISD, and the Auditor-Controller, to provide guidance to department heads in advance of the 2019-2020 MAPP filing deadline.
- Authorize DCBA, in collaboration with ISD, Public Works, the Initiative on Women and Girls, the Center for Health Equity, and other County departments and agencies, to engage a consultant to conduct outreach to CBEs and trade organizations and other groups that represent and work with CBEs, identify business support needs and barriers unique to CBEs, and develop programming, such as modified technical assistance, to address the unique needs and barriers of CBEs.
- Direct DCBA, in consultation with the CEO, the Director of Personnel, ISD, the Center for Health Equity, the Initiative on Women and Girls, and County Counsel, to develop a "Contracting with Certified Businesses" training, which will be delivered via the County's Learning Net, and will be mandatory for departmental executive leadership and procurement and contracting staff countywide. The training will teach participants about the County's priority to utilize certified businesses and the tools available to County staff to increase certified business utilization.
- Direct DCBA, in consultation with the Chief Executive Office and County-related agencies such as the Community Development Commission/Housing Authority for the County of Los Angeles, water districts, flood control districts, and others, to report back in 60 days with recommendations on whether Certified Business utilization goals should be extended to County-related agencies.

2. *Recommendation No. 2: Reduce barriers certified businesses face when they attempt to do business with the County.*

Consistent with your Board's motions and departmental reports identified above, KH Consulting Group identified the importance of reducing barriers small businesses and CBEs face when attempting to do business with the County. Certified businesses encounter barriers when contract requirements, such as insurance and bonding, are out of scale with certified businesses' resources, and when contract opportunities carved out for certified businesses are too small to allow certified businesses to develop and grow.

To address these barriers, we recommend your Board:

- Direct ISD, in consultation with the Chief Executive Office, DCBA, and the Auditor-Controller, to revise the simplified acquisition process to include tiers with different maximum amounts, not to exceed \$249,999. The process should place departments in tiers commensurate with a department's budget for goods and services and other relevant factors, including its history of compliance with contracting and purchasing policies.
- Direct the Chief Executive Office, in consultation with DCBA, ISD, and the Auditor-Controller, to report in writing in 60 days with an analysis of potential changes to bonding and insurance requirements to lower the costs and burdens a Certified Business faces when attempting to contract with the County, including an evaluation of whether bonding and insurance requirements can be scaled to the size of a contract, and whether Certified Business vendors can acquire bonds or insurance upon award rather than prior to award.

3. *Recommendation No. 3: Foster transparency and accountability through technology.*

DCBA agrees with KH Consulting Group that measuring our progress and staying accountable to our goals is critical to move your Board's utilization and contracting initiatives forward. As explained above, DCBA is working with other departments, including ISD and Auditor-Controller, to implement improvements in data capture, reporting, and proactive outreach. We, therefore, recommend your Board:

- Direct DCBA, in collaboration with ISD, Auditor-Controller, and other relevant departments, to report in writing in 60 days on efforts to increase data capture related to the County's utilization goals, progress toward creating automated reports and scorecards to benchmark Countywide and department-specific utilization, and any necessary resources to implement enhanced data gathering and reporting.

- Direct DCBA to develop a reporting portal to streamline the way departments transmit information about their compliance with contracting and utilization policies, including but not limited to the reporting requirements identified in Board Policy 5.130 ("Contracting with Community Business Enterprises"), and report back in writing in 60 days.

4. *Recommendation No. 4: Take a regional approach to procurement.*

As explained above, the County has an opportunity to leverage regional procurement efforts in partnership with the LA Area Chamber, government agencies, and businesses within the County to increase its vendor pool, ease administrative burdens on Certified Businesses, and increase vendor awareness of County contracting opportunities.

We recommend your Board:

- Authorize DCBA to enter into a memorandum of understanding or intent with the LA Area Chamber, the City of Los Angeles, and other cities and agencies to establish and launch a regional procurement initiative that will include, among other things, a common platform that: (1) streamlines vendor certification applications across partner agencies; (2) matches vendors with contracting opportunities across partner agencies; and (3) allows partner agencies to outreach more effectively to certified vendors about upcoming bid opportunities.
- Direct DCBA, in consultation with the Chief Information Officer, to report in writing in 60 days with a plan to advance regional procurement efforts through the use of Avisare Corp.'s contract marketing and compliance platform as a one-year pilot program, and conduct small business outreach and related activities, and report quarterly thereafter on the regional procurement initiative.

VI. NEXT STEPS

The recommendations above consist of those actions we believe your Board should take to ensure the County meets its utilization and contracting goals, and will help align the multiple efforts underway around contracting and utilization.

We will continue to analyze KH Consulting Group's report and, in collaboration with affected departments, move forward with recommendations not requiring Board action. As stated above, we have convened a departmental utilization steering committee consisting of department executives and managers from the Chief Executive Office, ISD, Public Works, Auditor-Controller, and DCBA. This steering committee will meet as needed in the coming weeks and months, and expand to other departments, to advance your Board's utilization priorities and guide programmatic changes.

The Board of Supervisors

April 4, 2019

Page 17

Should you have any questions concerning this matter, please contact me at (213) 974-9750 or jnicchitta@dcba.lacounty.gov, or Rafael Carbajal, Chief Deputy Director, at (213) 974-0834 or rcarbajal@dcba.lacounty.gov, or Christian Olmos, Chief, Office of Small Business, at (213) 626-9704 or colmos@dcba.lacounty.gov.

JMN:RC:CO

FGN:RV:rld

Attachment

c: Executive Office, Board of Supervisors
 Chief Executive Office
 County Counsel
 Auditor-Controller
 Center for Health Equity
 Chief Information Office
 CDC/HACoLA
 Health Services
 Human Resources
 Internal Services Department
 Mental Health
 Public Health
 Public Works
 Women and Girls Initiative
 Workforce Development, Aging and Community Services

County of Los Angeles, Department of Consumer & Business Affairs

Mid-Way Evaluation of Utilization Plan

SBE, DVBE, CBE, and Social Enterprise Programs

Final Report: March 14, 2019



2019

County of Los Angeles, Department of Consumer & Business Affairs (DCBA)
Mid-Way Evaluation of Small Business and Social Enterprise Utilization Plan

Table of Contents

REFERENCES	4
Common Abbreviations.....	4
Definitions of Enterprise Categories	4
I – EXECUTIVE SUMMARY	7
Strengths and Accomplishments.....	7
Findings and Recommendations	9
Progress Against 2016 Utilization Plan	9
Increasing the Pool of Certified Vendors.....	9
Increasing the Likelihood of Certified Vendor Success in Contracting.....	11
Supporting County Departments in Achieving Their Goals.....	11
Managing Metrics and Data	12
Community Based Enterprises (CBEs) and Increasing Vendor Diversity.....	13
In Summary	14
II – BACKGROUND	15
Project Objectives and Scope.....	16
Tasks Completed	16
III – FINDINGS	18
Status Update, By Objective.....	18
Local Small Business Enterprises (LSBEs) (Chapter IV)	18
Disabled Veterans Business Enterprises (DVBES) (Chapter V)	20
Social Enterprise (SE) Preferential Program (Chapter VI).....	20
Marketing and Outreach (Chapter VII).....	23

Procurement and Contracting (Chapter VIII)	26
Technology and Measurements (Chapter IX).....	29
Annual Reporting and Award Recognition (Chapter X)	31
Community Based Enterprises (CBE)	34
CBE Program Overview.....	34
Research on Best Practices.....	34
CBE Pros and Cons	40
Barriers to Success	41
Increasing the Pool of Certified Vendors.....	41
Increasing the Likelihood of Certified Vendor Success in Contracting.....	42
Supporting County Departments in Achieving Their Goals.....	43
Managing Metrics and Data	43
Community Based Enterprises (CBEs) and Vendor Diversity	44
IV – RECOMMENDATIONS	45
Increasing the Pool of Eligible Vendors.....	45
Increasing the Likelihood of LSBE-DVBE-CBE Vendor Success.....	50
Supporting County Departments in Achieving Their Goals	54
Improving Data and Metrics.....	55
Community Business Enterprises (CBEs) and Increasing Vendor Diversity	58
V – IMPLEMENTATION PLAN.....	61
Causal Relationships of Recommendations	61
Implementation Timing.....	62
Increasing the Pool of Eligible Vendors	62
Increasing the Likelihood of LSBE-DVBE-CBE Vendor Success	63
Supporting County Departments in Achieving Their Goals.....	63
Improving Data and Metrics	64
CBEs and Vendor Diversity	64

APPENDIX A – KH FOCUS GROUP RESULTS	65
Quantitative Feedback	65
Qualitative Feedback.....	56
Increasing the Pool of Eligible Vendors	56
Increasing the Likelihood of Certified Vendor Success in Contracting.....	58
Supporting County Departments in Achieving Their Goals.....	60
Managing Data.....	61
Tracking Metrics and Success	63
APPENDIX B – KH DEPARTMENT SURVEY	64
Survey Methodology	64
Survey Design	64
Survey Distribution	64
Participant Profile.....	64
Survey Results	66
Progress in Plan Implementation	66
Accomplishments and Lessons Learned.....	70
Ideas for Future Improvements.....	71

REFERENCES

The following reference tools are provided for reading this report: a listing of common abbreviations and definitions of enterprise categories:

COMMON ABBREVIATIONS

California DGS	California Department of General Services
CBE	Community Business Enterprise (includes certified MBEs, WBEs, and DVBEs)
CBO	Community Based Organizations (e.g., nonprofits, faith-based, etc.)
CEO	Chief Executive Office
DBE	Disadvantaged Business Enterprise
DCBA	Los Angeles County Department of Consumer & Business Affairs
DVBE	Disabled Veteran Business Enterprise
ISD	Los Angeles County Internal Services Department
LA Metro	Los Angeles County Metropolitan Transportation Authority
LSBE	Local Small Business Enterprise
MBE	Minority Business Enterprise
OSB	DCBA's Office of Small Business
PTAC	DCBA's Procurement Technical Assistance Center
SAP	Simplified Acquisition Process
SBA	Small Business Advocate
SBC	Los Angeles County Small Business Commission
SBDC	Small Business Development Center
SE	Social Enterprise
TJOP	Transitional Job Opportunity Program
WBE	Woman Business Enterprise
WDACS	Los Angeles County Workforce Development and Community Services Department
WGI	Los Angeles County Women + Girls Initiative

DEFINITIONS OF ENTERPRISE CATEGORIES

The County of Los Angeles (County) Board of Supervisors (Board) has set procurement goals to increase awards to certified vendors. Certified businesses have submitted applications to DCBA to demonstrate their eligibility. Each program has different requirements. This report refers to them collectively as LSBE-DVBE-CBE-SE firms.

Enterprise Categories	Certification Requirements
Local Small Business Enterprise (LSBE)	LSBE entities have their main office in Los Angeles County for at least the last 12 months or have owners (officers in the case of a corporation) who live in California, and be certified by the California Department of

Enterprise Categories	Certification Requirements
	<p>General Service (DGS) that they are;</p> <ul style="list-style-type: none"> ■ Independently owned and operated ■ Not dominant in their fields of operation ■ With affiliates, either: <ul style="list-style-type: none"> ○ A business with 100 or fewer employees and an average annual gross receipts of \$15 million or less over the last three years, or ○ A manufacturer with 100 or fewer employees
Disabled Veteran Business Enterprise (DVBE)	<p>A DVBE is either:</p> <ul style="list-style-type: none"> ■ A certified Service Disabled Veteran Owned Small Business (SDVOSB) by the U.S. Department of Veterans Affairs (VA), or ■ A certified DVBE by the State of California, DGS, OSDS
Social Enterprises (SEs)	<p>A SE is an entity whose principal place of business is located in Los Angeles County, has a major office located in Los Angeles County; and meets any one of the following criteria:</p> <ul style="list-style-type: none"> ■ Has been in operation for at least one (1) year providing transitional jobs, including access to supportive services to a transitional workforce employing at least 51% of a transitional workforce ■ Is certified as a B Corporation by B Labs or is incorporated as a Benefit or Social Purpose Corporation with the State of California ■ Is certified Green by a city government located within Los Angeles County ■ Is a business whose primary purpose is the common good as demonstrated through a published mission statement and whose principal business activity is directly related to accomplishing that stated social mission
Community Based Enterprises (CBEs)	<p>A CBE includes businesses that are either certified Minority Business Enterprises (MBSs) or certified Women Business Enterprises (WBEs) by other agencies.</p>
Minority Business Enterprises (MBSs)	<p>A MBE must:</p> <ul style="list-style-type: none"> ■ Be independent and for-profit ■ Be owned by citizens or lawful permanent residents of the United States who are: <ul style="list-style-type: none"> ○ Black/African ○ Hispanic ○ Asian/Pacific Islander ○ Subcontinent Asian ○ Native American

Enterprise Categories	Certification Requirements
	<ul style="list-style-type: none">■ Have at least 51% ownership by one or more minorities■ Be at least 51% managed by and have daily business operations controlled by one or more minorities
Women Business Enterprises (WBEs)	<p>A WBE must:</p> <ul style="list-style-type: none">■ Be independent and for-profit■ Be owned by women who are citizens or lawful permanent residents of the United States■ Have at least 51% ownership by one or more women■ Be at least 51% managed by and have daily business operations controlled by women

Because so many of the recommendations apply to the under-utilized firms, KH Consulting Group (KH), who conducted this Mid-Way Evaluation, used the following acronyms:

- LSBE-DVBE-CBE-SE when referencing them collectively
- LSBE-DVBE-SE when referencing recommendations from the 2016 Utilization Plan and were part of the new ordinances the Board of Supervisors established in 2016
- LSBE-DVBE-CBE because of the many common characteristics they share in conducting business with the County
- LSBE-DVBE because these are the two preference programs where the Board has established goals

I – EXECUTIVE SUMMARY

The County of Los Angeles (County) Board of Supervisors (Board) has set procurement goals to increase:

- Local Small Business Enterprise (LSBE) utilization from 2.39% in FY 2014-15 to 25% by 2020
- Disabled Veteran Business Enterprise (DVBE) utilization from 0.02% to 3% by 2020
- Inclusion of Social Enterprises (SEs)
- Inclusion of Community Based Enterprises (CBEs) (i.e., Minority Business Enterprises (MBEs) Women Business Enterprises (WBEs), and Disadvantaged Business Enterprises (DBEs))

DCBA retained KH Consulting Group (KH), a certified LSBE, CBE, and WBE, to work with County departments in preparing a Utilization Plan in 2016. The purpose of this mid-way evaluation is to:

- Document progress to date
- Identify best practices that can lead to success
- Recommend initiatives to increase the likelihood of success

Because these under-utilized firms share similar challenges, the County has opportunities to coordinate its efforts in reaching out to them. That said, the programs are unique, have different eligibility requirements, require customized strategies in increasing the vendor pool sizes, and must have different data sorts for measuring success, by LSBE-DVBE-CBE-SE status.

STRENGTHS AND ACCOMPLISHMENTS

Approximately \$3.9 billion is the potential County goods and services that could be awarded to LSBEs. The 25% LSBE target equates to approximately \$1 billion. As of FY 2017-2018, County departments had awarded \$355 million to LSBE-DVBE-SE vendors. During the first half of FY 2018-2019, departments had awarded \$321 million to all LSBE-DVBE-SE vendors, indicating steady progress.

Departmental progress. There has been significant progress toward the goal of achieving 25% LSBEs awards in a few departments. Most departments reported some progress, with a few standouts.

- The Internal Services Department (ISD) reports quarterly to the Board. The most recent two quarters of purchases for ISD met the 25% goal for LSBE participation.
- Public Works has significantly increased its LSBE and DVBE awards and has fostered a culture of support for the program broadly across the department, regularly achieving or approaching the LSBE goal.
- Other smaller departments have contributed, as well. The Workforce Development and Community Services Department (WDACS) has innovated a master agreement contract for SEs that provides a vehicle for SE awards in many departments.

Simplified Acquisition Process (SAP). There have been notable successes in implementing recommended process changes. The establishment of the Simplified Acquisition Process (SAP) has facilitated awards to LSBE-DVBE-SE firms. According to the ISD Quarterly Report to the Board, departments are taking advantage of the Simplified Acquisition Process (SAP). SAP usage and trends during the second quarter of 2018-2019 were:

- 54% (19 of the 35 departments) used SAP to procure goods and services, totaling 85 purchase orders amounting to \$1.1million in purchases. The average value of the SAP purchase order was \$12,933.
- 60 certified vendors received awards through SAP.

In the last quarter of 2018, more than 300 awards were made using that process. Regardless of the increased use of SAP, it will take many SAP rewards to make a dent in achieving the 25% goal for LSBEs (or \$1 billion of the approximate \$3.0 billion in goods and services purchased that is eligible for LSBE to provide).

Outreach. Outreach by DCBA to LSBEs and ongoing support of vendors through the certification process has maintained the level of LSBEs. For marketing efforts, DCBA has:

- Expanded the production of collateral material targeted to different markets
- Collaborated with multiple external agencies, including the Small Business Development Centers (SBDCs), U.S. Small Business Administration, business Chambers of Commerce, and BizFed to expand their reach
- Conducted extensive direct outreach to small businesses, including email blasts to the California Department of General Services (California DGS) certified businesses in the Los Angeles area, email blasts to all County registered businesses, and calling and emailing County certified vendors whose certifications have or are about to be expired
- Coordinated with departments so that they routinely refer their vendors for possible certification
- Developed a digital toolkit, resource guide, and collateral material that departments can use to market the preference programs
- Launched an on-line certification portal (<http://certify.lacounty.gov/>) on November 30, 2018
- Updated the website to include new certification programs
- Updated certification information, certification instructions, and linkage to DCBA's Procurement Technical Assistance Center (PTAC) and Small Business (SB) Concierge registration
- Improved capability to conduct online certified vendor search by commodity (<http://camisvr.co.la.ca.us/lacobids/CertList/CTCommFrame.asp>)
- Produced implementation guidelines and indexes of business resources

- Developed videos for social media featuring Office of Small Business staff
- Continued to host and sponsor outreach events

SE certification. The County has established the first certification program for Social Enterprises in the State of California. The County has 143 certified SEs as of January 1, 2019.

FINDINGS AND RECOMMENDATIONS

Progress Against 2016 Utilization Plan

The 2016 Utilization Plan contained 24 objectives and action plans. Overall progress vis-à-vis the objectives is assessed as follows:

Objective Status	Number of Objectives	Percent of Objectives
Total Objectives:	24	100%
Objectives Achieved:	3	12%
In Progress and Ongoing:	10	42%
In Progress and Likely to be Achieved by Target Date:	--	--
In Progress and Likely to be Achieved, but Require Modified Target Date:	1	4%
In Progress, But Lagging Significantly:	5	21%
Minimal or No Progress:	5	21%

Chapter III presents KH's findings and Chapter IV outlines our recommendations in details.

Increasing the Pool of Certified Vendors

Findings

There has not been enough ground gained in attracting LSBE-DVBE-CBE-SE firms, willing to certify with the County. These low numbers of certified LSBE firms will make it difficult to achieve the County's 25% target.

Certified Vendors	2016 Number	2018 Number ¹	Percent Change
LSBE	1,282	1,398	9%
DVBE	27	247	815%
Social Enterprise (SE)	0	143	n.a.
CBE	--	675	n.a.

This small increase in LSBEs is attributed to:

¹ As of January 1, 2019.

- The expiration of California DGS certifications at the end of 2 years, leading to those vendors no longer being eligible for County certification
- Lack of perceived value by eligible vendors in completing certification applications
- Unwillingness of vendors to re-certify when they do not receive contracts in their initial period of certification, due to either their lack of capacity to bid effectively or the County's not requesting the goods or services they provide
- Vendor satisfaction with the level of work received from other jurisdictions

Departments also noted a mismatch between the kinds of products and services being solicited and the products and services offered by certified businesses.

Recommendations

Recommendation 1.1. Aggressively act to increase the pool of LSBE-DVBE-CBE-SE businesses registered with the County. Specifically, DCBA and departments should target, recruit, and increase outreach to vendor groups who can meet County purchasing needs.

Recommendation 1.2. Maximize the size of the certified vendor pool. This recommendation entails various efforts and changes. DCBA should pilot and run a tiered certification process for:

- Vendors to remain eligible for up to 4 years after the DGS expiration date when they swear that they continue to meet guidelines
- Individual eligible contractors (e.g., physicians and trainers who are under contract with the County, but do not show up as small businesses)
- Nonprofit organizations that might also meet LSBE criteria

DCBA should also implement post-award certification to allow LSBEs to receive prompt-pay.

In addition, DCBA should expand its media options for outreach efforts and track comparative effectiveness of outreach efforts.

Finally, DCBA and departments should make it easier for vendors to access information regarding the certification program and opportunities. To do this, the County should ensure that all departmental websites with purchasing or contracting pages include links to certification information and application forms.

Recommendation 1.3. Establish a County clearinghouse for procurement – certification, bid postings, outreach, and training – that can be used by other Los Angeles County-based jurisdictions. The County can take the lead in increasing cross-jurisdictional cooperation on LSBE, DVBE, CBE and SE contracting in the region.

Increasing the Likelihood of Certified Vendor Success in Contracting

Findings

The County wants to increase the likelihood of certified vendor success in contracting and procurement. Key vendor barriers continue to be:

- Unfriendly contracting process with multiple pages of terms and conditions
- High levels of insurance coverage
- A low maximum SAP level of \$25,000, which does not make it worthwhile for many firms to bid, given the time to prepare bid and proposal responses and comply with County requirements

In addition, not all vendors are sophisticated in how to succeed in County contracts (e.g., prepare persuasive County responses to RFPs or competitive bids, manage projects in accordance with County expectations, or invoice properly).

Recommendations

Recommendation 2.1. Expand opportunities for small businesses to compete only with one another for the provision of goods to the County by increasing the SAP limit to \$249,999.99. This increased limit is consistent with the maximum set by California DGS.

Recommendation 2.2. Reduce County contract and procurement barriers. Some examples entail DCBA, along with the Auditor-Controller and County Counsel, evaluating options for linking size and scope of insurance and indemnification requirements to contract. They should also work together to address the barrier imposed by the standard terms and conditions required for contracts.

Recommendation 2.3. Develop incentives for Prime contractors to include LSBE, DVBE, and CBE firms through pilot programs

Recommendation 2.4. Expand developmental opportunities for certified LSBE-DVBE-CBE-SE firms to increase the pool of contract-ready vendors

Supporting County Departments in Achieving Their Goals

Findings

Although DCBA has been working with Small Business Advocates (SBAs) across departments to inform and support progress, these efforts have not been sufficient. SBAs represent varying levels in their departments and have varying levels of influence and access to decision-makers. In addition, SBAs' longevity in departments is not consistent. Finally, the emphasis and focus on certified contracting widely differ across departments.

Recommendations

Recommendation 3.1. Establish a Utilization Steering Committee of selected department Directors or their representatives to monitor progress, share best practices, and recommend necessary changes

Recommendation 3.2. Establish a universal MAPP goal for department heads to achieve the utilization goals

Recommendation 3.3. Update County code to require DCBA to certify that departments have reached out to LSBE-DVBE-CBE-SE firms for all eligible contracts submitted to the Board

Recommendation 3.4. Increase training within County departments. This training should include both:

- Refresher training for all new department purchasing and contracting staff in how to plan for and implement LSBE-DVBE-CBE-SE vendor contracts.
- Training on how to access and use the County systems related to LSBE-DVBE-CBE-SE contracting and procurement

In addition, these training offerings should provide an opportunity to share best practices.

Managing Metrics and Data

Findings

There are major gaps in the metrics gathered and reported by the County that significantly hamper chances of success in the long run, including:

- The vendor database does not allow for separate identification of the target vendor groups. They are all included in the LSBE field. Therefore, identifying progress in CBE, DVBE and SE contracting requires a manual intervention or calculation.
- Standard eCAPS reports on LSBE participation levels do not reflect all LSBE payments and awards; for example, payments made to LSBE-DVBE-CBE-SE firms through Master Agreement Task Orders are not reflected.
- There are no standard reports of data relevant to planning and implementation, such as:
 - LSBE-DVBE-CBE-SE participation in the bidding process overall
 - WebVen self-reported LSBE-DVBE-CBE awards and participation

Recommendations

Recommendation 4.1. Develop the capacity to generate reports from the eCAPS system that reflect payments, work orders, and awards to certified and self-identified firms. ISD should develop the capacity to reflect LSBE-DVBE-CBE-SE data – both certified and self-identified – in the vendor database(s) used by County systems, such as WebVen and eCAPS. In addition, ISD, working with DCBA, should develop standard reports and scorecards that track progress quarterly and annually. (Note: Because of WebVen’s limitations, the County should consider a more holistic solution of a modern procurement system.)

Recommendation 4.2. Increase the effectiveness of WebVen as a tool to support departmental efforts to award to LSBE-DVBE-CBE-SE firms. To do this, ISD should include fields in the vendor

database that will separately identify LSBE-DVBE-CBE-SE firms, both certified and not-certified. In addition, ISD should establish the capacity for departments to run searches by commodity code and zip code. An ongoing effort should be put in place to improve the accuracy of WebVen data.

Finally, County should develop quarterly reports that identify LSBE-DVBE-CBE-SE firms that submit and have unsuccessful bid or bids for County work.

Community Based Enterprises (CBEs) and Increasing Vendor Diversity

Findings

The County has not established a complete program to track and manage vendor diversity. California law does not permit CBEs to receive any special preferences; CBEs that are also DVBEs, LSBEs or SEs are eligible for programs targeted to those vendors. Because of this situation, as discussed earlier, the County:

- Does not have an easy way to track awards or payments to CBEs
- Has not practiced strong outreach targeted to CBEs, such as to the National Association of Women Business Owners (NAWBO-LA), Black Business Association, Asian business associations, Hispanic Chambers of Commerce, etc.
- Does not have programs targeted to CBE development

Recommendations

Recommendation 5.1. Analyze vendor diversity and improve CBE vendor awareness to reflect County employee and population demographics. CBE success will increase when emphasis is placed on the subset of LSBEs that are minority- or women-owned, particularly in terms of the following recommendations:

- Increasing the pool of certified vendors capable of providing the goods and services acquired by the County by focusing on working with organizations focused on diversity
- Including CBE outreach and certification in the responsibilities of the proposed Los Angeles County Clearinghouse with services shared with other local jurisdictions
- Including efforts to reflect a proportionate number of CBEs for training and development opportunities
- Including both certified CBEs *and* self-identified CBEs when tracking CBE utilization rates
- Developing the capacity to easily separate CBEs from LSBE-DVBE-SE firms in County reports

IN SUMMARY

Together, the recommendations will generate a multi-pronged approach to achieving the Board of Supervisors' procurement goals.

- By developing more robust data and reports, marketing will provide County departments the information they need to plan the increase of LSBEs, DVBE, CBE and SE participation levels.
- By instituting MAPP goals on this issue and providing expanded purchasing options, departments will have resources and tools to increase LSBE-DVBE-CBE-SE participation levels.
- By making contracts friendlier to LSBE-DVBE-CBE-SE firms, the County can look forward to additional interest on the part of LSBE-DVBE-CBE-SE firms.
- By reflecting certified and self-identified LSBE-DVBE-CBE-SE firms in reporting and planning, the County can get a more complete picture of the impact it is making and have obvious vendors to target for certification.

II – BACKGROUND

The Los Angeles County (County) Board of Supervisors is the governing body of County government, consisting of 37 County departments with a net operating budget of \$30 billion and approximately 108,000 employees.

In 2016, the Board approved a Motion (Board Motion), as amended, that designated the Department of Consumer & Business Affairs (DCBA) as the Lead Department for implementing a “A Four-Year County Small Business and Social Enterprise Utilization Plan” (Utilization Plan) and re-launching the County’s Small Business Advocate Program.

The Board established procurement goals to:

- Increase Local Small Business Enterprise (LSBE) utilization from 2.39% in FY 2014-15 to 25% by 2020
- Increase Disabled Veteran Business Enterprise (DVBE) utilization from 0.02% to 3% by 2020
- Develop a Social Enterprise (SE) certification that increases the inclusion of social enterprises in County purchasing and procurement

The Social Enterprise (SE) program was a new initiative that was expanded and built on the success of the Transitional Job Opportunity Program (TJOP).

Given the rapid time line, DCBA retained KH Consulting Group (KH), a certified LSBE, to assist in preparing the Utilization Plan in March 2016 through July 2016. KH:

- Worked with more than 50 County departmental representatives, serving on the County Inter-Department Work Group (CIWG)
- Facilitated more than 27 two-hour meetings with CIWG to develop the Action Plans
- Reviewed the proposed changes with the County’s Small Business Commission and departmental leadership
- Facilitated three Business Forums with LSBE-DVBE-SE organizations and associations
- Conducted an online survey of the business community with 2,271 respondents



After reviewing the Utilization Plan, the Board adopted three new ordinances, focused on LSBE-DVBE-SE firms. The benefits of these Board ordinances are significant to encourage:

- Establishment of new businesses
- Growth of existing small businesses

- Creation of new local and disadvantaged worker employment opportunities
- Achievement of economic (housing and employment), social, health, and environmental goals through innovation and private sector partnerships

PROJECT OBJECTIVES AND SCOPE

Two years have passed since DCBA started working with County departments to implement the Utilization Plan. DCBA has requested KH to evaluate progress made to date – a two-year “look back” and a two-year “look forward.” The purpose of the mid-way evaluation is to identify:

- Accomplishments
- Progress made vis-à-vis the recommendations and action plans in the 2016 Utilization Plan in the areas of procurement changes, technology requirements, marketing and outreach efforts, certification process, LSBE-DVBE vendor pool size, and metrics
- Best practices and lessons learned within the County and proven effective with the State of California government
- Utilization Plan metrics important to display on a dashboard or some other format for tracking progress made, by department and for the County overall
- Linkage of procurement goals to MAPP goals in County departments
- Recommendations for needed improvements or adjustments (e.g., processes, procedures, resources, systems, departmental recognition award programs, etc.) to help DCBA and the County departments to achieve the procurement goals (Note: Some of these recommendations might require systemic changes.)

A County goal is also to reinforce efforts for: *“...inter-Departmental and cross-sector collaboration that measurably improves the quality of life for the people and communities of Los Angeles County.”* The Utilization Plan requires this kind of collaboration across departments.

TASKS COMPLETED

KH completed the following tasks:

- Reviewed data and documents, including:
 - DCBA progress reports and updates
 - Data on vendors/contractors and certified LSBE-DVBE-CBE-SE firms
 - County departmental data on utilization trends and forecasts
 - Marketing efforts
 - eCAPS data on Utilization Plan metrics
 - Small Business Advocates’ meeting agenda and reports
 - Departmental procurement forecast reports
 - Other relevant documents

- Interviewed DCBA leadership and involved staff and reviewed processes for LSBE-DVBE-CBE-SE certification
- Solicited input from Board Offices to identify what their concerns are regarding the efforts to date in meeting the goals
- Solicited input from 6 Small Business Commission representatives through conference calls and an in-person meeting
- Interviewed 14 individuals from other County departments regarding what works, progress made, and needed enhancements
- Conducted 6 Q² focus groups with 32 participants from 11 departments and Board Offices during November-December 2018 to solicit feedback regarding progress made and challenges experienced
 - Participants included procurement management, Small Business Advocates, and individuals fulfilling procurement functions within departments.
 - KH's Q² approach in focus groups provides both quantitative and qualitative feedback, summarized in Appendix A.
- Conducted an online survey of selected executive, managerial, and purchasing or contracting staff from all County departments, as well as members of the Small Business Commission (SBC), summarized in Appendix B – KH Department Survey Results
 - Overall, 67 County representatives from 28 County departments responded to the survey.

III – FINDINGS

The Utilization Plan consists of a series of objectives and action plans. The findings discuss progress vis-à-vis the established objectives and issues encountered.

STATUS UPDATE, BY OBJECTIVE

The 2016 Utilization Plan contained 24 objectives and action plans. Overall progress vis-à-vis the objectives are:

Objective Status	Number of Objectives	Percent of Objectives
Total Objectives:	24	100%
Objectives Achieved:	3	12%
In Progress and Ongoing:	10	42%
In Progress and Likely to be Achieved by Target Date:	--	--
In Progress and Likely to be Achieved, but Require Modified Target Date:	1	4%
In Progress, But Lagging Significantly:	5	21%
Minimal or No Progress:	5	21%

The number of certified vendors is critical to achieving the County's goals.

Certified Vendors	2016 Number	2018 Number ²	Percent Change
LSBE	1,282	1,398	9%
DVBE	27	247	815%
Social Enterprise (SE)	0	143	n.a.
CBE	--	675	n.a.

The following discussions compare the 2016 status with progress made by 2018. The topics align with the objectives contained in Chapter IV through Chapter X in the 2016 Utilization Plan.

Local Small Business Enterprises (LSBEs) (Chapter IV)

2016 Status

Approximately 1,282 small businesses were certified as LSBEs in the County in 2016. These small numbers did not reflect the potential number of LSBEs since many had not gone through the

² As of January 1, 2019.

certification process. The Utilization Plan recommended steps to grow the size of the LSBE vendor pool:

- Through increased reciprocity and inclusion of certifications accepted from other jurisdictions, including LA Metro. The emphasis is on inclusiveness – “reciprocity.”
- By tracking a subset of LSBEs – microbusinesses – to determine if the County should offer special initiatives to make it easier for them to do business with the County

2018 Progress Made

The number of certified small businesses has not appreciably increased. Despite significant DCBA and other County departmental effort, including recognition of LA Metro certifications, the number of County certified LSBEs was 1,398 as of January 1, 2019 – a 9% increase since 2016.

In collaboration with ISD, DCBA modified the LSBE online application to include a microbusiness checkbox. In addition, California DGS designates businesses as “Micro” during the review of the vendor’s application for LSBE or DVBE certification. With this added enhancement, DCBA is able to request ad hoc reports from ISD to track utilization of microbusinesses. Special incentives for microbusinesses have not been proposed.

Objective Status	Suggested Directions, Given Progress Made
Objective IV.1: Beginning July 2016, promote multiple certification options and maximum inclusiveness among certifying entities, including but not limited to Federal, State, and LA Metro	
In progress and ongoing	<p>DCBA created a process to accept LA Metro small business certified vendors after they attest that they meet the State’s definition of a small business. Expansion beyond LA Metro and State certification has been limited, and alternate strategies are being considered.</p> <p>The County has not significantly increased the number of LSBEs and DVBEs because California DGS certifies LSBEs and DVBEs for only a two-year period after which enterprises must resubmit their paperwork. Even with significant marketing and outreach, DCBA has barely been able to keep up with expiring certifications.</p> <p><i>Recommendation going forward:</i> Pursue other avenues (e.g., common application or central clearing house)</p>

Disabled Veterans Business Enterprises (DVBEs) (Chapter V)

2016 Status

Approximately 27 firms were certified DVBEs in the County in 2016. Because DVBEs are part of a national program, the County had an opportunity to increase the number certified by reaching out to other jurisdictions in California and major cities and inviting their DVBEs to register and become certified with the County.

2018 Progress Made

As of January 1, 2019, the County has 247 certified DVBEs – an eight-fold increase. This number represents a significant improvement, although the baseline number were few (n=27 certified DVBEs in 2016).

DCBA has conducted outreach to DVBEs across the United States after obtaining DVBE lists from different jurisdictions, including LA Metro, U.S. Veterans Administration (VA), and the Elite Disabled Veteran Alliance. Staff members also regularly attend business meetings hosted by the Elite Disabled Veteran Alliance to promote the County's preference programs and small business services.

DCBA has continued to use both the VA's Service-Disabled Veteran –Owned Small Businesses (SDVOSB) program and the California DGS's DVBE certifications as qualifiers for the DVBE preference program. Also, in an effort to streamline the certification process, once a vendor is certified under the County DVBE preference program, DCBA automatically includes that vendor in the CBE program without the need of a separate application.

Some departments have undertaken significant DVBE outreach efforts. Reporting on DVBE awards is hampered by data gaps and challenges.

Objective Status	Suggested Directions, Given Progress Made
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Objective V.1: Identify goals and objectives and outline action steps to attain procurement goals of 3% for DVBEs by 2020 in the County of Los Angeles

In progress and is likely to be achieved, but requires modified target date	<p>The due date for this objective has not yet arrived. Data limitations may be hampering achievement of this objective</p> <p><i>Recommendation going forward:</i> After data and reports are developed, develop departmental strategic approaches to increasing DVBE awards.</p>
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Social Enterprise (SE) Preferential Program (Chapter VI)

The purpose of the SE Preferential Program is to enhance the quality of life of Los Angeles County residents, particularly the 18.4% individuals living below the poverty line, through economic and

environmental sustainability. The County is in many ways a pioneer in launching the County SE initiative.

Four of the five focus areas of the SE Preferential Program are aimed at specific at-risk or vulnerable populations in the County, involving finding employment for economic sustainability, providing housing for the homeless and at-risk individuals, delivering health and mental health services, and providing social services. The fifth focus area – environmental sustainability – differs in that it certifies businesses that use green practices.

2016 Status

County Counsel drafted a SE ordinance for the Board’s consideration and which the Board approved. Once approved, DCBA was to monitor progress.

Finally, the Utilization Plan has an objective to have at least one department embark on a set-aside pilot for SEs that could then be expanded to other departments.

2018 Progress Made

Most SEs are not-for-profit organizations. They are not eligible for certification by the State, which only reviews profit-making business enterprises.

In consultation with relevant departments and after convening a Social Enterprise Advisory Group, **DCBA developed the nation’s first government administered SE certification.** The Board of Supervisors approved the SE ordinance, and DCBA designed the process, procedures, forms, educational tools, and an online application with linkages to ISD technology to track SE utilization. DCBA certifies SEs for the County in the absence of State certification. As of January 1, 2019, there were 143 certified SEs.

WDACS developed a master agreement to encourage and increase the utilization of SE certified vendors. DCBA assisted WDACS in the development of a one-page instruction sheet to educate newly certified SEs regarding the SE master agreement and instructions on how to apply.

The County buys significant services from non-profit organizations, especially to support homeless, health, and other social service initiatives. Much of Proposition H funding goes to those organizations, many of which also rely on employees with “lived experience” to provide those services.

Objective Status	Suggested Directions, Given Progress Made
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Objective VI.1: On May 24, 2016, prepare the TJOP ordinance with broader Social Enterprise implications for Board consideration	
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Objective Status	Suggested Directions, Given Progress Made
Objective Achieved	<p>On June 23, 2016, DCBA presented a report to the Board recommending the transition from TJOP to Social Enterprise (SE), including changing the name to the Social Enterprise Preference Program and expanding certification to: <i>“any entity that has been in operation for at least one year, providing transitional or permanent employment to an underemployed or difficult-to-employ workforce and/or providing social, environmental or human justice services,”</i> and implementing the \$150,000 cap on price preference.</p> <p><i>Recommendation completed</i></p>
Objective VI.2: By June 2016, implement a SE certification program and monitor progress made annually through June 2020	
In progress and ongoing	<p>The County has developed a certification process. This certification was developed in a way that ensures that it is inclusive of any enterprise that has a mission for the common good.</p> <p>SE certified vendors receive up to a 15% bid price reduction when bidding competitively on eligible County contracts and purchases.</p> <p><i>Recommendation going forward:</i> After data and reports are developed, continue to monitor</p>
Objective VI.3: By June 2017, build on the local green business certification initiatives in place in cities in Los Angeles County and pilot a program with the unincorporated areas	
In progress and ongoing	<p>As of December 2016, vendors could certify as a SE when they provide proof of green certification from a government agency in Los Angeles County. As additional cities adopt a green certification program, they will become qualifiers for SE certification. This effort has not been pursued actively.</p> <p><i>Recommendation going forward:</i> Monitor as part of SE Preferential Program since this program is in its infancy. Revisit the initiative in 2020 to determine how to leverage it as part of the County’s social responsibility and environmental efforts.</p>
Objective VI.4: Beginning June 2017, pilot a SE set-aside initiative	

Objective Status	Suggested Directions, Given Progress Made
In progress and ongoing	<p>WDACS developed an SE master agreement to encourage and increase the utilization of SE certified vendors.</p> <p><i>Recommendation going forward:</i> Track SE inclusion and evaluate need for set-aside. The County spends significant resources with non-profit organizations. The amount has significantly increased with the implementation of Proposition H. The need for set-aside contracts for SEs may not be necessary.</p>

Marketing and Outreach (Chapter VII)

2016 Status

The Utilization Plan outlined the need for DCBA to implement a targeted marketing campaign to advertise the benefits of being a County certified LSBE or DVBE, including the price preference in County solicitations for goods and services, small business liaison and concierge services, and the 15-day prompt payment program for LSBEs.

The marketing and outreach initiatives were to involve five components:

- Branding & communication channels
- Market segmentation (identify audiences)
- External marketing and education for LSBE-DVBE-SE firms
- Internal departmental marketing and education
- Progress monitoring

In addition, the Action Plan acknowledged the need for DCBA to focus:

- Its initial efforts on firms that have had some experience in governmental procurement and contracting, but may not be certified with the County
- In working with businesses that may have not pursued governmental contracting and procurement, but need a better understanding of how the system works, how to be more tactical on what to bid, and how to respond

2018 Progress Made

DCBA has:

- Expanded the production of collateral material targeted to different markets
- Collaborated with multiple external agencies, including the Small Business Development Centers (SBDCs), U.S. Small Business Administration, business Chambers of Commerce, and BizFed to expand their reach

- Conducted extensive direct outreach to small businesses, including email blasts to California DGS’s certified businesses in the Los Angeles area, email blasts to all County registered businesses, and calling and emailing County certified vendors whose certifications have or are about to be expired.
- Coordinated with departments so that they routinely refer their vendors to for possible certification.
- Developed a digital toolkit, resource guide, and collateral material that departments can use to market the preference programs
- Updated the website to include new certification programs
- Updated certification information, certification instructions, and linkage to PTAC and Small Business (SB) Concierge registration
- Improved capability to conducted certified vendor search by commodity
- Produced implementation guidelines and indexes of business resources
- Developed videos for social media featuring Small Business staff
- Continued to host and sponsor outreach events

It is difficult to know the full impact of these efforts; the County does not track how many small businesses submit bids for commodity or service contracts and cannot separate out DVBE from LSBE awards in its reporting.

The bottom line for the marketing efforts is that the County has not significantly increased the number of LSBEs and DVBEs. This situation is because California DGS only certifies LSBEs and DVBEs for a two-year period after which enterprises must resubmit their paperwork. Even with significant marketing and outreach, DCBA has barely been able to keep up with expiring certifications.

Marketing and outreach are important for growing the LSBE-DVBE-CBE-SE vendor pool. The primary complaints of departments are:

- We do not have enough vendors to cover the breadth of County commodity codes.
- Many of the certified LSBE-DVBE firms are in the service, not commodities, industries.
- The pool needs to be larger to expend the amount of dollars to reach the Board goals.

DCBA is unable to track how successful different modes of outreach are in generating new certified businesses or in the number of certified businesses who submit bids.

Objective Status	Suggested Directions, Given Progress Made
Objective VII.1: Branding – Develop a Small Business Utilization messaging strategy for reaching out to LSBE-DVBE-SE firms	

Objective Status	Suggested Directions, Given Progress Made
In progress and ongoing	<p>DCBA has developed a messaging strategy:</p> <p><i>LA County Contracting Connections: Certify Connect Grow.</i></p> <p><i>Recommendation going forward:</i> Continue to pursue and modify as necessary</p>
Objective VII.2: Identify audiences – Launch a stratified marketing campaign for LSBE-DVBE-SE firms to learn how to become certified, identify bid opportunities, and prepare competitive bids	
In progress and ongoing	<p>DCBA identified these audiences:</p> <ul style="list-style-type: none"> ■ Active business owners ■ Inactive business owners ■ Chambers and business associations ■ Media <p><i>Recommendation going forward:</i> Continue to pursue and modify as necessary</p>
Objective VII.3: External marketing and education – Launch a campaign for LSBE-DVBE-SE firms to learn how to become certified, identify bid opportunities, and prepare competitive bids	
In progress and ongoing	<p>DCBA has upgraded/ expanded the library of printed material including brochures for the LSBE-DVBE-SE preference programs. DCBA developed messaging tactics specifically tailored to the identified target audiences.</p> <p>Information about certification and how to identify bid opportunities was included. A full multi-media marketing campaign has not been implemented.</p> <p><i>Recommendation going forward:</i> Continue to pursue by targeting efforts towards commodity codes purchased by departments that are underrepresented</p>
Objective VII.4: Internal departmental education – Prepare needed information for departmental procurement staff to readily learn how to identify and use LSBE-DVBE-SE firms in the purchase of goods and services	

Objective Status	Suggested Directions, Given Progress Made
In progress and ongoing	<p>DCBA has conducted trainings to procurement and contracting staff and managers from County departments regarding the LSBE-DVBE-SE Preference programs.</p> <p>In addition, DCBA worked with ISD to launch an online filter in May 2017 that gives County buyers the ability to search for certified vendors by certification type and commodity. The link to the filter is available to the public.</p> <p>DCBA demonstrated how to use it to the Small Business Advocates (SBAs). Turnover in departmental contracting, purchasing, and SBA staff has led to the need for ongoing training in this area.</p> <p><i>Recommendation going forward:</i> Continue to pursue</p>
Objective VII.5: Monitoring pilots and progress – Monitor effectiveness of marketing and outreach efforts on a quarterly basis	
In progress and ongoing	<p>While DCBA keeps close track of overall marketing and outreach effectiveness by tracking the number of certified vendors, there is no regular assessment of the success of individual outreach events.</p> <p><i>Recommendation going forward:</i> Continue to pursue with added emphasis on the effectiveness of different modes of outreach</p>

Procurement and Contracting (Chapter VIII)

2016 Status

In response to the January 12, 2016, Board Motion, the following procurement and contracting changes were established:

- 15% price preference with a cap of \$150,000 (applied to the lowest bid of up to \$1 million) for LSBE-DVBE-SE firms
- Increasing the delegated authority of departments up to \$25,000 with two bids for LSBE-DVBE-SE firms through the Simplified Acquisition Process (SAP)
- Piloting of a set aside procurement approach for LSBEs or DVBEs

The specific recommended actions were:

- Simplification of contract terms (based on input from the business community)

- Providing incentives for Primes to use LSBE-DVBE-SE firms as subcontractors, building on the successful practices at other governmental jurisdictions that had achieved higher LSBE and DVBE participation rates
- Track Prime and subcontractor arrangements (e.g., LSBE-DVBE-CBE-SE use rates in terms of time and money)³

2018 Progress Made

The County has reported significant progress in the implementation of price preferences and in evaluating contracts for simplification.

According to ISD, “County departments are authorized to acquire goods or services from \$5,001 up to \$24,999 directly from a certified Local Small Business Enterprise, a certified Disabled Veteran Business Enterprise or a certified Social Enterprise, also referred to as ‘Preference Program Entity’ or PPE, by using a two-bid process.”

Exclusions and restrictions to the SAP policy include:

- Personal services agreements for medical or health-related patient care services
- Social service contracts that require department-specific monitoring efforts or measurable outcomes
- Any service that is, or will, be ongoing and exceed \$25,000 in the aggregate

The contract simplification initiative was seen by KH Department Survey respondents as the most important initiative to be implemented – 71% (27 of 38 respondents) recommended that its implementation be accelerated on the KH Department Survey. It was the only partially-implemented recommendation that received no support for abandonment.

To date, DCBA has not been able to make progress on tracking Prime and subcontractor arrangements.

Objective Status	Suggested Directions, Given Progress Made
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Objective VIII.1: By May 2016, implement higher price preference and revised cap for all eligible County purchases

Objective Achieved	On July 12, 2016, the Board of Supervisors instructed the County Counsel to make appropriate changes to the ordinances. <i>Recommendation completed</i>
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³ Note: Many in the business community were upset when a Prime recruited them to be part of a bid and then never used the business once the Prime won the contract.

Objective Status	Suggested Directions, Given Progress Made
Objective VIII.2: By May 2016, implement necessary changes to permit awards up to \$25,000 with two bids for LSBE-DVBE-SE firms	
Objective Achieved	<p>On July 12, 2016, the Board of Supervisors instructed the County Counsel to make appropriate changes to the ordinances.</p> <p><i>Recommendation completed</i></p>
Objective VIII.3: By July 2017, complete evaluation of pilot set aside procurement approach	
Minimal or no progress	<p>The Simplified Acquisition Process (SAP) allows departments to offer small businesses the first opportunity to bid on contracts under \$25,000 with two certified vendors, and on contracts up to \$5,000 with one certified vendor bid. In some ways, SAP is a form of a set-aside program, although the County has no formal set-aside approach.</p> <p><i>Recommendation going forward:</i> Assess opportunity and need based on SAP effectiveness and changes</p>
Objective VIII.4: By May 2017, evaluate contract term simplification for LSBE-DVBE-SE firms	
In progress and ongoing	<p>The County established a working group to evaluate the need for and means to streamline contract documents. The working group consisted of representatives from the Chief Executive Office (CEO), Auditor-Controller, County Counsel, Department of Human Resources, Department of Health Services, DCBA, and ISD. The focus on the working group was on staffing, solicitation process, Board approval process, and additional options. The working group issued a report of recommendations addressing six opportunities on February 28, 2019.</p> <p><i>Recommendation going forward:</i> Continue to pursue and implement recommendations</p>
Objective VIII.6: By June 2018, launch a pilot project that provides incentives for Primes to use LSBE-DVBE-SE firms as subcontractors	

Objective Status	Suggested Directions, Given Progress Made
Minimal or no progress	<p>There is currently no such pilot project. Public Works began an evaluation of hardware and procedures, but there was no publicized conclusion from the effort.</p> <p><i>Recommendation going forward:</i> Increase focus on this objective as a key part of recognizing subcontractor payments</p>

Technology and Measurements (Chapter IX)

2016 Status

In 2016, the Utilization Plan recognized that the County needed a data reporting system for planning, implementing, and monitoring the targets for LSBEs and DVBEs and participation rates of SEs. Specific recommendations entailed:

- Addressing departmental inconsistencies in the use of the Object Codes, so that departments could become more sophisticated about assessing what contracting and purchasing opportunities might be opportunities for LSBE-DVBE-SE firms
- Increasing transparency by posting Utilization Plan efforts on the County's Open Data website
- Improving and expanding WebVen
 - Note: In 2014, ISD had approximately 73,000 vendors registered on WebVen, but not all vendors had maintained current information. While conducting the 2016 KH Business Survey, between 19,000 and 20,000 emails bounced back as "undeliverable."
- Developing a data reporting system for planning, implementing, and monitoring the Utilization Plan targets for LSBEs and DVBEs and participation rates of SEs.
- Improving departmental inconsistencies in the use of the Object Codes so that departments can become more sophisticated about assessing what contracting and purchasing opportunities might be opportunities for LSBE-DVBE-SE firms.

2018 Progress Made

Availability of useful data to plan and implement a program remains a critical need. On the basis of interviews, focus group input, and the KH Department Survey, there is room for additional progress in many areas:

- Keeping WebVen up to date and accurate is an ongoing challenge. Many registered vendors are not motivated or do not remember to keep their data up-to-date – especially when they are not being awarded contracts.

- Departments report varying degrees of effectiveness in applying object codes consistently – only three surveyed departments had respondents who claimed that the initiative was completed.
- County database systems cannot readily report separate award or payment information. All preference awards are grouped together and listed as LSBE awards (i.e., DVBE and SE awards are included in the LSBE category).
- Tracking payments to subcontractors is time-consuming for both Prime vendors and for County program managers.

Objective Status	Suggested Directions, Given Progress Made
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Objective IX.1: By December 2017, implement a data reporting system for use by departments as well as DCBA in planning, implementing, and monitoring of LSBE-DVBE-SE utilization

In progress, but lagging significantly	<p>ISD has developed the capacity to report on LSBE awards; however, the system does not permit distinguishing among LSBE-DVBE-SE firms.</p> <p>DCBA is currently working with IT to develop reporting mechanisms</p> <p><i>Recommendation going forward: Accelerate implementation</i></p>
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Objective IX.2: By June 2017, increase consistency in assigning Object Codes for similar commodities and services purchased by County departments

Minimal or no progress	<p>Staff members report that object code assignment is not consistent across or even sometimes within departments. Training has not significantly improved the consistency.</p> <p><i>Recommendation going forward: Abandon; focus instead on commodity code understanding</i></p>
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Objective IX.3: By January 2017, pilot approaches to track payments to LSBE-DVBE-SE subcontractors

In progress, but lagging significantly	<p>Tracking payments to subcontractors is time-consuming for both Prime vendors and for County program managers. For simple contracts with only one level of subcontracting, it can potentially be handled manually. For more complex projects with several levels of subcontracting, special software is required.</p> <p><i>Recommendation going forward: Accelerate implementation</i></p>
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Objective Status	Suggested Directions, Given Progress Made
Objective IX.4: By June 2017, post on the County's Open Data website, the total contract dollars expended with LSBE-DVBE-SE firms for the purchase of commodities	
Minimal or no progress	<p>There are currently no data on LSBE-DVBE-CBE-SE awards on the County's website.</p> <p><i>Recommendation going forward:</i> Continue to pursue after data issues are resolved and quarterly reports to departments and the Board of Supervisors are established. Post reports on the County's Open Data site after the Board of Supervisors is satisfied with the report details. This recommendation is consistent with Objective X.2.</p>
Objective IX.5: By December 2017, establish a means to regularly purge WebVen database	
In progress, but lagging significantly	<p>This objective is an ongoing project, requiring vendors to take action. DCBA, Auditor-Controller, and ISD are currently developing criteria to label vendors as inactive when they do not submit bids or get awards over an extended period of time.</p> <p><i>Recommendation going forward:</i> Continue to pursue</p>

Annual Reporting and Award Recognition (Chapter X)

For the County to achieve the Board's LSBE and DVBE targets requires the efforts of every department. Departments know best what they need in terms of services, goods, and equipment and, in turn, what services, goods, and equipment might be identified as opportunities for LSBEs and DVBEs.

2016 Status

The Utilization Plan outlined the importance of:

- Each department developing a Mini-Utilization Plan, building off of the County-wide Utilization Plan, to identify LSBE-DVBE opportunities, monitor progress toward the targets, and make adjustments as needed each year
- DCBA aggregating the results across the departments and reporting to the Board via an annual scorecard format
- The County recognizing those departments that have made good progress through a recognition award program, patterned after a successful program at the State level

2018 Progress Made

On the basis of interviews, focus group input, and the KH Department Survey, progress in this area is uneven. Departments do not uniformly view the tool as helpful. Only 16% (6 of 37 respondents) on the KH Department Survey noted that the Mini-Utilization Plans were completed and ongoing; less than one-half claimed that they were more than 50% completed. Some of the interviews echoed the reluctance to focus on Mini-Utilization plans. Reasons cited include:

- Lack of hard data
- Unpredictability of the bidding process – both in timing of actual bids and contracts that are to be issued and likelihood of small business participation when they are issued
- Lack of certified small business information

Other metrics were considered in developing recognition awards.

DCBA launched a recognition program in 2017 with awards given out in multiple categories. The awards program was well received by the County departments on the KH Department Survey.

2017 Award Recipients

- **Procurement Staff Recognition Award:** Renee Bustillos – Shared Services/Auditor Controller
- **Excellence in Innovation:** Internal Services Department
- **Excellence in Collaboration (2 recipients):** Department of Public Works and Workforce Development, Aging & Community Services
- **Advocate of the Year:** Paul Goldman, Workforce Development, Aging & Community Services
- **Notable Achievement – SE Utilization small/mid- sized department:** Workforce Development, Aging & Community Services
- **Notable Achievement – SE Utilization Large sized department:** Parks and Recreation
- **Notable Achievement – DVBE Utilization small/mid-sized department:** County Counsel
- **Notable Achievement – DVBE Utilization Large sized department:** Fire
- **Notable Achievement – LSBE Utilization small/mid- sized department:** Military and Veterans Affairs
- **Notable Achievement – LSBE Utilization Large sized department:** Department of Public Works
- **Excellence in Collaboration with the County of Los Angeles:** City of Los Angeles
- **Special Recognition:** Gerald Plummer, Internal Services Department

Status	Suggested Directions, Given Progress Made
Objective X-1: Have each department develop Mini-Utilization Plans with tactics to achieve their respective goals of 25% for LSBEs and 3% for DVBes	
In progress, but lagging significantly	<p>DCBA has met regularly with departments on the development of the Mini-Utilization Plans. Not all departments complete them. In the KH Department Survey, 10 departments indicated that no progress was made on the plans; respondents from 3 departments reported 100% completion.</p> <p><i>Recommendation going forward:</i> As data become more readily available, DCBA should work with departments on strategic approaches to achieve the goals, starting with:</p> <ul style="list-style-type: none"> ■ Addressing under-representation of LSBEs in commodity codes about to be acquired by the departments ■ Establishing guidelines or requirements for staff to follow that will increase awareness
Objective X-2: Implement an annual scorecard that summarizes the County's overall progress and economic and business impact in working toward achievement of the goals of 25% for LSBEs and 3% for DVBes	
Minimal or no progress	<p>There is no scorecard.</p> <p><i>Recommendation going forward:</i> Consistent with Objective IX-4, continue to pursue after data issues are resolved and quarterly reports to departments and the Board of Supervisors are established. Post reports on the County's Open Data site after the Board of Supervisors is satisfied with the report details.</p>
Objective X-3: By June 2017, develop a County Agency Recognition Award (CARA) program with annual awards and celebrations	
Objective Achieved and Ongoing	<p>In November 2017, DCBA held the first recognition award ceremony. This ceremony was highly popular among County employees in the KH Department Survey.</p> <p><i>Recommendation going forward:</i> Continue to hold recognition ceremonies.</p>

COMMUNITY BASED ENTERPRISES (CBE)

The CBE program was not part of the 2016 Utilization Plan scope of work. In October 2018, the Board asked DCBA to assess:

- Whether the County's existing data systems may be used to produce a baseline report on CBE utilization
- Research on improving public sector contracting with CBEs, including two key studies:
 - Harvard Kennedy School's Government Performance Lab
 - Government Alliance on Race and Equity (GARE)
- Identify best practices that could be applied in the County
- Review the current CBE registration processes, certification reciprocity, and utilization tracking and reporting practices both at the departmental and County-wide levels

CBE Program Overview

DCBA currently certifies CBEs as minority- and women-owned businesses and recognizes DBEs certified under the Unified Certification Program. To qualify, the firm must demonstrate that it is majority owned and controlled by the qualifying individual. To verify eligibility, DCBA requires vendors to submit additional documentation, proving their minority, woman, or DBE ownership status. As of January 1, 2019, there were 675 certified CBEs in the County.

DCBA does not independently verify whether the business is actually controlled on a day-to-day basis by the minority or woman owner. That is a time-consuming responsibility; adding that element would divert staff from other efforts with a more immediate impact on certified vendor awards.

Research on Best Practices

Many of the research best practices are applicable to LSBE-DVBE-SE firms as well as CBEs.

Harvard Kennedy School's Government Performance Lab

This table highlights the best practices from the Harvard Kennedy School's Government Performance Lab that are incorporated into KH's 2018 recommendations in this report:

Harvard Performance Lab Best Practices	County of Los Angeles	KH 2018 Recommendations
Develop systems to track progress against goals	In progress	Recommended in 2016 and 2018
Assign dedicated staff that use data to target outreach and technical assistance	The County has such dedicated staff in DCBA's Office of Small Business and its Concierge Services and Procurement	Done; ongoing
Provide one-on-one support and guidance to vendors on	Technical Assistance Center	Done; ongoing

Harvard Performance Lab Best Practices	County of Los Angeles	KH 2018 Recommendations
the... requirements for business registration, certification, bidding, contracting, and payment processes	(PTAC), and combined with the Small Business Advocates in the departments	
Conduct workshops on business development in predominantly low-income or minority neighborhoods ⁴	Training events planned in conjunction with the Board offices	Recommend more targeted training workshops
Partner with nongovernmental organizations to increase access to capital and pro bono legal services for smaller vendors	In progress	Continue progress, building on DCBA's Entrepreneur Center and related initiatives
Attend community group meetings, including those affiliated with churches and trade organizations	In progress	Recommend outreach to: <ul style="list-style-type: none"> ○ All groups focusing on MBEs/WBEs ○ Trade organizations aligned with commodities and services to be purchased ○ CBOs and faith-based organizations that have access to LSBEs, MBEs, WBEs, and DVBES ○ Print media (in multiple languages) that reach LSBE-DVBE-CBE-SE firms
Cold-call publicly listed businesses to inform them of new bidding opportunities	Some departments reach out to businesses	
Streamline procurement processes and strategically structure contracts	In progress	Recommend
Improve timeliness of payment to vendors	Done	Agree

⁴ Particularly important for increasing MBE participation

Harvard Performance Lab Best Practices	County of Los Angeles	KH 2018 Recommendations
Encourage departments to eliminate or lessen deposit or bonding requirements when possible		Recommend review of all insurance and indemnification
Clarify language on the contractor registration website and create a single landing page for all interested organizations	The County currently has three essential vendor websites: WebVen for vendor registration, Vendor Self-Service for enhanced WebVen features, and the Certification portal to apply for certification programs	Recommend including information regarding certifications on WebVen's homepage. Whenever a vendor registers, ISD sends email confirmations, the County's first point of contact with potential vendors. In the future, ISD could include a toolkit for finding business opportunities, applying for the County's various certification programs, describing the County's procurement process works, etc. Recommend linking all County vendor portals
Facilitate partnerships between new and established firms, including by sharing contact information between businesses that attend information sessions about procurements	Varies by department.	
Share RFI responses to publicize which vendors are potentially interested in a procurement, both to facilitate the formation of joint ventures between firms and provide a window into how competitors view the opportunity	County shares list of potential vendors attending bidders' conferences	
Provide feedback to contractors who did not win a	County does provide feedback when requested by vendor	

Harvard Performance Lab Best Practices

County of Los Angeles

KH 2018 Recommendations

bid on how to strengthen
future applications

Government Alliance on Race and Equity (GARE)

The Government Alliance on Race and Equity (GARE) identified the following best practices, which in many ways are more management principles:

GARE Management Principles	County of Los Angeles Directions and KH 2018 Recommendations
Past Discrimination: Policies should state the intent to overcome past discrimination and create contracting equity. Policy and programs should impact behaviors and practices of the jurisdiction as much or more than the behaviors of Prime contractors and Prime vendors.	The KH report and recommendations focus on County behaviors and practices.
Flexibility: If a strategy is not working, a different approach should be tried.	DCBA commissioned this Mid-Way Evaluation to determine what works and is not working – part of an agile approach to strategic change. The recommended Utilization Steering Committee will help also make needed adjustments going forward.
Unintended Consequences: Regulations and practices should be examined in a careful and detailed way to ensure that unnecessary barriers are eliminated for small and diverse firms.	KH recommends that DCBA provide input to the Board of Supervisors regarding proposed new contract regulations.
Multi-Faceted: Programs should be comprehensive and multi-faceted to match the complex systemic barriers.	The 2016 Utilization Plan, combined with the 2016 KH recommendations, take into consideration the complexity of Los Angeles County.
Cultural Change: Strategies should create a framework for cultural change in addition to change stemming from regulations. A cultural change permeates all structures related to the procurement and contracting process so that all people involved are thinking equity and non-discrimination. Over time, this cultural change begins to be embraced by the Prime contractor	Public Works found a cultural shift has been key to its success. KH recommends that the LSBE-DVBE-CBE-SE initiatives be part of the MAPP goals for department heads. The Utilization Steering Committee will also help with the cultural change need. Shared MAPP goals will encourage collaboration and build commitment.

GARE Management Principles	County of Los Angeles Directions and KH 2018 Recommendations
and Prime vendor communities.	
Capacity Building: Contracting equity programs should contain or should connect to capacity building programs. In this way, the jurisdiction is dealing with availability (expanding the vendor pool), not just utilization.	KH recommends such capacity building, increasing the vendor pool size, training, etc.
Expand and Replicate: Contracting equity programs should collaborate with other jurisdictions, expand their principles into other areas of the jurisdiction, and when they have arrived at a successful strategy, replicate it with other jurisdictions.	KH recommends that County departments build on their successes and share lessons learned, many of which are outlined in this report. The exploration of Los Angeles County serving as a central clearing house for County departments and other local government agencies and jurisdictions would be a further extension of this management principle.
Policy: Discusses ordinances calling for MBE-WBE and LSBE inclusion, etc.	The County Board of Supervisors is committed to improving participation rates of under-utilized firms. In 2016, the Board passed LSBE-DVBE-SE ordinances with established utilization targets for LSBE-DVBE firms. The SE certification program is a first in the nation.
Strategies: Required inclusion plan on the part of Primes; repercussions if Prime does not comply with the inclusion plan, which entails monitoring the contract until it ends.	KH recommends a pilot for Primes to prepare Inclusion Plans.
Assisting departments on bid requirements	In progress and ongoing in the County of Los Angeles
Master contracts. Refine master contracts to have smaller scopes allowing LSBEs to win masters contracts.	WDACS has established a SE Master Agreement, which is more effective. Public Works has redefined work scope so that smaller firms can bid.
Comprehensiveness: GARE describes social justice initiatives as a wrap-around.	Not recommending at this time, given the other Utilization Plan priorities that need to be addressed in the next two years.

GARE also listed examples of local government practices, some of which are applicable to the County of Los Angeles and have been incorporated into the KH recommendations. Others are not as relevant or might be considerations after 2020, depending on progress made on the recommendations in this Mid-Way Evaluation.

Governmental Entity	GARE Identified Best Practices
Grand Rapids (MI)	<ul style="list-style-type: none"> Includes bid discount for Primes for Micro LBEs participation
Houston (TX)	<ul style="list-style-type: none"> Has an intensive 7-month training program, entitled Build Up Houston, to prepare sub-contractors to become Prime-contractors <ul style="list-style-type: none"> Houston targets construction companies, focusing on capacity building and bonding education. Partners with the University of Houston and uses the Interise curriculum. <ul style="list-style-type: none"> While in the program, companies have a 360-degree view of themselves. The first class of 10 MBE-WBE firms graduated in late May 2015 and there are already several measurable gains. Has also created a mentor-protégé program along with three other local jurisdictions, with 20 companies enrolled as protégés and a dedicated group of mentors.
Multnomah (OR)	<ul style="list-style-type: none"> Requires good faith efforts for MBE-WBE or ESBs plus diversity plans Requires 3 bidders on projects between \$10,000 and \$150,000; provides coaching and trains departments on how to implement 3 bid requirement Requires Primes to state in proposals how they will build the capacity of subcontractors; on large contracts, Prime is required to mentor 2 subcontractors
New York City (NY)	<ul style="list-style-type: none"> Controller gives each city agency a grade from B to F on inclusion efforts
San Diego (CA)	<ul style="list-style-type: none"> SBE set aside on small- to medium-sized projects Only SBE firms are allowed to bid on construction projects below \$500,000 and in some cases on professional services
Seattle (WA)	<p>The Seattle City Council policy ordinance is technically race/gender neutral while pushing the envelope.⁵</p> <ul style="list-style-type: none"> Requires an inclusion plan on the part of Primes

⁵ “The purpose and intent ...are to provide the maximum practicable opportunity for increased participation by minority and women owned and controlled businesses, as long as such businesses are underrepresented, and to ensure that City contracting practices do not support discrimination in employment and services when the City procures public works, goods, and services from the private sector.” (partial)

Governmental Entity	GARE Identified Best Practices
	<ul style="list-style-type: none"> Provides coaching for engineers Works with business associations, accountability
St. Paul (MN)	<p>Saint Paul may be the most innovative of the jurisdictions that GARE identified regarding certification assistance and how-to-do-business with the city.</p> <ul style="list-style-type: none"> Provides training on bidding, certification programs, and other topics Trains AmeriCorps workers at city libraries to use the city online vendor system, including online certification, so they can assist MBE-WBE and other business owners at the libraries Requires SBE plan with overall subcontracting goal included as possibility in piloting subcontracting efforts
Tacoma (WA)	<ul style="list-style-type: none"> If Primes meet SBE subcontracting goal, eligible for bid discount of 5%
Twin Cities (MN)	<ul style="list-style-type: none"> Requires three MCUB (under-utilized businesses) quotes on supply purchases

CBE Pros and Cons

DCBA asked KH to explore the pros and cons of the CBE certification regarding its future uses if any.

CBE Program	Pros	Cons
CBE certification and reciprocity	<p>The United States and California have many jurisdictions and private companies that currently certify and conduct site visits of MBE/WBE firms. These certified firms can then become readily certified in the County of Los Angeles through reciprocity.</p>	<p>CBE firms face the same challenges as other LSBE and DVBE firms, in terms of contracting bureaucracy, limited success, etc.</p> <p>MBE-WBE firms have many jurisdictions that they need to apply for certification with for consideration.</p>
CBE contracting opportunities and set asides	<p>Federal contracts approve MBE/WBE set asides – an opportunity for certified CBEs pursuing Federally funded contracts in the County. LA Metro has leveraged its Federal contracts to award more contracts to MBE/WBE firms.</p>	<p>Because only Federal contracts can provide incentives to CBEs (MBE/WBE firms) in California, CBEs may be reluctant to take the time to complete the County’s certification documents because of limited County contract opportunities. Most of the County opportunities are subcontracting opportunities with Primes bidding on Public Works contracts. As a result, many MBE/WBE firms do not pursue CBE</p>

CBE Program	Pros	Cons
CBE metrics	With database changes, the County can track and publicize progress on CBE awards, thereby attracting additional CBE vendors to bid.	certification. A valid certification process will limit abuse. Data associated with certified CBEs is likely to be more accurate than reports based on self-identified CBEs (e.g., from WebVen).
Vendor Demographics	The CBE is the one database that captures gender and ethnicity vendor data – potentially useful because the County is interested in having a vendor profile that reflects the diverse demographics of County employees or residents.	The CBE database has too few certified firms to reflect County demographics.
CBE versus LSBE	Many CBEs are also LSBEs and can take advantage of the County's LSBE program.	The only preferences available to CBEs are through the LSBE program. Many CBE firms in Los Angeles County qualify as LSBEs, which have increased opportunities for them at this time.

BARRIERS TO SUCCESS

There remain major challenges to be addressed to reach the County's target participation rates for LSBE-DVBE-CBE-SE firms. The County has major challenges in four areas central to program success.

Increasing the Pool of Certified Vendors

There has not been enough ground gained in attracting LSBE-DVBE-CBE-SE firms, which are willing to certify with the County. Despite DCBA and other County departments' significant efforts, including recognition of LA Metro certifications, the number of County certified LSBEs was 1,398 as of January 1, 2019. Reasons cited for the failure to significantly increase the number of certified LSBEs and DVBEs include:

- County certifications for LSBEs and DVBEs require applicants to first become certified by California DGS. State certifications expire after 2 years and, on average, more than 200 County SBEs are dropped each month. DCBA's Office of Small Business (OSB) recruiting efforts have not been able to exceed the drop-off rates.

- Some potential LSBEs do not see that the incentives offered to become certified vendors (prompt payment, liaison/concierge, or price preference) are worth the cost and effort, especially given the uncertainty of being awarded contracts. Even some County contractors (e.g., physicians working under independent contractor agreements at County hospitals) are unwilling to become certified. Some County staff are concerned that physicians may not continue to work at the hospitals if LSBE certification, if eligible, became a contract requirement.
- LSBEs become discouraged when they have gone through the expense and trouble to become certified without receiving County business. There is sometimes a mismatch between the goods and services offered by certified LSBEs and the goods and services being purchased by County departments. Inability to forecast or publicize procurement patterns may contribute to this reluctance.
- Some local small vendors who are State certified are satisfied with the work they receive from other jurisdictions (e.g., City of Los Angeles, Metropolitan Water District, or LA Metro) and are not motivated to complete County certification paperwork.

KH Department Survey responses, focus groups, and interviews revealed several themes regarding vendor pool issues:

- There is a mismatch for some departments between the kinds of products and services being solicited and the products and services offered by certified businesses.
- There remains a significant need to increase the numbers of certified businesses of all sorts.
- Only 5 departments did not report progress in expanding the number of LSBEs used; 11 reported between 50% and 100% completion on the KH Department Survey.

Increasing the Likelihood of Certified Vendor Success in Contracting

Although the Utilization Plan recommendations associated with changes to the procurement process were accomplished, there still remain challenges in this area.

The County's contracting process is still daunting for some small vendors. On one SAP contract, the Purchase Order was 9 pages long and requires compliance with the County's child support compliance program, safely surrendered baby law, consideration of the hiring of GAIN/GROW program participants, prohibition against child labor laws, jury service, indemnification, etc. – all worthy social initiatives, but requirements that many small businesses are unfamiliar with and may appear daunting. Other County contracts can be 60 or more pages with individual forms to be signed and dated for each of the County requirements. Some vendors request a legal review, which is especially burdensome for LSBE-DVBE-CBE-SE firms.

In addition, standard terms and conditions call for high levels of insurance coverage, regardless of the contract scope description. Although they have the authority to modify the insurance levels required, departments are reluctant to do so because they do not have the necessary risk management perspective and training. Vendors have complained in some cases that the additional

cost of complying with insurance requirements exceeds their profit margins or even cost of the award.

Supporting County Departments in Achieving Their Goals

Although DCBA has been working with Small Business Advocates (SBAs) across departments to inform and support progress, which has not been sufficient. SBAs represent varying levels in their departments and have varying levels of influence and access to decision-making. In addition, SBAs' longevity in departments is not consistent. The emphasis and focus on certified contracting are widely different across departments.

Managing Metrics and Data

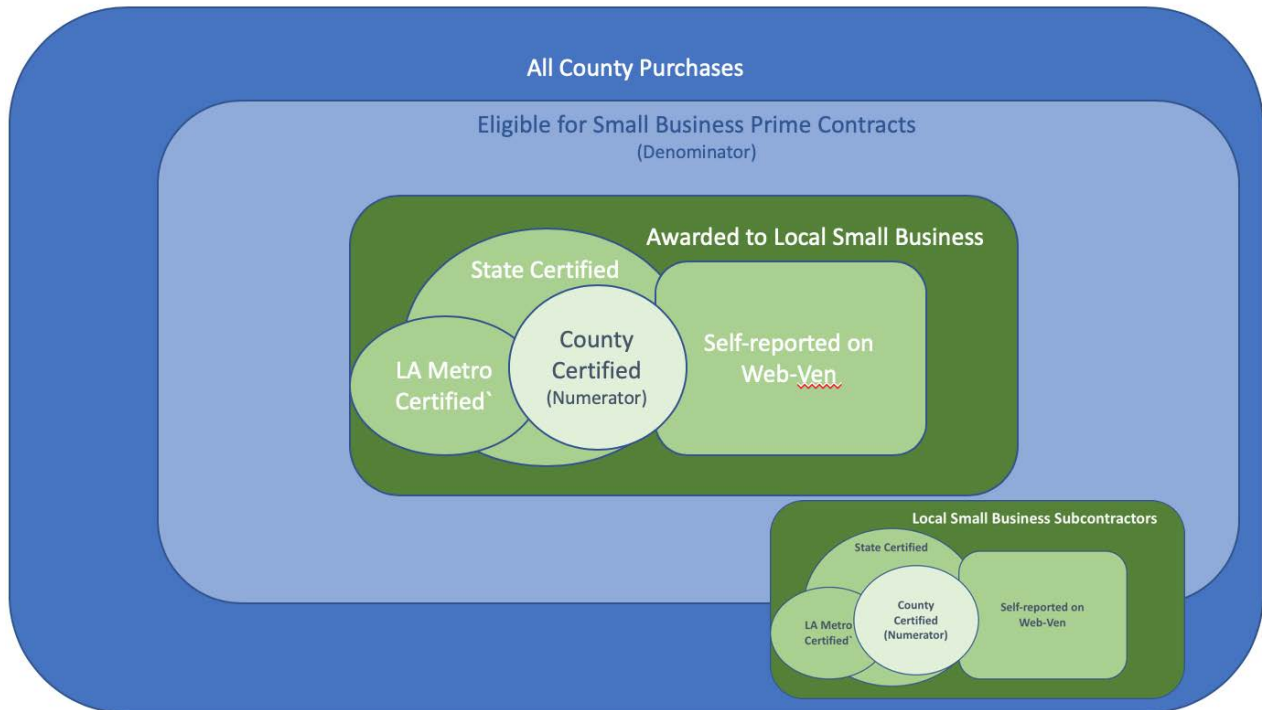
There are major gaps in the metrics gathered and reported by the County that significantly hamper chances of success in the long run.

- The vendor database does not allow for separate identification of the target vendor groups. They are all included in the LSBE field. Therefore, identifying progress in CBE, DVBE and SE contracting requires a manual intervention or calculation.
- Standard eCAPS reports on LSBE participation levels do not reflect all LSBE payments and awards; for example, payments made to LSBE-DVBE-CBE-SE firms through Master Agreement Task Orders are not reflected.
- There are no standard reports of data relevant to planning and implementation, such as:
 - LSBE-DVBE-CBE-SE participation in the bidding process overall
 - WebVen self-reported LSBE-DVBE-CBE awards and participation

Diagram 3.1 displays the subsets of contracts and procurement opportunities that might be eligible for LSBE-DVBE-CBE firms. As the County pursues the objective of increased awards to LSBE-DVBE-CBE-SE firms, it has been hampered by the strict focus on *certified* vendor awards and payments – the small, light-green circle in Diagram 3.1.

The County does not track any of the other awards to LSBE-DVBE-CBE-SE firms, including both vendors who have completed the California DGS or LA Metro certification processes without completing County forms, and self-identified LSBE-DVBE-CBE-SE firms. While the diagram is not to scale, it depicts possible areas of exploration.

Diagram 3.1



Community Based Enterprises (CBEs) and Vendor Diversity

The County has not established a complete program to track and manage vendor diversity. California law does not permit CBEs to receive any special preferences; CBEs that are also LSBEs, DVBES, or SEs are eligible for programs targeted to those vendors. Moreover, many CBEs qualify and should be certified as LSBEs. Because of this and similar to the LSBE challenges discussed earlier, the County:

- Does not have an easy way to track awards or payments to CBEs
- Has not practiced strong outreach targeted to CBEs, such as NAWBO-LA, Black Business Association, Asian business associations, Hispanic Chamber of Commerce, etc.
- Does not have programs targeted to CBE development

IV – RECOMMENDATIONS

The recommendations focus on how to accelerate successful implementation of the recommendations and strategies in the 2016 Utilization Plan with specific focus on how best to increase County contracting and purchasing with certified vendors. The recommendations cluster into the following topics:

- Increasing the pool of eligible vendors
- Increasing the likelihood of LSBE-DVBE-CBE vendor success in contracting
- Supporting County departments in achieving their goals
- Improving data and metrics
- Increasing vendor diversity, including CBES

It is important to recognize that many of the recommendations are interdependent; success will require operating on multiple items simultaneously as well as sequentially.



INCREASING THE POOL OF ELIGIBLE VENDORS

A sizeable vendor pool is critical for success in achieving target awards of eligible County Purchases to LSBE-DVBE-CBE-SE firms.

Because of the two-year expiration of California DGS certifications, combined with reluctance of many businesses to go through a rigorous certification process when there are no guarantees that they will be awarded contracts, the County has not been able to significantly increase the size of its vendor pools of LSBE and DVBE firms. This situation may be the single biggest impediment to achieving the rapid increase in contract awards to *certified* businesses.

It is likely, however, that the County does award contracts to small and disabled veterans' businesses that are not certified. These vendors are either not aware of the incentives or are not convinced that they are helpful.

Regardless of whether eligible businesses ultimately choose to certify, the County should maximize efforts to identify LSBE-DVBE-CBE-SE firms capable of providing goods and services. Some County departments have developed practices that appear as good models for other departments to adopt. For example, Public Works has formed a Business & Contracting Unit to help with outreach for their purchasing and contracting needs.

After the firms are included on WebVen, the County should work on parallel steps, entailing:

- Encouraging and supporting those LSBE-DVBE-CBE-SE firms, which can provide goods and services purchased by the County to complete and maintain the certification process
- Tracking and reporting on non-certified, self-identified LSBE-DVBE-CBE-SE firms, which bid on or are awarded contracts

The County's inability to significantly increase the pool of certified vendors can be attributed in part to resistance to completing the certification process, which involves submitting extensive paperwork to California DGS or other County-recognized certifying agencies. As DCBA, ISD, and other departments succeed in identifying potential vendors, a simple on-line WebVen registration can get the process started. Vendors who are successful can then be encouraged to certify to receive prompt-pay benefits, as well as price preference and SAP eligibility for future bids.

Recommendation 1.1. Aggressively act to increase the pool of LSBE-DVBE-CBE-SE businesses registered with the County by targeting, recruiting, and increasing outreach to vendor groups who can meet County purchasing needs

Given the importance of increasing the vendor pool of LSBE and DVBE firms, many of which are also CBEs, the County departments should develop a focused marketing plan and outreach effort:

1. Semi-annually, County departments should identify their highest-priority purchasing needs for which there are few or no certified vendors.
2. DCBA and departments should research and identify LSBE-DVBE-CBE vendors who can compete in the forecasted spending codes. Sources for identifying such potential competitive vendors are:
 - Organizations focused on diversity (e.g., National Association of Women Business Owners (NAWBO-LA), Black Business Association, Asian business associations, Hispanic Chamber of Commerce, etc.)
 - County of Los Angeles, Women + Girls Initiative (WGI)
 - California DGS-certified firms not yet certified with the County

- Small businesses successful with other local jurisdictions (e.g., City of Los Angeles BAVN)
 - Chambers of Commerce
 - Los Angeles office of the U.S. Small Business Administration
 - Industry groups
 - Veterans groups
 - Contractors specializing in support for small businesses and CBEs (e.g., insurance or bonding companies)
 - All firms registering for business licenses in the County of Los Angeles, as well as the 88 cities in the County
 - Firms that self-identify as LSBE-DVBE-CBE on WebVen, Dun & Bradstreet, etc.
3. DCBA and departments should host industry-specific events, including a table at each event to permit WebVen registration and assist firms in starting the State certification process. DCBA should learn what works best at these events by tracking outreach event success (e.g., number of vendors attending, registering on WebVen completing the certification process, bidding on contracts, and winning contracts).
 4. DCBA should reach out to CBOs and faith-based organizations that work with LSBE-DVBE-CBE-SE firms that are candidates for certification and providers of goods and services to the County.
 5. ISD can use WebVen to send out periodic notices (blasts) to alert registered vendors about LSBE-DVBE-CBE-SE certification, including criteria needed to qualify, benefits, and links to State and County websites to apply for certifications.
 6. DCBA and the Auditor-Controller should continue to partner with organizations, such as Dun & Bradstreet, to conduct outreach to vendors that self-certify and can compete in forecasted spending sources. (Note: DCBA and the Auditor-Controller have begun to work in forming this partnership.)
 7. Large County departments should establish business outreach units, building on the success at Public Works. Some departments, particularly with similar contracting and procurement needs, may choose to combine their resources to implement outreach services.

Recommendation 1.2. Maximize the size of the certified vendor pool

DCBA has worked on branding, outreach, and education programs for firms about the certification process and contracting opportunities. WDACS actively reaches out and helps vendors to become certified. Through such outreach, WDACS has found that the vendors are more motivated to get certified, became highly motivated to work with the County, and are responsive and perform high quality work for WDACS. Despite these efforts, more can be done.

Sub-recommendation 1.2a. Pilot a DCBA-run tiered certification process

There are three potential target areas for DCBA to pursue in a tiered certification process. It would require developing ordinances, processes, procedures, forms, educational tools and an online application with linkage to ISD technology to track utilization for each of the three areas.

1. **California DGS certification expiration dates:** California DGS certifications expire after 2 years. To remain eligible, the County should allow vendors to remain eligible for up to 4 years after the expiration date if they swear on an affidavit that they continue to meet guidelines and will notify the County if and when they no longer meet them.
2. **Individual eligible contractors:** The County contracts with individuals to perform services in a variety of departments, including, for example, trainers or doctors hired at County hospitals). These vendors are not typically motivated to complete a complex certification process. As a possibility, a simpler affidavit-based element included in contract-renewals might be explored.
3. **Nonprofit organizations that might also meet LSBE-DVBE-CBE criteria.** DCBA currently certifies SEs. Some nonprofit organizations, such as Volunteers of America, are national organizations; others nonprofits are local and smaller organizations. LSBE-DVBE-CBE are based on ownership and, thus, do not include nonprofit organizations. And yet, the County has many small and local nonprofit organizations and SEs that obtain contracts (e.g., training firms, homeless shelters, or social service providers). The County should consider certifying such entities as Local Small Business Non-Governmental Organizations (LSB-NGOs) and track their procurement and contracting opportunities along with the other small businesses.

Sub-recommendation 1.2b. Expand media options for outreach efforts and track comparative effectiveness of outreach efforts

As the County continues its outreach and marketing efforts, it should identify and pilot a variety of different media, including events, web advertising, industry conference advertising, partnerships with community colleges, minority business journals or organizations, or city or regional business event participation. In order to assess which of these efforts are the most effective, the County should track separately the source of new:

- LSBE-DVBE-CBE-SE firms registering on WebVen
- LSBE-DVBE-CBE-SE firms completing the certification process
- LSBE-DVBE-CBE-SE firms submitting bids
- LSBE-DVBE-CBE-SE awards

As part of the outreach effort, the County should consider emphasizing the Vendor Self-Service (VSS) portal. Access to VSS will allow registered vendors to operate on-line while doing business with the County. Through the VSS portal, vendors can:

- Receive notification of solicitations

- Respond to requests for bids or proposals
- Submit invoices
- Check the status of invoices
- Arrange payment through electronic funds transfer

As fear of slow payment is a factor in LSBE-DVBE-CBE-SE decisions whether to bid, understanding the availability of self-service might allay some concerns. In addition to benefitting the vendors, greater participation by targeted vendors would allow the County can better track LSBE-DVBE-CBE-SE bidding trends to assist in their planning.

Sub-recommendation 1.2c. Implement post-award certification

LSBE -eligible vendors, which have been successful in winning contract awards, might be more willing to complete the certification process so that they can receive prompt-pay benefits, as well as price preference and SAP eligibility for future bids. The County should reach out to self-identified LSBE-DVBE-CBE firms to encourage them to certify.

Sub-recommendation 1.2d Make it easier for vendors to access information regarding the certification program and opportunities

County departments, along with DCBA and ISD as the Chief Procurement agency, should ensure that all departmental websites with purchasing or contracting pages include links to certification information and application forms.

Recommendation 1.3. Establish a County clearinghouse for procurement – certification, bid postings, outreach, and training – that can be used by other Los Angeles County-based jurisdictions

As the County began implementing the 2016 Utilization Plan, it has come to understand many of the challenges, in particular:

- Increasing the pool of certified vendors
 - Identifying vendors who can compete for what County buys
 - Supporting vendors through the certification process
- Increasing the likelihood of success of LSBE-DVBE-CBE-SE firms (See Recommendation 2.4)
 - Supporting vendors in becoming “bid-ready” (e.g., how to respond to RFBs, RFQs, and RFPs)
 - Supporting vendors in becoming “contract-ready” (e.g., invoicing, project management, etc.)
 - Ensuring certified vendors are notified when bids/contracts are issued, including helping vendors understand NIGP (Institute of Public Procurement) or other coding required when they register in vendor sites

Many other jurisdictions within the County are struggling with the same issues as the County in attracting LSBE-DVBE-CBE firms. A collaborative approach providing integrated services could benefit: a) LSBE-DVBE-CBE firms (who are confused by or do not want to have to complete multiple applications to certify) and b) partner jurisdictions that have limited resources to manage outreach efforts. Features of such approach might entail:

- The County should work with other local agencies to develop a common application, thereby, eliminating the need for firms to complete multiple applications in filing for certified LSBE-DVBE-CBE status.
- The County could launch a Regional Clearinghouse for Procurement and invite other jurisdictions to participate in sharing bid opportunities. Participating vendors could learn about bid opportunities that fit their profiles across multiple local jurisdictions.
- As part of reciprocity, the County should work with jurisdictions so that they accept each other's certifications. It is especially important for California DGS to accept County certifications at the State level – in essence having the County serve as the agent of California DGS certifications. In this way, if a firm is certified as a LSBE in Los Angeles County, California DGS would accept that certificate as a Small Business in California.
- This County Clearing house could also manage the outreach and training and development opportunities, outlined in this report.
- The Clearinghouse could also facilitate a process in which LSBE-DVBE-CBE firms complete and submit County and other jurisdictional forms online with simple annual update requests of any changes. This service would avoid LSBE-DVBE-CBE firms from having to complete the many forms every time they bid or receive a contract.

INCREASING THE LIKELIHOOD OF LSBE-DVBE-CBE VENDOR SUCCESS

Recommendation 2.1. Expand opportunities for small businesses to compete only with one another for the provision of goods to the County by increasing the SAP limit to \$249,999.99

The Federal government and other local agencies (e.g., LA Metro) have had great success with set-aside programs. For example, LA Metro has a business practice to review all contract opportunities to determine whether they are set-aside eligible for small businesses or MBE/WBE firms. San Diego has established a set-aside program for all construction contracts under \$500,000.

The County has not implemented a formal set-aside. Although not branded as a LSBE or DVBE set-aside program, SAP functions as a set-aside option for departments, which are aware of small businesses capable of fulfilling purchasing needs. SAP allows departments to award up to \$25,000 with 2 bids from LSBEs or DVBEs. This change helps both departments and vendors, particularly for purchases. SAP is limited to purchases; service contracts are not included.

To avoid abuse of this increased maximum, ISD should propose guidelines to implement the expanded program, working with the Auditor Controller and County Counsel to develop appropriate modifications to County ordinances. Checks and balances should be put into place to avoid potential abuse of the SAP; for example, the policies should consider limiting the number of times or set a maximum award amount that one department can award an SAP contract to the same vendor in one fiscal year. ISD and DCBA should monitor the effectiveness of the changes.

The County should also evaluate the risks associated with expanding SAP to services as part of a broader discussion of SAP expansion.

As it is implemented, it would be useful for vendors planning to bid to know that a particular procurement or contracting opportunity issued by a department was targeting LSBE-DVBE-CBE-SE firms. The State of California departments currently reaches out to potential SBEs to determine if the certified firm has the qualifications and interest to bid on a particular RFP or RFQ and then follows up with those firms once the RFP or RFQ is issued to encourage them to bid.

In addition, the County should focus on supporting LSBE-DVBE-CBE inclusion on Master Agreements that can be shared or used by all County departments. Such Master Agreements provide another avenue for LSBE-DVBE-CBE-SE vendors to be on a pre-qualified list and positioned to succeed.

Recommendation 2.2. Reduce County contract and procurement barriers

The County has a regular working group looking to reduce the imposing number, size, and scope of standard contract terms. In addition, as discussed under “Findings III, Objective VIII.4,” the County has another working group, including the representatives from the CEO, Auditor-Controller, County Counsel, Department of Human Resources, Department of Health Services, DCBA, and ISD to streamline the contracting processes. The working group issued a report of recommendations addressing six opportunities on February 28, 2019. ***Their report to the Board of Supervisors complements and supplements this KH report.***

issued a report at the end of February 2019 on streamlining County contracting. Many small firms cite governmental contract terms as barriers, even if the firms are initially interested in doing business with the County. There are two important issues:

- Cost of compliance with risk management and indemnification terms
- Number of attestations, notarized signature requirements, forms, and social requirement affirmations

Sub-recommendation 2.2a Evaluate options for linking size and scope of insurance and indemnification requirements to contract

Although the County must protect itself from risk, it is likely that County Risk Management could offer advice on appropriate modifications for departments to consider that would not unacceptably increase the County’s exposure for some contracts.

Some examples of risk variables departments and Risk Management might consider include:

- Whether the vendor needs to enter non-public County property
- Whether the vendor needs to perform work on County property
- Whether the County has HIPPA exposure through the vendor's work
- Whether the vendor has access to or can modify any part of County computer systems

There are doubtless others to add.

DCBA and ISD should work with Risk Management to develop a table of recommended insurance levels and indemnification requirements that are appropriate to scope requirements that departments can use as they consider whether it is appropriate to adjust risk or indemnification terms.

Sub-recommendation 2.2b Address the barrier imposed by the standard terms and conditions required for contracts.

Accepting a County contract currently requires notarized signatures, multiple attestations, and review of voluminous contract terms. Every time a vendor receives a contract, the process must be repeated.

The process should be simplified by putting boilerplate provisions online and allowing vendors to swear to provisions once every County Fiscal Year. Whenever possible, the County should add or change boilerplate only at the start of the Fiscal Year, which would reduce the likelihood of requiring contractors to re-swear. This sub-recommendation should be piloted with firms on the Master Agreement lists.

In addition, the Board of Supervisors should require DCBA input on the impact to certified businesses of new standard contract provisions recommended to the Board.

Recommendation 2.3. Develop incentives for Prime contractors to include LSBE, DVBE, and CBE firms through pilot programs

The City of Los Angeles has been increasing its focus on the importance of local participation in City contracts. Los Angeles World Airports (LAWA) is requiring inclusivity plans from major airport improvement vendors as part of their proposal submissions in alignment with a strong commitment to a Social Responsibility program. There are significant benefits in encouraging Prime partnership in increasing LSBE-DVBE-CBE success. At the same time, there are several issues related to encouraging or requiring Prime contractors to offer subcontracts to LSBE or DVBE firms.

- Must the firms be County certified?
 - If so, is the County unnecessarily limiting options for the Prime?
 - If not, how can the County be assured that the subcontractor meets County criteria?
- How can the County ensure that the subcontractors included in the proposal actually perform the work?

- What are the options if the subcontractors do not perform?
- What are the options if the Prime contractor does not use the proposed LSBE-DVBE-CBE firms once the contract is won?

Monitoring vendor performance to ensure compliance with their proposed LSBE-DVBE-CBE inclusion requires a significantly higher level of oversight than many departments have done in the past. Tracking payments to subcontractors is time-consuming for both Prime vendors and County program managers. For simple contracts with only one level of subcontracting, it can potentially be handled manually. For more complex projects with several levels of subcontracting, special software is required.

The County should pilot two efforts to increase LSBE-DVBE-CBE participation through subcontracting to Prime vendors.

- First, the County should pilot an RFP scoring system to encourage LSBE and DVBE growth.
 - For RFPs in the pilot, additional points should be awarded for the quality of a Prime's Inclusion Plan to use LSBEs or DVBEs as intended subcontractors. The Inclusion Plan should outline intended actions to address unforeseen reductions in LSBE or DVBE participation levels so as not to reduce LSBEs or DVBE impact.
 - LSBE and DVBE subcontractors included should be certified as part of the award process.
 - As part of this process, contract terms should include penalties for non-compliance.
 - The County should document the monitoring process and make recommendations about electronic and other means of simplifying monitoring. As part of this effort, the County should assess the effectiveness of using computer software that tracks compliance in usage and payments to LSBE-DVBE-CBE firms.
- Second, the County should pilot a program that engages Prime contractors in strengthening LSBE and DVBE firms through Mentor or Protégé Programs.

Recommendation 2.4. Expand developmental opportunities for certified LSBE-DVBE-CBE-SE firms to increase the pool of contract-ready vendors

LAUSD offers a multi-day training, preparing certified vendors to do business with the District.

This is a model that the County should adapt to meet its specific needs. It would benefit both the participating vendors and County staff. It is a common complaint of project managers that LSBE-DVBE-CBE firms require additional "hand-holding," a disincentive because of the time-consuming nature of working with new vendors to the County. Better-prepared vendors may reduce the burden.

The training should be piloted, modified from participants' feedback, and offered regularly – initially quarterly. Modules should cover the entire life-cycle of doing business with the County:

- Ensuring commodity codes included in WebVen cover the work performed by the firm
- Completing certification applications
- Preparing bid documents
- Participating in oral presentations
- Meeting insurance requirements
- Working with the project manager in performing the work
- Invoicing
- Project close-out

Where possible, the County should offer the training to LSBE-DVBE-CBE-SE firms who have been unsuccessful in submitting proposals to the County.

SUPPORTING COUNTY DEPARTMENTS IN ACHIEVING THEIR GOALS

Recommendation 3.1. Establish a Utilization Steering Committee of selected department Directors or their representatives to monitor progress, share best practices, and recommend necessary changes

The Director of DCBA is set to launch a Utilization Steering Committee with executive leadership from multiple departments to oversee implementation of the County's objectives for certified procurement. This Utilization Steering Committee will engage multiple perspectives in assessing the most effective strategies and approaches and facilitate the use of best practices across departments.

Recommendation 3.2. Establish a universal MAPP goal for department heads to achieve the utilization goals

The Public Works Director adopted a MAPP goal to achieve the utilization goals, which increased departmental awareness and support for the initiative and led to departmental success in this area. Among the innovations Public Works implemented were:

- Establishing a departmental policy that required at least one LSBE or DVBE firm quote for all purchases between \$5,000 and \$10,000
- Fostering a culture in the department that focuses on using LSBE-DVBE-CBE vendors
- Using the California DGS database to get leads for vendors
- Sharing and distributing Vendor Capability Statements to departmental buyers and line staff

By establishing similar MAPP goals for other County departments, departmental resources will be allocated and reallocated to increase likelihood of success, and similar innovations will be developed.

It will be important to ensure that the goals are actually achievable. Much of the infrastructure associated with meeting the goals is not in place – especially data and metrics systems that must be

completed to allow planning, implementation, and tracking. *Departments responsible for gathering and reporting the metrics must accelerate related initiatives.*

The initial MAPP goals should include meeting percentage levels – in some cases significantly below the 25% for LSBE and 3% goals for DVBE established by the Board of Supervisors – while implementing process changes.

DCBA will be available to support departments in process changes such as supporting departments in ensuring that there are certified vendors capable of bidding on and providing the goods and services that the departments will be buying or contracting for.

Recommendation 3.3. Update County code to require DCBA to certify that departments have reached out to LSBE-DVBE-CBE-SE firms for all eligible contracts submitted to the Board

In addition to its service role, DCBA has a responsibility to verify outreach efforts made by departments, and recommend improvements where they can. By adopting this practice, DCBA can share across the County the practices that have led to the best results, accelerating their adoption in multiple departments.

Recommendation 3.4. Increase training within County departments

There are two specific areas where training will continue to be important:

- Refresher training for all new department purchasing and contracting staff in how to plan for and implement LSBE-DVBE-CBE-SE vendor contracts. This refresher training should start with:
 - Advanced planning so that LSBE-DVBE-CBE vendors can be recruited where there are gaps in coverage
 - Tactics for expanding the pool of eligible vendors beyond the best-known source
 - Developing scopes of work that reflect the ability of smaller vendors to perform by limiting the delivery area or reducing the need for up-front spending
- Training on how to access and use the County systems related to LSBE-DVBE-CBE-SE contracting and procurement

In addition, these trainings will provide an opportunity to share best practices.

IMPROVING DATA AND METRICS

Data and reports are important for planning, implementation, marketing, and measuring and reporting progress.

Recommendation 4.1. Develop the capacity to generate reports from the eCAPS system that reflect payments, work orders, and awards to certified *and* self-identified firms

As a starting point, the County must recognize all awards to LSBE-DVBE-CBE-SE firms, including those businesses that are certified and those that are self-identified, but have not completed the certification process.

Sub-recommendation 4.1a. Develop the capacity to reflect LSBE-DVBE-CBE-SE data – both certified and self-identified – into the Vendor database(s) used by County systems, such as WebVen and eCAPS

There are four potential databases of LSBE-DVBE-CBE-SE firms:

- County-certified vendors
- State- or Federally certified vendors with local addresses that have not completed the County's paperwork
- WebVen vendors who declare that they meet small business criteria
- Dun & Bradstreet listings of local vendors who meet small business criteria

The latter two have not gone through a rigorous certification process that has verified vendor claims. There is no benefit to these businesses to claim the status because they do not receive County preferences or benefits until they are certified.

The County is working to allow the eCAPS payment and stored award information to be reported by different vendor categories, including *certified* LSBE-DVBE-CBE-SE firms and potentially by self-identified small businesses from Dun & Bradstreet and WebVen registered vendors. This effort should be accelerated because it will permit Departments and DCBA to have accurate, up-to-date information on progress in achieving the County's utilization goals.

As these are completed, the County can identify major categories of purchases that are not currently awarded to LSBE-DVBE-CBE-SE firms, and can focus outreach efforts to those under-utilized categories.

The database should have standard reports easily accessed by departmental staff to assist in planning and evaluating the effectiveness of their efforts, as well as the capability to be searched for ad hoc reports.

Sub-recommendation 4.1b. Develop standard reports and scorecards that track progress quarterly and annually

Standard reports should be developed to report by department, by sector, and by enterprise type (e.g., LSBE, DVBE, CBE, SE firms). The City of Boston is a good model to consider. Adapting Boston's metrics to the County of Los Angeles would entail such metrics as:

- % and \$ of County spending from each firm category: LSBE, DVBE, CBE, and SE

- % and # of County contracts from each certified firm category: LSBE, DVBE, CBE, and SE
- % and # of businesses contracting with the County from each firm category: LSBE, DVBE, CBE, and SE
- # of businesses that win County contracts for the first time from each firm category: LSBE, DVBE, CBE, and SE

Quarterly monitoring. These reports should be reviewed quarterly by departments, Small Business Commission (SBC), and Board of Supervisors. Departments should provide input regarding the contents of these reports. These reports should also track payments to subcontractors who are certified LSBE-DVBE-CBE-SE firms and include award amounts in the reports.

Annual scorecard. The County should also prepare an annual scorecard that summarizes the County's:

- Overall progress toward goals
- Award amounts and percent of eligible spending
- Number of diverse businesses that win County contracts for the first time
- Small businesses and small non-profit organizations doing business with the County that are not certified

This information should also be posted on the County's Open Data website, including total contract dollars expended with LSBE-DVBE-CBE-SE firms for the purchase of goods and services.

Recommendation 4.2. Increase the effectiveness of WebVen as a tool to support departmental efforts to award to LSBE-DVBE-CBE-SE firms

Departments use WebVen to identify vendors who will receive RFBs. It is a key tool in County purchasing activities. There are potential areas of improvement for the WebVen database. (Note: Because of WebVen's limitations, the County should consider a more holistic solution of a modern procurement system.)

Sub-recommendation 4.2a. Include fields in the Vendor database that will separately identify LSBE-DVBE-CBE-SE firms, both certified and not-certified

WebVen can identify LSBEs, but not separately identify DVBEs or SEs. Departments seeking to solicit bids from DVBEs, CBEs, and SEs are not able to find or target vendors in those categories. Establishing fields that could be populated from the DVBE and SE databases of certified vendors maintained by DCBA would simplify departmental efforts to ensure LSBE-DVBE-CBE-SE participation in the bidding process.

Departments also wanted to be able to easily access information pertaining to LSBE-DVBE-CBE-SE certified firms, including their:

- State and County certification(s)

- Date of certification and expiration
- Date that site was last updated

Sub-recommendation 4.2b. Establish the capacity for departments to run searches by commodity code and zip code

Some departments structure purchase orders so that vendors are not required to deliver goods or services across the entire county, which helps many small businesses' ability to compete. Currently, the departments must request special reports to determine whether there are LSBE-DVBE-CBE-SE firms that are located in the identified sections of the county. This capability is particularly important for departments wishing to use the SAP process.

Sub-recommendation 4.2c. Improve the accuracy of WebVen data

The database is not up to date. Vendors are themselves responsible for maintaining the accuracy of their entries. Unfortunately, vendors move, change emails, become no longer interested in doing business with the County, or cease operations. They have either forgotten or are uninterested in updating their files. Periodically, the County sends emails out to the addresses listed, and can identify and ultimately purge vendors whose emails are returned as undeliverable. There are limited other tools the County has to verify the data in WebVen.

As part of DCBA and departmental training and outreach should be information about the importance for vendors to keep their WebVen information current and to enter the NIGP codes that best match with the services and products they provide.

Currently DCBA, the Auditor-Controller, and ISD are developing criteria to label vendors as inactive when they do not submit bids or do not get awards over an extended period of time. There is also an opportunity to compare WebVen data entries to Dun & Bradstreet information to identify where differences occur in addresses and other fields. These efforts should be evaluated on their impact and replicated as warranted.

Sub-recommendation 4.2d. Develop quarterly reports that identify LSBE-DVBE-CBE-SE firms that submit and have unsuccessful bid or bids for County work

These reports will be useful for two purposes. First, it will help identify potential candidates for County "boot camp" training (see Recommendation 2.4). Second, it will help the County to assess the comparative effectiveness of its outreach and training programs.

COMMUNITY BUSINESS ENTERPRISES (CBES) AND INCREASING VENDOR DIVERSITY

Recommendation 5.1. Analyze vendor diversity and improve CBE vendor awareness to reflect County employee and population demographics

It is a priority for the County to have its vendor pool reflect the diverse demographics and ethnicity of both its own employee profile and county residents. CBE firms include both MBEs and WBEs, which make up a large portion of both of those demographics. Because State law prohibits offering

incentives to those specific categories of business (MBE-WBE), the County has not historically emphasized a targeted CBE program. As a result, the number of CBEs in the County is small – 675 firms.

Vendor demographics involve more than CBEs. To gain an understanding of vendor demographics, the County could ask Primes on large contracts (\$500,000 or more) to provide information on the assigned personnel's demographics. In this way, the County could begin to understand if the vendors' assigned employees and subcontractors reflect County employee or residents' demographics. Such an effort, however, may be too labor intensive to be practical during the next two years, given everything else that the departments must accomplish.

Many CBEs are LSBE eligible. More than 90% of CBE firms in the nation, California, and County are typically also SBEs. For example, in KH's Business Survey in 2016, 96% of the 2,271 businesses responding to the survey were small businesses.⁶ Of these, 894 had businesses in Los Angeles County. Approximately 58% had their principal offices located in Los Angeles County; 21% had their principal offices specifically in Unincorporated Areas. Moreover:

- 566 of the survey respondents were MBE, WBE, or CBE firms
- 179 were 8(a) firms, Disadvantaged Business Enterprises, or TJOP

CBEs face similar barriers to LSBEs. The barriers associated with increasing the proportion of CBEs in the County are largely the same as those for LSBEs, including:

- Resistance on the part of vendors to completing paperwork associated with certification (This situation is compounded somewhat for MBEs/WBEs due to the added need to demonstrate ethnicity or gender with no additional incentives.)
- In some cases, lack of sophistication on the part of vendors in how to prepare successful proposals
- Challenges in being competitive with larger firms

Because the County cannot target CBEs with unique preference programs because of California legislation, LSBE and DVBE programs are the ones applicable to CBEs (except federally funded contracts). As already noted, more than 90% of CBEs in Los Angeles County are also LSBEs; as such, they would be eligible for LSBE price preference and SAP awards.

In the implementation of the recommendations to increase LSBE participation, significantly greater emphasis should be placed on the subset of LSBEs that are minority- or women-owned and managed. For example:

⁶ The 2016 KH Business Survey was distributed through WebVen and Planet Bid; KH also reached out to organizations that work with small businesses, disabled veteran businesses, chambers of commerce, and non-profit associations, requesting them to forward the survey link to their membership.

- Increasing the pool of certified vendors capable of providing the goods and services acquired by the County should focus on working with organizations focused on diversity (e.g., National Association of Women Business Owners (NAWBO-LA), Black Business Association, Asian business associations, Hispanic Chamber of Commerce, etc.), WBEC, WBEN, as well as building on the contacts and reputation established in the CEO's Women + Girls Initiative (WGI) (see Recommendation 1.1).
- Tracking CBE participation should include both certified CBEs *and* self-identified CBEs, using WebVen self-identification, as well as firms claiming CBE status on Dun & Bradstreet data-base (see Recommendation 4.1).
- Separating CBEs from LSBE-DVBE-SE firms should be easily available in County reports (see Recommendation 4.1).
- Outreach should include efforts to reflect a proportionate number of CBEs for training and development opportunities (see Recommendation 2.4).
- CBE outreach and certification should be included in plans to establish the consortium of pooled resources for certifying LSBEs for Los Angeles County-based jurisdictions (see Recommendation 1.3).

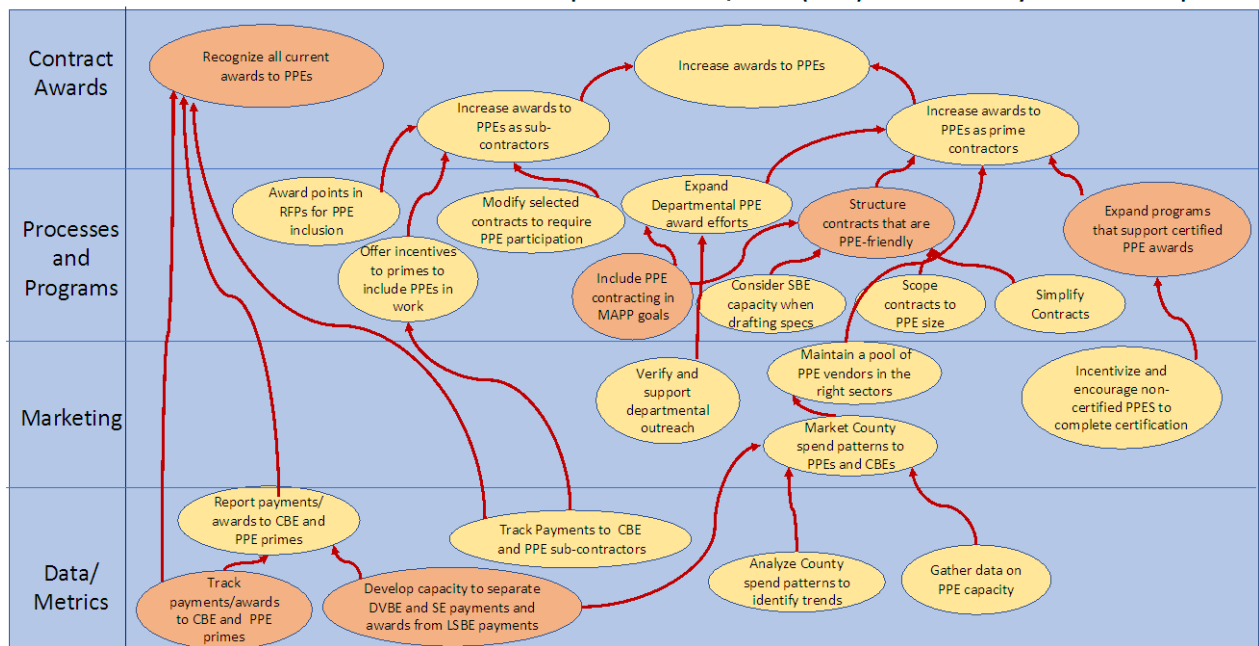
V – IMPLEMENTATION PLAN

The recommendations are interconnected; many cannot be fully implemented until others are complete.

CAUSAL RELATIONSHIPS OF RECOMMENDATIONS

One tool to identify linkages and depict cause-and-effect relationships is a strategy map. KH drafted a Strategy Map as an analytic approach to identify the inter-relationships across the recommendations in achieving the overall goal, as well as identify gaps or overlaps in the strategy.

Improve economic opportunity in Los Angeles by awarding 25% of eligible County purchases and contracts to local small businesses, disabled veterans' businesses, social enterprises and WBE/MBEs (PPEs) and community business enterprises



The Strategy Map depicts both “What” an organization wants to accomplish and “How” it will make it happen.

- The top of the Strategy Map lists “What” the County wants to accomplish. As such, the top row highlights the most important outcomes – increasing awards to targeted vendor groups and recognizing all awards and payments to those groups.
- Descending from the top, the bubbles answer the question of “How?” – How will the County achieve these desired outcomes through process improvements, programs, and marketing?
- Underpinning all efforts are the Data/Metrics perspective and initiatives.

The darker-shaded bubbles represent the most important elements of successful implementation.

- By developing more robust data and reports, marketing will provide County departments the information they need to plan the increase of LSBs, DVBE, CBE and SE participation levels.
- By instituting MAPP goals on this issue and providing expanded purchasing options, departments will have resources and tools to increase LSBE-DVBE-CBE-SE participation levels.
- By making contracts friendlier to LSBE-DVBE-CBE-SE firms, the County can look forward to additional interest on the part of LSBE-DVBE-CBE-SE firms.
- By reflecting certified and self-identified LSBE-DVBE-CBE-SE firms in reporting and planning, the County can get a more complete picture of the impact it is making and have obvious vendors to target for certification.

IMPLEMENTATION TIMING

KH has also identified, which recommendations are high priority versus secondary priorities. The scale KH used was:

Priority:	High	Medium
Impact:	High	Medium

Initial Timing:	6/2019 = first 6 months	1/2020 = Year 1 (year-end)	6/2020 = Year 2 (year-end)

The County's focus should be on high priority and high impact, weighed against timing. Some of the initiatives can be completed in the short term – in the next six months. Others may take 2 years to put into place.

Increasing the Pool of Eligible Vendors

#	Recommendation	Priority	Impact	Initial Timing
Vendor pool size				
1.1	Aggressively act to increase the pool of LSBE-DVBE-CBE-SE businesses registered with the County	High	High	6/2019
1.2 Maximize the size of the certified vendor pool				
1.2a	Pilot a DCBA-run tiered certification process	High	Medium	1/2020
1.2b	Expand media options for outreach efforts and track comparative effectiveness of outreach efforts	High	High	1/2020
1.2c	Implement post-award certification	Medium	Medium	6/2020
1.2d	Make it easier for vendors to access information regarding the certification program and opportunities	Medium	Medium	6/2019

#	Recommendation	Priority	Impact	Initial Timing
Consortium				
1.3	Establish a County clearinghouse for procurement – certification, bid postings, outreach, and training – that can be used by other Los Angeles County-based jurisdictions	Medium	High	6/2019

Increasing the Likelihood of LSBE-DVBE-CBE Vendor Success

#	Recommendation	Priority	Impact	Initial Timing
Simplified Acquisition Process (SAP)				
2.1	Expand opportunities for small businesses to compete only with one another for the provision of goods to the County by increasing the SAP limit	High	High	1/2020
2.2 Reduce County contract and procurement barriers				
2.2a	Evaluate options for linking size and scope of insurance and indemnification requirements to contract scope	High	High	6/2019
2.2b	Address the barrier imposed by the standard terms and conditions required for contracts.	High	High	1/2020
2.4	Expand developmental opportunities for certified LSBE-DVBE-CBE-SE firms to increase the pool of contract-ready vendors	Medium	High	1/2020

Supporting County Departments in Achieving Their Goals

#	Recommendation	Priority	Impact	Initial Timing
3.1	Establish a Utilization Steering Committee of selected department Directors or their representatives to monitor progress, share best practices, and recommend necessary changes	High	High	6/2019
3.2	Establish a universal MAPP goal for department heads to achieve the utilization goals	High	High	6/2019
3.3	Update County code to require DCBA to certify that departments have reached out to LSBE-DVBE-CBE-SE firms for all eligible contracts submitted to the Board	High	High	6/2019
3.4	Increase training within County departments	High	High	1/2020

Improving Data and Metrics

#	Recommendation	Priority	Impact	Initial Timing
4.1	Develop the capacity to generate reports from the eCAPS system that reflect payments, work orders, and awards to certified and self-identified firms			
4.1a	Develop the capacity to reflect LSBE-DVBE-CBE-SE data – both certified and self-identified – into the Vendor database(s) used by County systems, such as WebVen and eCAPS	High	High	6/2019
4.1b	Develop standard reports and scorecards that track progress quarterly and annually	High	High	6/2019
4.2	Increase the effectiveness of WebVen as a tool to support departmental efforts to award to LSBE-DVBE-CBE-SE firms			
4.2a	Include fields in the Vendor Database that will separately identify LSBE-DVBE-CBE-SE firms, both certified and not-certified	High	High	6/2019
4.2b	Establish the capacity for departments to run searches by commodity code and zip code	Medium	Medium	6/2020
4.2c	Develop quarterly reports that identify LSBE-DVBE-CBE-SE firms that submit and have unsuccessful bid or bids for County work	Medium	Medium	1/2020

CBEs and Vendor Diversity

#	Recommendation	Priority	Impact	Initial Timing
5.1	Analyze vendor diversity and focus on CBEs so vendor awardees reflect County employee and population demographics	Medium	Medium	6/2020

APPENDIX A – KH FOCUS GROUP RESULTS

KH conducted 6 Q² focus groups with 32 participants from 11 departments and Board offices during November-December 2018 to solicit feedback regarding progress made and challenges experienced. Departments represented were:

- Auditor-Controller
- Beaches and Harbors
- ISD
- Library
- Parks and Recreation
- Public Health
- Public Social Services
- Public Works
- Regional Planning
- Treasurer & Tax Collector
- WDACS
- Board of Supervisors' Offices

KH used our propriety Q² method to facilitate the focus groups so we could collect both quantitative and qualitative input on the critical issues for success.

QUANTITATIVE FEEDBACK

Focus group participants were asked at the onset of the discussions to rate the criticality of different initiatives for achieving the County's procurement targets for LSBE-DVBE-CBE-SE entities.

Utilization Plan Initiatives	Criticality (Scale of 1-4 with 1=Low; 4=High)
Increasing the pool of eligible vendors	3.9
Increasing the likelihood of certified vendor success in contracting	3.0
Supporting County departments in achieving their goals	2.8
Managing data	3.6
Tracking metrics and success	3.6

Each focus group identified what topics they were most interested in discussing. The focus groups were most concerned with increasing the pool of eligible vendors, followed by better systems for managing data and tracking metrics and success.

QUALITATIVE FEEDBACK

This section summarizes the feedback from and concerns of focus group participants.

Increasing the Pool of Eligible Vendors

Certification process, including increasing the number of certified vendors: LSBE-DVBE-CBE-SE firms

- Important initiative because the County wants to distribute County business throughout all vendors
- The dollars only count toward the Board goals if the firms are certified.
- Increased pool size is critical to success.
 - Approximately 30,000 vendors are registered and less than 10% are LSBE-DVBE-CBE vendors.
 - Critical to get more vendors in general, as well as more certified vendors: LSBE-DVBE-CBE-SE
 - Do not have enough vendors to cover the breadth of County commodity codes; many of the certified LSBE-DVBE are in the service industries, not commodities
 - Pool needs to be larger to expend the amount of dollars to reach the Board goals
 - Add check boxes to BAVN for firms to indicate if they are certified or eligible to be certified as LSBE-DVBE-CBE-SE firms
 - Want to work with multiple LSBE-DVBE firms and not just one vendor
 - Individual County websites need more information on this and there should be a link to another site with more detailed information
- Expand role of Primes
 - Require Primes to list the subcontractors after they win a contract
 - Require Primes to do outreach to use certified LSBE-DVBE-CBE-SE firms
 - Need to put into contracts that Primes need to work with their subcontractors to become certified LSBE-DVBE-CBE-SE firms when qualified and then track the subcontractors
- Increase reciprocity of certifications with more jurisdictions
- Implement a post-certification option for firms to become certified after winning a contract
- LSBE attrition

- Some LSBEs let their local certification lapse even though they obtain the California DGS certificate updates
 - Need to identify why some LSBEs do not renew
- Seek new sources of information about potential LSBE-DVBE-CBE-SE businesses
 - New businesses receiving County business licenses
 - Small businesses that win awards from other local jurisdictions
- Simplify the certification process
- Support LSBEs in completing the certification process

Community Business Enterprises (CBE) initiatives

- Federal grants may require MBE/WBE firm participation, which then taps into the County's CBE program
- Typically must run all MBE/WBE firms through SAMS – vendors must print out their SAMS page with the Purchase Order to show they are a firm in a good standing with the Federal government

Local green business certification initiatives

- Limited use in the County
- The County of Los Angeles relies on the local county jurisdictions that have local green business certifications (e.g., City of Santa Monica), which limits the potential pool
- Public Works focuses on building LEED-certified building and has created the certified ENVISION program; the manual has a rating system for sustainable infrastructure

Branding, outreach, and education about contracting opportunities with external audiences

- More publicity and outreach needed
- Many vendors do not know the County purchasing process
- Offer workshops similar to other jurisdictions
- Local small businesses need education and assistance; many are unaware of the services available
- Departmental outreach
 - Departments need to reach out and recruit more certified vendors, particularly for the commodity codes they buy
 - Public Works formed a Business & Contracting Unit to help with outreach
 - WDACS actively reaches out and helps vendors to become certified

- Some departments, such as WDACS, found that when they helped vendors get certified, that those firms became highly motivated to work with the County, were responsive to the County, and delivered high quality work
- Some procurement staff found that certified firms that never get County work can become rude
- Establish more master agreements and contracts for LSBEs
- More networking opportunities for vendors with County departments to increase *targeted* outreach:
 - Sponsor more and smaller events
 - Host industry-specific events with departments
 - Offer strategic marketing with department input
 - Actively market to vendors who are capable of bidding on forecasted spend areas by departments and commodity codes (“we don’t need taco stands,” “stop hitting us over the head with the thousands of small vendors in the County,” “certify more firms that provide the types of goods and services we need”)
 - Prequalify vendors – should be “contract ready” – capable of producing
- Track outreach event success – number of vendors
 - Attending
 - Completing the certification process
 - Bidding on contracts
 - Winning contracts

Increasing the Likelihood of Certified Vendor Success in Contracting

Set aside opportunities

- Will help in January when only 1 bid is needed for \$2,500 bids
- Public Works requires that at least quote must come from a LSBE-DVBE firm for purchases greater than \$5,000 – useful because Public Works can do this kind of solicitation on its own and not go through ISD
- Willing to try set asides (similar to the State of California or Federal government) if County Counsel approves and an ordinance is passed to support it
 - Can set caps in terms of number contracts and total dollar amount of contracts that a single vendor might be eligible for via set asides
- Metro Small Business reviews ALL Metro contracts to determine whether they are set-aside eligible

Higher price preference and revised cap for all eligible County purchases

- Some vendors are envious that LSBEs get this preference

- Some departments do not like it because they want the lowest price

Incentives for Primes to use LSBE-DVBE-CBE-SE firms as subcontractors

- Worth exploring
- Primes could have increased incentive if the use of LSBE-DVBE-CBE-SE firms as subcontractors was part of the scoring criteria
- Consider preference in RFP point scoring beyond cost – need to ensure that the vendor can perform
- Require Primes to develop LSBE-DVBE-CBE plans as part of contract bid
- Requirement to incorporate LSBE-DVBE-CBE subcontracting plans into large business contracts if awarded

Contract term simplification for LSBE-DVBE-CBE-SE firms

- The County has revised the delegated SAP cap to \$25,000 with 2 bids, which helps, particularly for purchases – may still be too low for contracts – useful because departments can do on their own SAP process and not go through ISD
- The contract paper work and bureaucratic processes are still burdensome for some vendors
- Vendor challenges with bonding, insurance, and financial constraints
- Some vendors are worried about legal liability
- Vendors may need “wrap around services” to learn how to comply
- Work with County Risk Management to develop a “chart” of acceptable insurance levels and indemnification requirements depending on, for example:
 - The work being done: (affects the County computer system versus sells us pencils)
 - Small versus large businesses
 - Whether the contract requires the vendor to perform work on County property

Other LSBE-DVBE-CBE-SE programs and initiatives

- Concerned about vendor readiness and LSBE-DVBE quality
- Some firms may need financial support to do County contracts

Vendor capacity-building

- Boot camps, such as one at LAUSD, which offers a multi-day training program to prepare small vendors to do business, ranging from preparing bid documents, to getting insurance, to performing the work, to invoicing
 - What is different between firms who attend and actually bid and have the desire to get and do the work and those that give up too soon?

- Support for vendors – helping those not likely to be able to write comprehensive proposals

Supporting County Departments in Achieving Their Goals

Departmental Mini-Utilization Plans with tactics to achieve their respective goals

- Utilization Plans are harder to do with grants.
- Decisions are driven by departments (not Procurement) and grants have many unknown factors.

Education within County departments

- Client departments do not attend vendor network meetings routinely for shared services; ISD needs to promote the importance of them
- Accounts Payable and Procurement need to work together
- Accounts Payable needs training on LSBE payments
- Train *all* department purchasing and contracting staff in how to plan for and implement LSBE-DVBE-CBE-SE vendor contracts (e.g., look at more than the best-known source)
- Train departments and end users about certified vendors and how to use them
- Share best practices – conduct workshops on best practices for LSBE-DVBE-CBE-SE firms
- Object Codes
 - Accounting and budgeting sometimes want to tie the object codes to areas where they have dollars versus what the actual commodity code should be
 - Auditor-Controller is the gatekeeper of the object codes; even when the Auditor-Controller tells a department to correct an object code, the department may change it back year-end because of the need to reallocate expenditures based on available dollars

MAPP goal for all department heads

- MAPP goals would help so that decisions can be made more toward departmental goals
- Described as an effective motivator for a department to support the initiative – “trickle down” effect
- One department, Public Works, has adopted such a MAPP goal, which has increased awareness and importance of the initiative
- Create a game that can be won – don’t expect results without the “infrastructure” in place
 - Year 1 MAPP goals associated with process (e.g., increasing eligible vendors, simplifying insurance, developing a plan)
 - Year 2 MAPP goals – targeted award amounts

County Agency Recognition Award (CARA) program with annual awards and celebrations

- Like the idea; may motivate departments to be recognized

Set up organizational support within the Department

- Establish departmental units for SBE outreach

Managing Data***Regularly purging of the WebVen database***

- Vendors files are not routinely purged or updated; vendor data base should be periodically purged
- Vendor information is not up-to-date; vendors need to update their vendor profiles
- Important to have accurate and up-to-date WebVen database – waste of resources when we are mailing out large volumes of materials
- Vendors need to know what commodity codes to use
- Some vendors have different FIN
- System is hard to navigate

Improved systems for tracking payments to LSBE-DVBE-CBE-SE subcontractors

- Need to track subcontractors who are certified LSBE-DVBE-CBE-SEs
- Include LSBE-DVBE-CBE-SE subcontractors in reports of progress
- Systems are difficult to navigate
- Difficult to keep data up to date
- Improvements to eCAPS
 - eCAPS needs to allow a functionality to select the proper coding
 - eCAPS needs to distinguish among LSBE-DVBE-CBE-SE firms (they are currently grouped as one category) so that accurate reporting can occur of progress toward goals
- Improvements to Prompt Pay notification
 - Prompt pay information should be part of the Purchase Order for LSBEs
 - Prompt pay status should pop up on the screen that a firm is a LSBE when it is time for Accounts Payable to pay a certified LSBE vendor
 - Not all vendors put Prompt Payment stamps on their invoices
- Improved ability to do vendor searches
 - Vendor database is difficult to analyze/use

- Significant limitations in the ability to searches of vendors, by zip code (departments would like to know vendors' locations similar to YELP)
- Hard to navigate WebVen vendors; adequate if only searching by commodity codes

Consistency in assigning Object Codes for similar commodities and services purchased

- Departments need to use object codes consistently
- Note: See earlier discussion on Object Codes in Appendix A

Data reporting systems for monitoring progress

- The Board is keenly interested in the metrics – constantly asking for updates on the measures
- ISD
 - ISD tracks the metrics and categories, but does not share the data parameters
 - ISD lumps LSBE-DVBE-SE certifications together – they should be separated to determine progress against the individual goals
 - Need to start tracking CBE data going forward
 - When firms' recertification expires, the data are not captured
- Difficult to obtain actual dollars spent versus dollars awarded
- Need to capture data from Primes regarding their subcontractors that are LSBE-DVBE-CBE-SE firms
- Need to encourage vendors to buy supplies from LSBE-DVBE-CBE-SE firms and track dollars spent

Need an accurate, complete, consistent data base from which reports can be easily produced

- Design it with input from department users
- Monthly report for monitoring progress
- Central database managed by DCBA
- eCAPS financial for payment for services
 - Missing LSBE-DVBE-CBE-SE data fields
 - Departments inconsistent in inputting data
 - Recently trained staff say that trainers not clear about what goes where
- E-caps Purchasing for goods
- Would be helpful to have array bid data detailing LSBE-DVBE-CBEs who were not successful

Manage the denominator for measuring percent of participation rates

- Exclude services with least potential for LSBEs
- Need to have accurate, available dollars that LSBE-DVBE-SE firms can compete for

- Each department annually sets the denominator
- Reviewed by DCBA

Tracking Metrics and Success

An annual scorecard that summarizes the County's overall progress

- Difficult to compile the data
- We can only be as good as the data

Posting of the total contract dollars expended with LSBE-DVBE-CBE-SE firms for the purchase of commodities on the County's Open Data website

- Difficult to compile the data
- Reports are currently being run quarterly
- Reports should be posted on the County dashboard

Capturing of data around small businesses doing business with the County that are not certified

- Need to identify current vendors who qualify as LSBE-DVBE-CBE-SE, but are not yet certified and work with them to get certified (e.g., physicians on contract, subcontractors to Primes)

APPENDIX B – KH DEPARTMENT SURVEY

SURVEY METHODOLOGY

Survey Design

The KH Department Survey sought input about recommendations from the 2016 Four-Year Small Business and SE Utilization Plan (Utilization Plan); specifically:

- How completely the recommendations were implemented
- How well the recommendations worked

In addition, the survey sought ideas about best practices and accomplishments in the area of contracting with certified businesses.

Survey Distribution

The survey was open from November 19, 2018, through January 4, 2019. The survey was distributed to potential participants in two ways:

- **Email invitation** – DCBA provided KH with survey recipient emails with the understanding that KH would maintain confidentiality of individual responses. The recipient emails included:
 - Executive Management of all County departments (e.g., Directors, Administrative Deputy Directors)
 - Small Business Liaisons within each department
 - Procurement and contracting staff
 - Los Angeles County Small Business Commissioners
 - Other relevant stakeholders within County government

In total, KH sent 214 email invitations to the collected email addresses. Throughout the survey period, KH sent three reminders to potential participants.

- **Survey link** – KH prepared a survey link, which the DCBA Director emailed to departments to “...include as many voices as we can in this process” and encouraging departments to share the link with other individuals, whose input was desired.

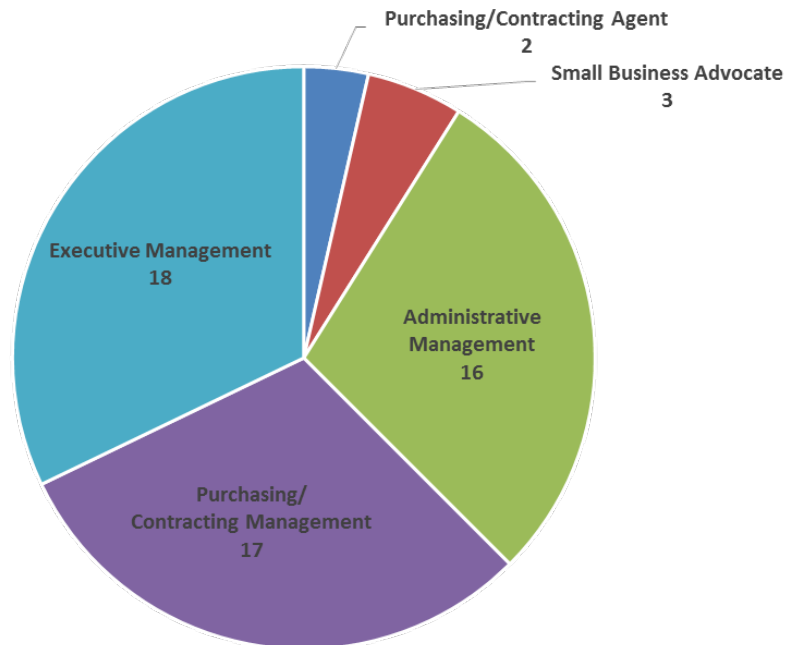
PARTICIPANT PROFILE

Overall, 67 County representatives responded to the survey. Of the 67, 82% (55 respondents) indicated the County department that they represent. The survey results indicate that 28 County departments are represented in the survey results analysis.

The following table displays the County departments represented in the survey results and the number of respondents who indicated their affiliation with each.

≥3 Respondents	2 Respondents	1 Respondent
<ul style="list-style-type: none"> Public Works – 6 respondents Board of Supervisors, Executive Office – 4 respondents Workforce Development, Aging & Community Services (WDACS) – 4 respondents Auditor-Controller – 3 respondents 	<ul style="list-style-type: none"> Alternate Public Defender Animal Care & Control Assessor Chief Executive Office Children & Family Services Community Development Commission/Housing Authority County Counsel Health Services Human Resources Internal Services Public Health Public Library Public Social Services Treasurer & Tax Collector 	<ul style="list-style-type: none"> Agricultural Commissioner/Weights & Measures Beaches & Harbors Consumer & Business Affairs Fire Department Medical Examiner-Coroner Museum of Art Parks & Recreation Public Defender Registrar-Recorder/County Clerk Sheriff

Respondents were asked to indicate their role in the County department that they represent. A total of 59 respondents indicated their department role. The following graph displays the department roles represented:



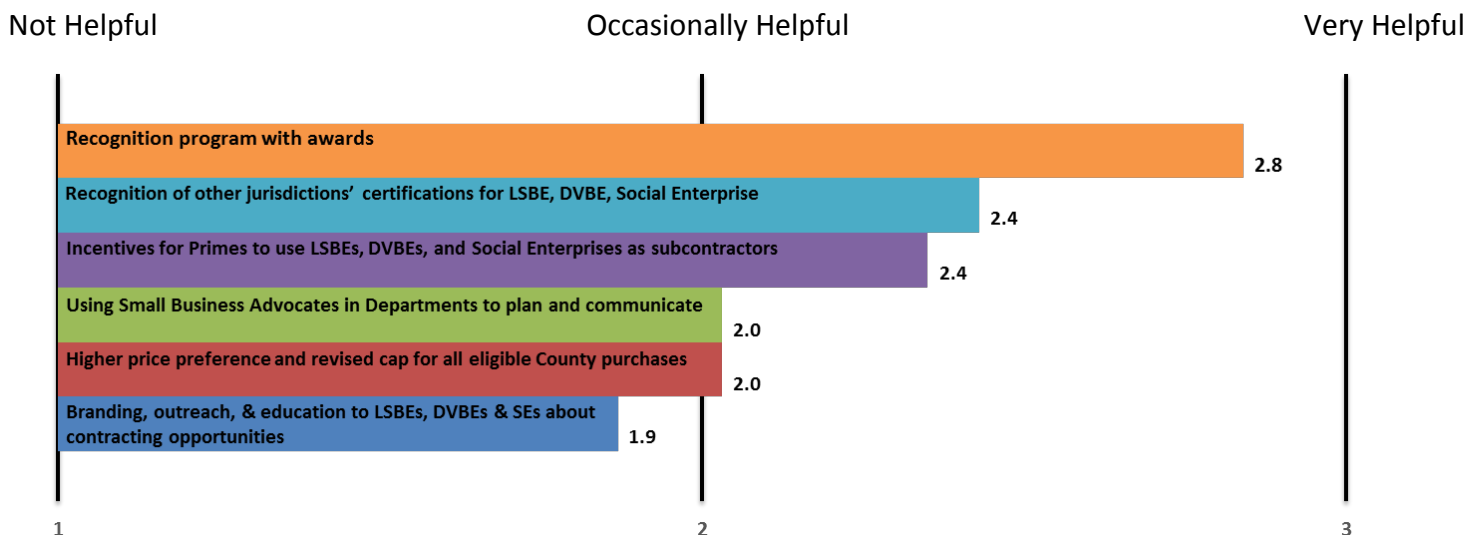
In addition, 2 respondents indicated that they are Small Business Commissioners and 1 respondent indicated that they are a Budget and Fiscal Officer.

SURVEY RESULTS

Progress in Plan Implementation

Completed Countywide Initiatives

Survey respondents were asked to rate completed County-wide initiatives by indicating whether each has been “Very helpful”, “Occasionally helpful” or “Not helpful” to their department. A total of 38 respondents provided their feedback. The following graph displays the overall results.



In addition to indicating their interest, survey respondents were asked to provide comments and suggestions regarding the pilot programs. The following table displays the comments and suggestions provided.

County Small Business events need to occur indoors for all aspects. The tables for the different departments are always outdoors, even in unfavorable weather conditions. Our department may no longer attend in winter months as we have often had sick staff members following these events from the rain and cold.

More and better responsiveness on Concierge - I am a small business, and sent a message through the concierge website months ago - never any response at all. Not OK.

Big Data must be crunched. We need hard data, and not a data dump. County has plenty of staff – get it done.

Small Business Commission should have a Newsletter to communicate with constituents – pushback on this is not appropriate. I know it's "work", which everyone has plenty of already, but communication is key. Refusal should be rescinded and we need to get a plan and some deadlines in place.

We do very little contracting so there isn't much interaction with this initiative by our department.

The Department of Public Social Services, for many of its social services contracts, is mandated at the federal, State and/or local/County level to contract with specific entities such as with the Stage One Child Care providers, Personal Assistance Services Council, LA Care, LAHSA, etc. Also, the entities that are selected for contracting must have the expertise and experience delivering social services as required by the federal and State funding sources, which limits the available pool of contractors.

While it is a very nice gesture to be recognized for the work a Department has accomplished, Pubic Works will continue to strive for cooperation, team work and excellence, regardless of an award program.

Use more small companies that help employ our Prop 47 clients and earn county business, like vendor: GO GREEN, as an example.

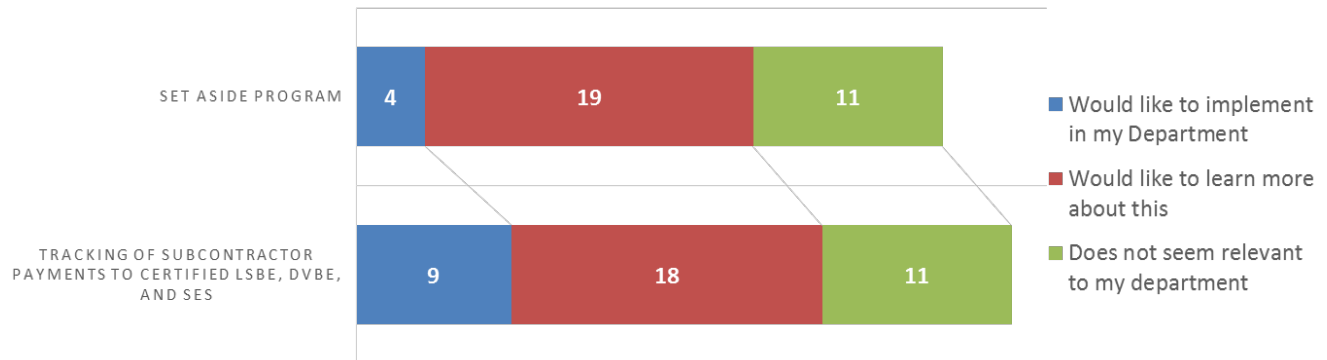
In order for more compliance, Management needs to understand that all LSBE vendors may not meet our needs, and how it will impact overall budgetary constraints where grants monies is involved and the possible increase cost to goods and services and their need to make a decision so that all in department understands that it may cost more when purchases are made in order to be in compliance.

Piloted Programs

As part of the Utilization Plan, the County has piloted two efforts:

- Set aside program
- The tracking of subcontractor payments to certified LSBE-DVBE-SE firms

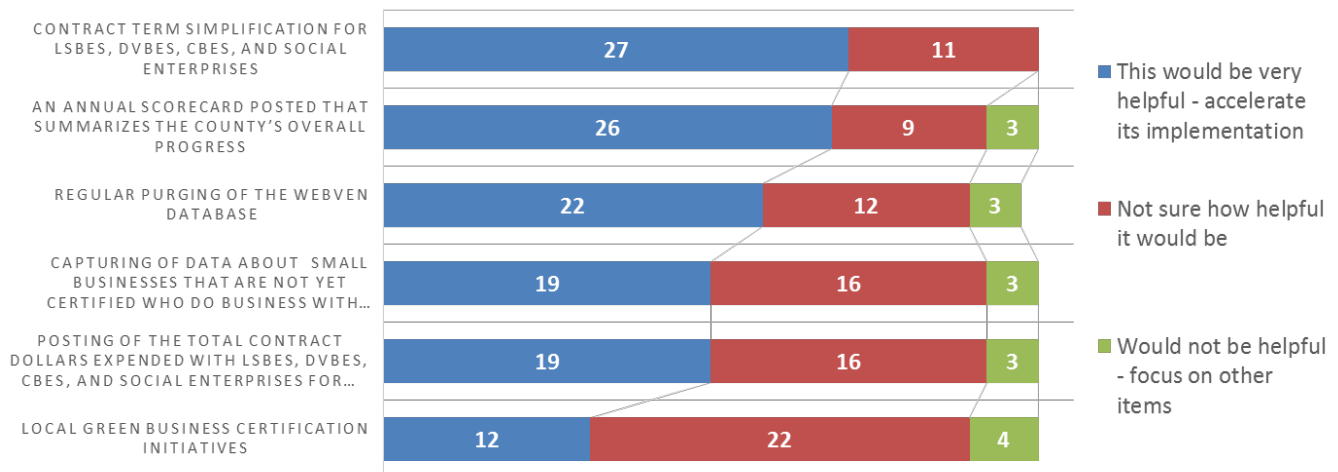
Survey respondents were asked to indicate their interest in learning more about these programs. A



total of 38 respondents provided their feedback. The following chart displays the results.

Partially-Implemented Recommendations

In addition to the pilot programs above, there are several recommendations from the Utilization Plan that have not been fully-implemented. Survey respondents were asked to indicate whether these recommendations are still important. A total of 38 respondents provided their feedback. The following chart displays the results.



In addition to indicating perceived importance, survey respondents were asked to provide comments and suggestions regarding the partially-implemented recommendations. The following table displays the comments and suggestions provided.

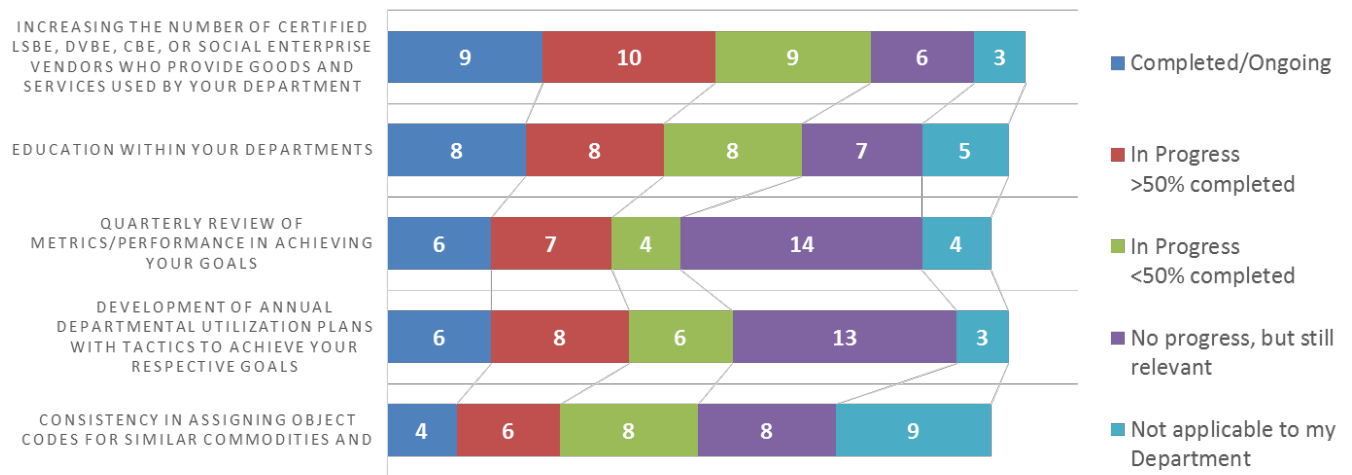
Scorecard should be quarterly. We need hard numbers, analyzed and categorized, quarterly.

Contract terms should be simplified for EVERYONE!

Good idea, but there has to be guidelines since so many departments use same vendors and may have outstanding payments

Departmental Recommendations – Progress Made

Survey respondents were asked to indicate the progress that their departments have made in implementing the Utilization Plan recommendations. A total of 37 respondents provided their feedback. The following chart displays the results.



In addition to indicating progress made, survey respondents were asked to provide comments and suggestions regarding departmental recommendations. The following table displays the comments and suggestions provided.

We need hard data, intelligently reported by category, insightfully analyzed and reported. Metrics are not possible without hard data to work with.

Please note that my responses to this survey are related solely to services contracting over \$100,000 and not to commodity purchases.

Working with Shared Services Division.

Accomplishments and Lessons Learned

Accomplishments

Survey respondents were asked to identify their departments' accomplishments over the past two years that they were proudest of and that increased LSBE-DVBE-SE participation. The following table displays the list of accomplishments identified.

Ensuring that prospective bidders/proposers are aware of the Preference Programs during the solicitation process

Use of LSBE-DVBE-SE procurement-based purchases has increased to 80%

Development of a plan for SBC Newsletter

Of our 3 open solicitations, all offer opportunities for LSBE-DVBE-SE participation.

Coordinated with DCBA Social Enterprise Outreach and Orientation events

We have increased our PPE usage

DPSS has identified eight contractors that provide social services through 19 contracts that are certified SEs.

The continual increase in dollars going to small business

The SAP program, increasing the amount departments can purchase utilizing LSBEs, etc.

Payment of prompt pay invoices for LSBE-DVBE-SE has increased to 90%

Presented Small Business RoundTable

Attended Contracting Network meetings

Working towards the passage of AB 2762

The continual increase in our outreach efforts

Lessons Learned

Survey respondents were asked to identify lessons that their department learned over the past two years for increasing success for LSBE-DVBE-CBE-SE participation. The following table displays the list of lessons learned identified.

Participating in Countywide contracting expos and fairs is important to inform contractors of the County's Preference Program

To always ask LSBE-DVBE-SE vendors for quotes first

We need hard data, and not just a dumb data dump.

We have learned that vendors continue to need information on the LSBE-DVBE-CBE-SE opportunities and we as a Department continue to communicate certification information and opportunities to our vendors.

It may take more than one outreach/appeal to a potential SE to actually have them get on the Master Agreement list.

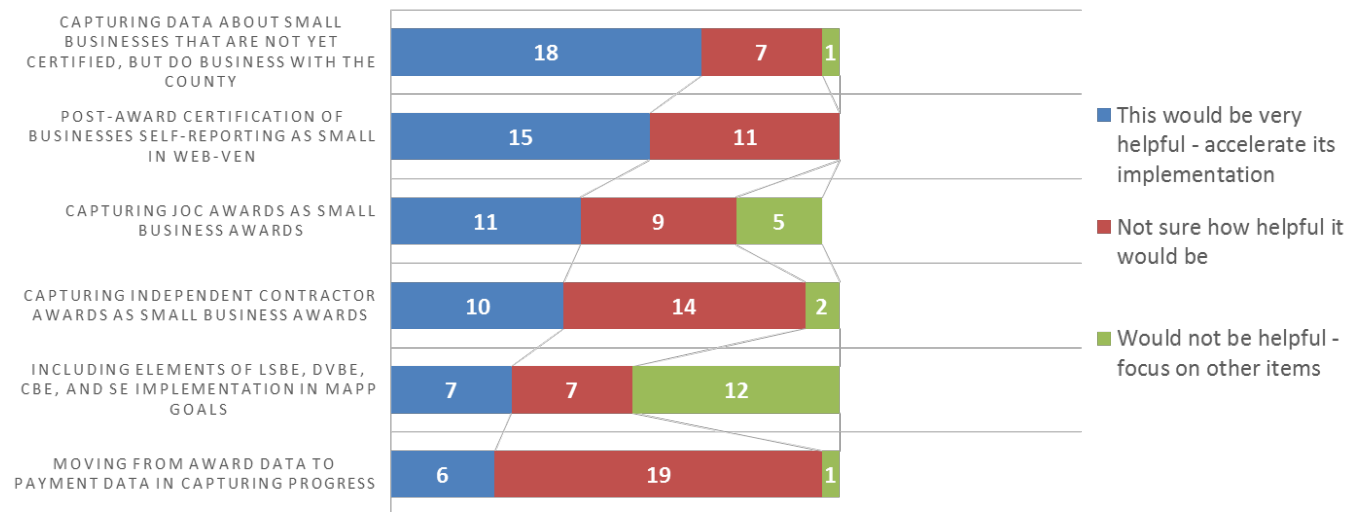
We need more Preference Program Entities (PPEs) in the right commodity categories.

Outreach is important.

Ideas for Future Improvements

Assessment of "Brainstormed" Ideas

Survey respondents were asked to provide feedback regarding ideas previously "brainstormed." A total of 26 respondents provided their feedback. The following chart displays the results.



Needed Improvements

Survey respondents were asked to provide feedback regarding needed improvements for best achieving the Board's goals for LSBE-DVBE-CBE-SE firms. The following tables display respondents' suggestions, by goal.

Ideas to increase the LSBE-DVBE-CBE-SE firms that can do business with County departments

- The current solicitation language requires firms to be certified at the time of preference request (at time of proposal submission). Some firms do not realize that they need time to request certification from either the State or County. It would be helpful if the County's WebVen site can send out periodic notices (blasts) to registered vendors reminding them to request the certification. The notices can include the criteria needed to qualify, and information for State and County websites to apply for certification, etc. Maybe a quick questionnaire would be helpful. Firms may not realize that they qualify.
- Update the LSBE vendor list on the ISD website. This site does not populate correctly and vendor information is not always up to date.
- Simplify the process.
- Increase responsiveness.
- Have more aggressive social media.
- Implement a regular e-newsletter.
- Develop written reference materials for operations managers (non-administrative staff) that sometimes identify vendors for their needed services/supplies.
- Make it easier for businesses to register.
- We do very limited contracting, so implementing this is problematic.
- Continue County outreach efforts.
- Certify the right PPE in the right category.
- We need to know which entities might be able to meet our services requirements. Also my department has contracts with community based non-profits which could possibly be certified as Social Enterprises. This is an ever expanding area of contracting for DHS.

- The Department of Public Social Services can outreach to these enterprises through its contract solicitation documents.
- Explore the opportunities of developing a reciprocity process/program with other jurisdictions with similar criteria.
- We need more certified businesses.
- Increase education, outreach, and resources.
- Expand the pool of vendors who can actually do the work that is required.

Ideas for the County to implement to improve processes, reduce paperwork/red tape, or change policies to improve County departments' ability to award contracts to certified LSBE-DVBE-CBE-SE firms

- If the County reminded registered vendors automatically, that may help the process. Unfortunately, vendors do not always take the initiative to search for the information on their own. We (the County) can help them.
- A note on the Vendor Search site indicating whether the firms are certified with the State, County or both would be helpful. Issue and Expiration Dates would also be helpful. If a firm is approaching renewal, the site can send them a reminder to renew their certification.
- Reduce the intimidating RFP and contracting process to allow more small businesses to participate.
- County needs to figure this out for itself. Not my job.
- Create a blue ribbon committee to review, research, and recommend reforms to County codes.
- Encourage departments to issue Work Orders instead of conducting comprehensive solicitations.
- Look at streamlining PPE bids. What is the County's appetite for liability?
- I don't believe it's a process constraint. It's a supply issue.

- The County can work with DPSS to improve DPSS' Contracting Portal.
- PCC, ordinance and County policies require that a competitive process be utilized in the procurement of a contract. Possibly a set-aside would help increase the numbers.
- Allow set-asides.
- Streamline the application process.
- Increase bid \$ levels to allow more than 1 and 2 bid procurements.

Ideas to better track LSBE-DVBE-CBE-SE subcontractors better

- Continue updating the database periodically.
- Technology, obviously.
- Improve identifiers in eCAPS so that applicable vendors can be identified and reports can be generated, eliminating need for manual comparisons.
- Invest in an advanced data analytics software solution with reporting tools that can auto scan, update, track, trend, and alert/highlight areas of focus.
- Have all departments include this information in solicitation award Board Letters.
- Purchase software that performs this function.
- Implement one database that all departments use.

Ideas to capture data regarding awards made to uncertified small businesses

- Create a form with key questions for the awarded contractors to complete. If they qualify, encourage them to register for certification for future contracts. Track the number of firms who qualify.
- Doesn't the County keep track of where its money is going? If not, this would undoubtedly be an award-winning investigative journalism series in the LA Times.

- This is an area that would be helpful; a reporting tool would assist in identifying uncertified small businesses.
- Use self-reported company size when registering in WebVen and run expenditure reports in eCAPS.
- Request that all bidders and proposers fill out a questionnaire upon submittal of bids or proposals.
- You would have to have every awardee complete a survey.

Ideas on how to clarify the target award amount (i.e., establish what contracts are not eligible for LSBE-DVBE-CBE-SE awards)

- Other than large team projects (e.g., Design Build contracts), I cannot think of a situation where our Department would deem them ineligible. As long as they qualify and can demonstrate that they are able to provide the required service. Our Department may have large projects in the future, but the firms should be able to determine whether they are qualified based on the Scope or Work and project requirements, in general.
- Percentages are fine, so long as we have hard data for context. This seems to be a permanent bottle-neck, which is extremely concerning, on many levels.
- First, identify what contracts lend themselves to LSBE et al service delivery. Then agree that establishing what contracts are not eligible for LSBE-DVBE-CBE-SE awards would be helpful. Consideration should be given to whether there are any certified vendors that can provide all of the eligible services/goods. A better way to search certified vendors is needed.
- DHS identified those contracts several years ago in a response to a request from SD4.
- All of our contracts are eligible for small businesses to bid.
- All contracts are eligible, so what's the point of this?
- Utilize information from departments that details which awards are not suitable and then utilize a more real target pool.

Ideas regarding what data or support would be most useful for preparing your annual plans

- A website with a list of certified firms. It would be helpful if the list included:
 - 1) State and County certification(s)
 - 2) Date of certification and expiration
 - 3) Date that site was last updated
- Update vendor lists with commodity or service type.
- Totals, and by broad categories, then aggregated by industry.
- Sharing of best practices for how departments can meet their LSBE-DVBE-CBE-SE goals.
- Data on the types of certified businesses in LA County so we can see if we have appropriate contracting opportunities for them
- None. Annual plans don't make sense [since] without set asides.
- Fiscal information, demographics, and outcomes.
- How ISD captures expenditures if LSBE certification expires prior to reporting period.

Ideas regarding the Board's specific focus on CBE award goals

- Bear down!
- Unlike the Utilization Plan and AB 2762 that established preferences to LSBE-DVBE-SE firms, there is no preferences for CBE. The County should consider moving toward similar preferences.
- Clarify what the expectations are with regard to CBE. We don't track this information currently.
- Need to know more about the CBE program.

General comments and suggestions

- Better accommodations should be provided for departments willing to devote half a day to meeting with small business vendors. An enclosed shelter to protect from the elements, such as rain, would be a good start.
- There is way too much push back from County departments and staff.
- Surveys, data collection, outreach efforts, breaking down contracts into smaller parts that might be more attractive for certified businesses, etc. requires staff time that most departments have not anticipated in their staffing plans and ability to acquire more staff through the County's budget process. There needs to be consideration of the amount of work and amount of County resources necessary to undertake the work.



BOARD OF SUPERVISORS

Hilda L. Solis
Mark Ridley-Thomas
Sheila Kuehl
Janice Hahn
Kathryn Barger

COUNTY OF LOS ANGELES
**DEPARTMENT OF CONSUMER
AND BUSINESS AFFAIRS**

"To Enrich Lives Through Effective and Caring Service"



Joseph M. Nicchitta
Director

Joel Ayala
Chief Deputy

Rafael Carbajal
Chief Deputy

July 16, 2019

To: Supervisor Janice Hahn, Chair
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Kathryn Barger

From: Joseph M. Nicchitta
Director

**FIRST REPORT BACK REGARDING THE IMPLEMENTATION OF A PLAN TO
ACHIEVE THE COUNTY OF LOS ANGELES' 25% PROCUREMENT
ATTAINMENT GOAL FOR LOCAL SMALL BUSINESS AND CERTIFIED
BUSINESS ENTERPRISES (ITEM NO. 11, AGENDA OF APRIL 30, 2019)**

On April 30, 2019, your Board adopted two motions¹ directing departments to take material steps to meet the Board-established goal that by 2020 Local Small Business Enterprises (LSBEs) attain 25 percent of the County's eligible annual procurement awards. Your Board also directed departments to take material steps to meet Board-established procurement goals for Community Business Enterprises (CBEs), which include minority- and women-owned businesses, and disabled veteran business enterprises. Your Board directed the Department of Consumer and Business Affairs (DCBA) to lead the implementation of many of these steps and to consult with other departments to manage the overall achievement of the LSBE and CBE procurement attainment Goals.

¹ <http://file.lacounty.gov/SDSInter/bos/supdocs/135120.pdf> and
<http://file.lacounty.gov/sdsinter/bos/supdocs/135175.pdf>

Your Board specifically:

- Directed the Chief Executive Officer to establish Management Appraisal and Performance Plan (MAPP) goals for Fiscal Year 2019-20 for all department heads to support the County's 25 percent LSBE Utilization Goal, and further directed the Director of Personnel, in consultation with DCBA and Internal Services, to provide guidance to department heads on these new MAPP goals;
- Authorized DCBA, in consultation with Internal Services, Public Works, and the Initiative on Women and Girls, to engage a consultant to conduct outreach to CBEs to identify business support needs and barriers to working with the County;
- Directed DCBA, in consultation with the Chief Executive Office, Human Resources, Internal Services, the Initiative on Women and Girls, the Center for Health Equity, and County Counsel, to develop a "Contracting with Certified Businesses" training on the County's Learning Net for County procurement and contracting staff;
- Instructed the Director of Internal Services, in consultation with the Chief Executive Office, DCBA, the Chief Information Officer, the Auditor-Controller, Public Works, and the Health Agency, to ensure coordination within the various County's purchasing and contracting policies, procedures, practices, and technology with LSBE utilization efforts; and
- Authorized the Director of DCBA to enter into a memorandum of understanding with other cities and agencies and use existing eligible grant resources to establish and launch a regional procurement initiative.

Your Board further instructed the Directors of DCBA and Internal Services, in coordination with other County departments, to report back in writing in 60 days on the following:

- Recommendations to modify the existing simplified acquisition process to allow for a maximum simplified acquisition amount of up to \$249,999, including enhanced auditing protocols;

- Analysis and recommendations for potential changes to bonding and insurance requirements to lower costs and burdens LSBEs, CBEs, and other certified businesses face when attempting to contract with the County;
- Identify opportunities to extend LSBE and CBE procurement attainment goals to County-related agencies and special districts; and
- Assess efforts to increase data capture and identify necessary resources to implement enhanced data gathering and reporting regarding LSBE and CBE utilization, including enhanced auditing protocols for contract awards made to certified firms.

This interim report serves as an update on each of the directives outlined above.

MAPP Goals

Your Board approved one-time MAPP goals for Fiscal Year 2019-20 for all department heads to take material steps to support the LSBE and CBE procurement utilization goals.

DCBA is working in partnership with Human Resources and Internal Services to determine the optimal approach in developing MAPP goals and guidance that is specific, measurable, achievable, and relevant to a department's unique procurement opportunities.

Staff concurred that the optimal approach is data-driven and accounts for a department's spending on goods and services in relation to the pool of certified vendors. For example, if data shows some departments could increase LSBE and CBE utilization by targeting certified vendors for specific contracting opportunities, a MAPP goal that reflects targeted outreach for these opportunities is more likely to increase utilization rates than generalized outreach not tied to specific opportunities. To support the development of data-driven MAPP goals, DCBA and Internal Services will provide department heads multiple years of expenditure data designed to identify trends, provide insights, and actionable opportunities regarding LSBE and CBE contracting.

Staff also concurred that MAPP goals based on achieving a certain level of utilization are not preferred. An example of such a MAPP goal is setting a milestone to achieve 20 percent utilization by a date certain. This approach could result in managers making contracting decisions against the County's or departmental interest for the sake of

achieving the MAPP priority. A better approach is the one outlined above in which departments make data-driven policy decisions about how to increase utilization rates.

Human Resources staff will provide formal guidance to department heads in July 2019 as part of the MAPP Planning process, followed by the scheduling of individual guidance from DCBA and Internal Services for the development of customized milestones. DCBA and Internal Services will work with departments on an ongoing basis to move utilization goals forward in the short-term and ensure sustainable outcomes in the long-term.

Specialized Technical Assistance for Community Business Enterprises

The County's CBE program is an umbrella certification that recognizes our minority-owned, women-owned, disadvantaged, and disabled veteran-owned businesses. According to the Local and Regional Government Alliance on Race & Equity (GARE), and Contracting for Equity Report², these businesses face the following five primary barriers to government contracting:

1. Differences in capital for business start-up or expansion;
2. Differences in education level;
3. Differences in experience growing up in family business;
4. Differences in social networks; and
5. Overt discrimination or racism.

In response, your Board authorized DCBA, in consultation with relevant departments, to engage a consultant to conduct outreach to CBEs, trade organizations, and other groups that represent and work with CBEs, to identify business support needs and barriers to soliciting work with the County that is unique to CBEs, and develop programming, such as modified technical assistance to reduce barriers and address these unique needs.

Public Health's Center for Health Equity has identified contracting and procurement as key principles of equity in their Action Plan for 2018-2023:

² https://racialequityalliance.org/wp-content/uploads/2015/12/GARE-Contract_For_Equity.pdf

LA County funding opportunities will be aligned to promote local purchasing and strong labor standards. Efforts will be made to prioritize partnerships with local Small Business Enterprises (SBEs), Historically Underutilized Businesses (HUBs), Minority and Women Business Enterprises (MWBEs), and LGBT Business Enterprises (LGBTBEs) to benefit historically underserved communities.³

DCBA has partnered with the Center for Health Equity to support our mutually beneficial procurement and contracting goals. This partnership will reduce fragmentation and duplicative efforts within the County and align the County's procurement goals with objectives related to health equity.

DCBA expects to onboard a consultant in the next 60 days to help lead this effort and will report back to your Board on progress.

Contracting with Certified Businesses Learning Net Training

Your Board has recognized that, to achieve LSBE and CBE procurement attainment goals, each County department must alter the way it approaches the procurement of goods and services. For this to occur, departmental procurement personnel must understand the important policies supporting certified business procurement, as well as the tools available to each department to maximize procurement opportunities.

To assist departments in reaching Board-mandated utilization goals, DCBA will be administering a training for all departmental executive leadership and procurement staff. Our training will affirm your Board's priority to reach its LSBE utilization goals by 2020, and increase CBE utilization overall, and provide a comprehensive and clear understanding of the various preference programs to foster a more inclusive procurement environment for certified businesses. The training will also identify tools that make contracting with certified businesses easier, such as the simplified acquisition process and existing and new master agreements, and ensure department leadership and staff are aware of resources available to find and identify certified businesses who may be eligible for procurement awards.

³ <http://publichealth.lacounty.gov/CenterForHealthEquity/PDF/CHE-ActionPlan.PDF>, at page 14.

DCBA is currently working with Human Resources to develop and implement this training and ensure all appropriate County personnel participate in the training module via the County's online Learning Net.

Regional Procurement Initiative

Small businesses that are eligible for certification often do not apply, or do not apply for all available certifications, either because they do not have the bandwidth to apply to be certified in multiple jurisdictions, which can be time consuming and paper-driven, or they are not aware there are different certification options in multiple jurisdictions.

To address this barrier, your Board authorized DCBA to enter into a memorandum of understanding with the Los Angeles Area Chamber of Commerce, the City of Los Angeles, and other cities and agencies in the region to establish and launch a regional procurement initiative that aims to streamline vendor certification applications across partner agencies.

DCBA leadership and staff, along with Internal Services staff, have had multiple partnership development meetings with the Los Angeles Area Chamber of Commerce and potential partner agencies to flesh out the terms of a regional partnership and a common online platform that can streamline the certification application process across multiple partner agencies. The resulting partnership, known as OneLA, will allow for more effective outreach to certified vendors about upcoming bid opportunities and help promote a regional marketplace.

Central to the partnership is the acquisition of Avisare Corp.'s vendor certification platform. Through this platform, vendors will be able to apply to be certified by multiple agencies online without duplicating the application and will have access to procurement opportunities in one place. Using existing grant resources, DCBA entered into a one-year pilot agreement with Avisare and expects to launch a prototype of the new certification portal within the next several weeks.

Increasing the Simplified Acquisition Process to \$249,999

Since its inception in October 2016, the simplified acquisition process managed by Internal Services has allowed departments to contract with certified vendors quickly and efficiently. Awards through the simplified acquisition process have progressively increased year over year. For example, during the first quarter of Fiscal Year 2019-20, simplified acquisition process awards reached \$1,596,795, a substantial increase from \$437,052 during the same period in Fiscal Year 2018-19.

Currently, the simplified acquisition process is available for contracts up to \$24,999. Given the potential for the simplified acquisition process to increase certified business utilization, your Board directed DCBA to consult with the Auditor-Controller and Internal Services to develop recommendations to increase that limit amount to \$249,999.

DCBA, Internal Services, and Auditor-Controller concur that increases to the simplified acquisition process limit should be done in phases and accompanied by appropriate procedural and auditing safeguards. Increasing too quickly or without tested safeguards could result in increased incidents for fraud or mismanagement.

Internal Services is leading the development of a phased approach, with an initial recommended increase between a maximum of \$50,000 to \$100,000, effective January 2020. DCBA and Internal Services are also working with the Auditor-Controller on appropriate controls and processes, including:

- Developing a checklist so department staff can determine whether a contracted vendor provides a “commercially useful function,” which is required by State law and County ordinance for certified vendors;
- Implementing regular audits for contract awards to certified firms to ensure compliance with all applicable regulations;
- Strengthening language in the *Acknowledgement of Sanctions for LA County Preference Programs*, which vendors must agree to when applying for certification;
- Establishing a quarterly cap on the number of awards to a single vendor through the simplified acquisition process to avoid abusive contracting and ensure other certified businesses have access to contracting opportunities; and
- Establishing a policy requiring additional outreach to certified vendors for some contracts, which would ensure more qualified vendors are aware of and bid on available procurements.

Given the complexity of this effort, additional evaluation, planning, and engagement with the Auditor-Controller and other partners are required to develop final recommendations. DCBA will continue to update your Board in subsequent reports on recommendations related to the simplified acquisition process.

Modifications to Bonding and Insurance Requirements

Recent research and vendor feedback, including concerns raised by County Small Business Commissioners, indicate that the bonding and insurance requirements on some County contracts represent a significant barrier to doing business with the County, particularly for smaller firms. In an effort to remedy this, your Board directed the Chief Executive Office, in consultation with the Economic Development Policy Committee, DCBA, Workforce Development, Aging and Community Services, Parks and Recreation, Public Works, the Los Angeles County Community Development Authority, Internal Services, County Counsel, and other applicable departments, to evaluate and recommend the implementation of a one-year pilot program to provide contractor bonding assistance.

Initial research conducted by Public Works indicated that bonding requirements are specified by State law, as follows:

Bid Bond (Public Contract Code section 20129)

This bond ensures the bidder will meet the terms of their submitted bid. The statute does not specify the percentage, but County practice is for 10 percent of the contract amount.

Payment Bond (Civil Code section 9554)

This bond guarantees that the subcontractors and material suppliers on the project will be paid. The statute specifies that this bond shall be for 100 percent of the contract amount. A payment bond is not required until the time of contract execution. Generally, the fee for payment bonds is approximately one to five percent of the total contract amount for most companies, and six to 10 percent for those companies deemed risky by the surety company, plus the premium rate charged by the surety company to issue the bond. The evaluation of risk is primarily based on credit history, which can be an added hindrance for some LSBE and CBE certified businesses.

Performance Bond (Public Contract Code section 20129(b))

This bond guarantees fulfillment of a contract and completion of work. The statute does not specify a percentage. However, the County has required 100 percent of the contract amount for at least the past 25 years for risk management. This bond is not required until the time of contract execution.

Like the Payment Bond, the fee for performance bonds is approximately one percent of the total contract amount, plus the premium rate charged by the surety company issuing the bond.

Combined fees for payment and performance bonds typically average between two to three-and-a-half percent for small businesses, but rates are dependent on the contractor's creditworthiness.

On June 21, 2019, the Chief Executive Office submitted its findings and recommendations for a one-year bonding pilot program.⁴ The Chief Executive Office recommends utilizing the U.S. Small Business Administration (SBA) and the U.S. Department of Transportation's (DOT) bonding assistance and bonding education program for County certified businesses. DCBA has a well-established relationship with both SBA and DOT and is working to identify liaisons within each organization to facilitate referrals and hand-offs. Additionally, DCBA, Public Works, and Internal Services are currently collaborating with DOT on an eight-session business education workshop series commencing in July 2019. These workshops will connect our certified businesses with procurement technical assistance, information on obtaining bonding, access to capital, and other essential topics.

Regarding proof of insurance, all contracts will require proof of insurance prior to contracting, but whether to require insurance at the time a bid is submitted or just prior to contract execution is within the discretion of each department. At least one department, Public Works, reported not requiring proof of insurance until it is time to execute the contract. Public Works, along with most departments, follows the insurance guidelines recommended by the Chief Executive Office Risk Management, which can be found at <https://riskmanagement.lacounty.gov/insurance-programs-risk-transfer/>.

Nevertheless, insurance requirements remain an area of contention among many small business vendors, with some claiming insurance requirements are too onerous for small firms. Addressing these issues will take additional research, planning, and evaluation of current practices and statutory and policy requirements. Accordingly, DCBA will continue to convene all relevant partners to discuss insurance levels, timing, and potential policy and business process changes. This includes exploring tiered contracting where lower dollar and lower-risk opportunities allow for lower level of insurance requirements.

⁴http://file.lacounty.gov/SDSInter/bos/bc/1057661_ContractorBondingAssistanceProgramReportBackJanuary23_2018.pdf

DCBA will continue to work with the relevant departments and Chief Executive Office Risk Management to help standardize insurance and bonding practices across departments to minimize barriers and burdens to certified businesses.

Opportunities to Extend Goals to County-Related Agencies and Special Districts

DCBA is working with Public Works and other departments to identify and convene County-related agencies and special districts. As a first step, DCBA will work with the Los Angeles County Development Authority and the Los Angeles County Office of Education to partner in the regional procurement initiative described above.

We anticipate that data collection, aggregation, and reporting on procurement will present a challenge for many County-related agencies and special districts. County-related agencies and special districts often do not utilize the County's eCAPS or vendor system when executing contracts or posting opportunities.

DCBA will continue pursuing this initiative by engaging the County-related agencies on their procurement practices, vendor needs, and partnership opportunities and report back progress to your Board in the next report.

Ensuring Accurate Data Collection

As we have previously reported, accurate data collection has been a barrier to benchmarking utilization efforts and measuring progress, most notably with CBEs. DCBA is working with Internal Services to develop and implement a solution for the tracking of CBE utilization data. We anticipate implementing this solution concurrently with the integration of the Avisare platform into the County's enterprise systems.

In addition, DCBA has partnered with the Auditor-Controller to procure Dun & Bradstreet Market Insight, a proprietary business analytics tool that will allow DCBA to analyze businesses already contracting with the County but who may not be certified. This information will allow DCBA to identify eligible, non-certified businesses, develop focused outreach to these businesses to increase certification rates, and inform policy decisions around vendor certification.

Furthermore, DCBA is developing an automated, technology-driven solution to facilitate a department's compliance with Board Policy 5.130 (Contracting with Community Business Enterprises). Deeper integration of the technology solution with existing systems such as WebVen and eCAPS will further facilitate compliance. Identifying integration points with existing systems such as WebVen and eCAPS is a critical

component of the development and expansion phase of this effort. DCBA will continue working with Internal Services to implement the CBE tracking mechanism and to identify a solution to streamline the way departments transmit information about their compliance with contracting and utilization policies like Board Policy 5.130. In the interim, DCBA continues to promote inclusion by providing County departments, government agencies, and private businesses the listing of actively certified CBEs upon request.

Certified Vendor Search Tool and New “Doing Business with LA County” Website

Internal Services recently introduced two important technological enhancements in support of the LSBE and CBE procurement attainment goals.

On June 20, 2019, Internal Services released an enhanced Certified Vendor Search Tool⁵. This tool marks a significant upgrade over its predecessor by introducing increased functionality, which allows buyers to specify their search parameters by supervisorial district, geographic region, certification type, or product and service offerings. Additionally, the new Certified Vendor Search Tool supports the creation of a “bid list” composed exclusively of actively certified vendors. This feature allows buyers to target certified vendors for contract opportunities.

Furthermore, Internal Services continues to pursue other initiatives aimed at making the County a more accessible partner for small businesses. Most notably, Internal Services launched an updated “Doing Business With (LA County)”⁶ website. Among other enhancements, the new website prominently markets the County’s vendor certification programs, improves the user experience when searching for open solicitations, and promotes transparency of the County’s annual spend on certified businesses.

⁵ <https://camisvr.co.la.ca.us/LACoBids/CertList/VendorCert>

⁶ <https://doingbusiness.lacounty.gov/>

Each Supervisor
July 16, 2019
Page 12

Next Steps

DCBA will provide your Board with our next report on October 1, 2019.

Should you have any questions concerning this matter, please contact me, Rafael Carbajal, Chief Deputy Director, at (213) 974-0834 or rcarbajal@dcba.lacounty.gov, or Christian Olmos, Chief, Office of Small Business, at (323) 267-2460 or colmos@dcba.lacounty.gov.

JMN:RC
CO:FGN:ph

c: Executive Office, Board of Supervisors
 Chief Executive Office
 County Counsel
 Auditor-Controller
 Center for Health Equity
 Community Development Authority
 Director of Personnel
 Internal Services Department
 Public Health
 Public Works
 Women and Girls Initiative



BOARD OF SUPERVISORS

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COUNTY OF LOS ANGELES DEPARTMENT OF CONSUMER AND BUSINESS AFFAIRS

"To Enrich Lives Through Effective and Caring Service"



Joseph M. Nicchitta
Director

Joel Ayala
Chief Deputy

Rafael Carbajal
Chief Deputy

October 30, 2019

To: Supervisor Janice Hahn, Chair
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Kathryn Barger

From: Joseph M. Nicchitta
Director

SECOND REPORT BACK REGARDING THE IMPLEMENTATION OF A PLAN TO ACHIEVE THE COUNTY OF LOS ANGELES' 25% PROCUREMENT ATTAINMENT GOAL FOR LOCAL SMALL BUSINESS ENTERPRISES (ITEM NO. 11, AGENDA OF APRIL 30, 2019).

Summary of Report

On April 30, 2019, your Board adopted two motions¹ directing departments to take significant steps to meet the Board-established goal that by 2020 Local Small Business Enterprises (LSBEs) attain 25 percent of the County's eligible annual procurement awards. Your Board also directed departments to take considerable steps to meet Board-established procurement goals for Community Business Enterprises (CBEs), which include minority- and women-owned businesses, and disabled veteran business enterprises. Your Board directed the Department of Consumer and Business Affairs (DCBA) to lead the implementation of many of these steps, and to consult with other departments and manage the overall achievement of the LSBE and CBE procurement attainment goals.

¹ <http://file.lacounty.gov/SDSInter/bos/supdocs/135120.pdf> and
<http://file.lacounty.gov/sdsinter/bos/supdocs/135175.pdf>

Your Board specifically:

- Directed the Chief Executive Office (CEO) to establish Management Appraisal and Performance Plan (MAPP) goals for Fiscal Year 2019-20 for all department heads to take material steps to support the County's 25 percent LSBE utilization goal, and further directed the Director of Personnel, in consultation with DCBA and the Internal Services Department (ISD), to provide guidance to department heads on these new MAPP goals;
- Authorized DCBA, in consultation with ISD, the Department of Public Works (DPW), and the Women and Girls Initiative, to engage a consultant to conduct outreach to CBE to identify business support needs and barriers to soliciting work with the County;
- Directed DCBA, in consultation with the CEO, Human Resources, ISD, the Initiative on Women and Girls, the Center for Health Equity, and County Counsel, to develop a "Contracting with Certified Businesses" training on the County's Learning Net for County procurement and contracting staff;
- Instructed the Director of ISD, in consultation with CEO, DCBA, the Chief Information Officer, the Auditor-Controller, DPW, and the Health Agency, to ensure coordination within the various County's purchasing and contracting policies, procedures, practices, and technology with LSBE utilization efforts; and
- Authorized the Director of DCBA to enter into a memorandum of understanding with other cities and agencies and use existing eligible grant resources to establish and launch a regional procurement initiative.

Your Board further instructed the Directors of DCBA and ISD, in coordination with other County departments, to report back in writing in 60 days on the following:

- Recommendations to modify the existing simplified acquisition process to allow for a maximum simplified acquisition amount of up to \$249,999, including enhanced auditing protocols;
- Analysis and recommendations for potential changes to bonding and insurance requirements to lower costs and burdens LSBEs, CBEs, and other certified businesses face when attempting to contract with the County;

- Identify opportunities to extend LSBE and CBE procurement attainment goals to County-related agencies and special districts; and
- Assess efforts to increase data capture and identify necessary resources to implement enhanced data gathering and reporting regarding LSBE and CBE utilization, including enhanced auditing protocols for contract awards made to certified firms.

This second interim report serves as an update on each of the directives outlined above.

MAPP Goals

Your Board approved one-time MAPP goals for Fiscal Year 2019-20 for all department heads to take considerable steps to support the LSBE and CBE procurement utilization goals. In response, DCBA created a MAPP goal guide to ensure that departments develop MAPP goals that are specific, measurable, achievable, relevant, and time-bound to a department's unique procurement opportunities

The guide includes nine MAPP goals that we have identified as opportunities to increase utilization and outreach efforts. Each goal provides a brief implementation plan, potential milestones, examples of key performance indicators to measure success, and guidance on which type of department may be best suited to incorporate this goal. Departments also now have greater access to a new self-service portal recently launched by ISD which allows users to pull their expenditure data for the previous three (3) fiscal years which will allow for the identification of spending trends and patterns that may be leveraged to develop a utilization strategy. Moreover, DCBA staff will be available to meet with those departments that need additional guidance in determining an appropriate MAPP goal based on that department's own unique circumstances and current utilization and procurement profile. This guide is intended to assist department heads in identifying an appropriate goal; departments heads will not be constrained to these options.

The Director of Personnel provided information about the utilization MAPP goal and DCBA's departmental support in her countywide memo regarding MAPP planning and submission on October 11, 2019.

Specialized Technical Assistance for Community Business Enterprises

The County's CBE program is an umbrella certification that recognizes our minority- and women-owned, disadvantaged, and disabled veteran-owned businesses. According to the local and regional Government Alliance on Race & Equity (GARE), and Contracting for Equity Report², these businesses face the following five primary barriers to government contracting:

1. Differences in capital for business start-up or expansion;
2. Differences in education level;
3. Differences in experience growing up in a family business;
4. Differences in social networks; and
5. Overt discrimination or racism.

In response, your Board authorized DCBA, in consultation with relevant departments, to engage a consultant to conduct outreach to CBEs, trade organizations, and other groups that represent and work with CBEs. The consultant will identify business support needs and barriers to soliciting work with the County that is unique to CBEs, develop programming, such as modified technical assistance, to reduce barriers and address these unique needs.

In August 2019, DCBA finalized a scope of work and procured a minority-owned business with extensive and deep experience in external affairs, community engagement and hands-on CBE work to oversee this effort. The consultant will collaborate with County departments including DPW, the Women & Girls Initiative, and the Center for Health Equity to identify business support needs and barriers to soliciting work with the County for the following target groups: CBEs, groups that represent and work with CBEs, and firms owned by historically underrepresented populations including, but not limited to, women, persons with disabilities, minority ethnic groups and LGBTQ owned businesses.

The project is expected to take several months, and we anticipate completion during the third quarter of the current fiscal year.

² <https://racialequityalliance.org/wp-content/uploads/2015/12/GARE-Contract-For-Equity.pdf>

Contracting with Certified Businesses Learning Net Training

Your Board has recognized that each County department must alter the way it approaches its procurement of goods and services to achieve the County's LSBE and CBE procurement utilization goals. For this to occur, departmental procurement personnel must understand the important policies supporting certified business procurement, as well as the tools available to each department to maximize procurement opportunities.

To ensure that departments achieve the Board-mandated utilization goals, DCBA will administer a training for all departmental executive leadership and procurement staff. Our training will affirm your Board's priority to reach its LSBE utilization goals by 2020 and increase CBE utilization overall, as well as provide a comprehensive and clear understanding of the various preference programs to help create a more inclusive procurement environment for certified businesses. The training will identify tools that streamline contracting with certified businesses and ensure department leadership and staff are aware of resources available to find and identify certified businesses who may be eligible for procurement awards.

DCBA is currently working with the Department of Human Resources to develop and implement this training to all appropriate County personnel via the County's online Learning Net. DCBA anticipates full implementation of this initiative during the third quarter of fiscal year 2019-20.

OneLA Regional Collaborative

A common barrier to government contracting among small, minority- and women-owned businesses is the fragmented, complex, and sometimes antiquated procurement processes maintained by public agencies within the region. For example, despite the multiple programs designed to help our business community learn about contracting opportunities and the benefits of certification, the need to fill out dozens of similar applications throughout multiple agencies remains a substantial barrier.

To address this substantial barrier, your Board authorized DCBA to enter into a memorandum of understanding with the Los Angeles Area Chamber of Commerce, and other cities and agencies in the region, to establish and launch a regional procurement initiative that aims to streamline vendor certification applications across partner agencies.

On September 18, 2019, Supervisor Solis, County departments, the Los Angeles Area Chamber of Commerce, and other agencies in the region held a press conference to

announce the launch of the OneLA Regional Collaborative. This first-of-its-kind multi-agency partnership will leverage the buying power of partner agencies for the benefit of the region's small, minority- and women -owned businesses. At scale, this effort fundamentally alters the way participating agencies work with the business community and demonstrates the County's commitment to treating businesses as customers, clients, and partners, not solely as bidders.

One of the central pillars in support of this collaborative is an online regional certification platform that lowers barriers to entry for small, diverse firms by centralizing certification applications across multiple regional agencies and connects them to public procurement offered by multiple agencies in one place.

Earlier this year, DCBA contracted with Avisare, a company providing an online certification and procurement platform. On September 13, 2019, DCBA successfully transitioned the County's CBE application process in the Avisare³. DCBA anticipates this transition to result in a significant influx of new County CBE vendors over time. Furthermore, on September 18, 2019, the County integrated its contracting opportunities into Avisare and businesses registered in the platform began receiving County solicitations that are customized to their unique capabilities. On September 26, 2019, DCBA formally announced the launch of the platform at DCBA's quarterly small business event, Contracting Connections, in the City of Carson.

Phase two of this initiative will consist of onboarding the County's LSBE and Social Enterprise certification applications and integrating the platform with the County's relevant existing systems.

Increases to the Simplified Acquisition Process

Since its inception in October 2016, the simplified acquisition process, managed by ISD, has allowed departments to contract with certified vendors quickly and efficiently. Awards through the simplified acquisition process have progressively increased each fiscal year. For example, during Fiscal Year 2018-19, simplified acquisition process awards reached \$6,960,957, a substantial increase from \$4,185,430 during Fiscal Year 2017-18.

Currently, the simplified acquisition process is available for contracts up to \$24,999. Given the potential for the simplified acquisition process to increase certified business utilization, your Board directed DCBA to consult with the Auditor-Controller and ISD to

³ <https://app.avisare.com/signup/lacounty>

develop recommendations to implement revised simplified acquisition process guidelines that allow for a maximum acquisition amount of \$249,999.

The above departments concur that increasing the simplified acquisition process maximum should be implemented in phases and accompanied by appropriate procedural and auditing safeguards.

ISD is leading the development of this phased approach, which will begin with the implementation of new safeguards during the second half of the current fiscal year. ISD and Auditor-Controller will evaluate the effectiveness of the enhanced safeguards and implement an increase up to a maximum \$150,000 based on the outcome of the evaluation by July 2020. DCBA and the ISD are also working with the Auditor-Controller on appropriate new controls and processes, including:

- Developing a checklist to assist department staff to determine that a contracted vendor provides a "commercially useful function," as required by County ordinance to prevent certified businesses from "brokering" their certification incentives to non-certified businesses;
- Implementing regular audits for contract awards to certified firms to ensure compliance with all applicable regulations;
- Strengthening language in the *Acknowledgement of Sanctions for LA County Preference Programs* which vendors must agree to prior to applying for certification;
- Establishing a quarterly cap on the number of awards to a single vendor through the simplified acquisition process to deter abuse and ensure other certified businesses have an opportunity to participate in the simplified acquisition process; and
- Enhancements to the eCAPS system which will allow procurement staff to upload and record vendors' written quotes and ensure the appropriate number of quotes are solicited from certified vendors during the procurement process.

Given the complexity of this effort, additional evaluation, planning, and engagement with the Auditor-Controller and other partners are required to develop final recommendations. DCBA will continue to update your Board in subsequent reports on recommendations related to the simplified acquisition process.

Modifications to Bonding and Insurance Requirements

Recent research and feedback from vendors and stakeholders, including the County Small Business Commissioners, raised concerns that the bonding and insurance requirements on some County contracts represent a significant barrier to doing business with the County, particularly for smaller firms. To remedy this, your Board directed the CEO, in consultation with the Economic Development Policy Committee, DCBA, Workforce Development, Aging and Community Services, Parks and Recreation, DPW, the Los Angeles County Development Authority (LACDA), ISD, County Counsel, and other applicable departments, to evaluate and recommend the implementation of a one-year pilot program to provide contractor bonding assistance.

In our previous report, we identified initial research conducted by Public Works which identified the bonding requirements specified by State law.

On June 21, 2019, the CEO submitted its findings and recommendations for a one-year bonding pilot program.⁴ The CEO recommends utilizing the U.S. Small Business Administration (SBA) and the U.S. Department of Transportation's (DOT) bonding assistance and bonding education program for County certified businesses. DCBA has a well-established relationship with both SBA and DOT and is working on further integrating our services in support of our certified businesses. This includes identifying liaisons within each organization to facilitate referrals and hand-offs. Additionally, DCBA, DPW, and ISD successfully executed an eight-session business education workshop series with DOT. These workshops helped connect our certified businesses with procurement technical assistance, information on obtaining bonding, access to capital, and other essential topics.

Although all contracts require proof of insurance, requiring the proof of insurance at the time a bid is submitted or just prior to contract execution is within the discretion of each department. At least one department, DPW, reported not requiring proof of insurance until it is time to execute the contract. DPW, along with most departments, follows the insurance guidelines recommended by the CEO's Risk Management⁵.

Nevertheless, insurance requirements remain an area of contention among many small business vendors, with some claiming that insurance requirements are too burdensome. Addressing these issues will take additional research, planning, and evaluation of current

⁴http://file.lacounty.gov/SDSInter/bos/bc/1057661_ContractorBondingAssistanceProgramReportBackJanuary23_2018.pdf

⁵ <https://riskmanagement.lacounty.gov/insurance-programs-risk-transfer/>

practices and statutory and policy requirements. Accordingly, DCBA will continue to convene all relevant partners to discuss insurance levels, timing, and potential policy and business process changes. This includes exploring tiered contracting where lower dollar and lower risk opportunities require lower level of insurance requirements.

DCBA will continue to work with the relevant departments and CEO's Risk Management to help standardize insurance and bonding practices across departments to help minimize barriers and burdens to certified businesses. Furthermore, DCBA will work with the SBA and DOT to establish a County liaison for warm hand-off referrals.

Opportunities to Extend Goals to County-Related Agencies and Special Districts

DCBA is in the preliminary stages of examining the feasibility of extending utilization goals to County-related agencies and special districts. DCBA is working to prioritize County-related agencies with the highest available procurement spending, such as the Los Angeles County Department of Education and LACDA. These efforts include opportunities for these agencies to partner in the OneLA regional procurement initiative.

During this reporting period, LACDA has affirmed its participation in the OneLA Regional Collaborative, and DCBA worked with LACDA to secure grant funding to allow LACDA to subscribe to the Avisare online platform. LACDA expects to commence posting its contracting opportunities on the online platform during the second quarter of this fiscal year.

DCBA will continue pursuing this initiative by engaging the County-related agencies on their procurement practices, vendor needs, and partnership opportunities and report back progress to your Board in the next interim report.

Ensuring Accurate Data Collection

As we have previously reported,⁶ accurate data collection has been a barrier to benchmarking utilization efforts and measuring progress, most notably with CBEs. DCBA is working with the ISD to develop and implement a solution for the tracking of CBE

⁶ http://file.lacounty.gov/SDSInter/bos/bc/1057580_4-4-19CombinedReportonProcurementAttainmentGoalbyLSBEandImprovingtheCountyCBEProgram.pdf#search=%22combined%22

utilization data. We anticipate implementing this solution concurrently with the integration of the Avisare platform into the County's enterprise systems.

In addition, DCBA has partnered with the Auditor-Controller to procure Dun & Bradstreet Market Insight, a proprietary business analytics tool that will allow DCBA to conduct an analysis of businesses already doing business with the County but who may not be certified. This information will allow DCBA to identify eligible, non-certified businesses, develop focused outreach to these businesses to increase certification rates, and inform policy decisions around vendor certification.

Furthermore, DCBA is developing an automated, technology-driven solution to facilitate a department's compliance with Board Policy 5.130 (Contracting with Community Business Enterprises). Deeper integration of the technology solution with existing systems such as WebVen and eCAPS will facilitate compliance and is part of phase 2 of the certification platform. In the interim, DCBA continues to promote inclusion by providing County departments, government agencies, and private businesses the listing of actively certified CBEs upon request.

DCBA will continue working with the ISD to implement the CBE tracking mechanism and to identify a solution to streamline the way departments transmit information about their compliance with contracting and utilization policies like Board Policy 5.130.

Certified Vendor Search Tool and New "Doing Business with LA County" Website

In our first report back, DCBA identified two important technological enhancements introduced by the ISD to support the LSBE and CBE procurement attainment goals, including an enhanced Certified Vendor Search Tool⁷. ISD also updated the Doing Business with the County website⁸.

We also noted that ISD continues to pursue other initiatives aimed at making the County a more accessible partner for small businesses. More recent technological enhancements include the introduction of a Really Simple Syndication (RSS) feed for the County's open solicitations webpage which has made it possible to pull the County's open solicitations and match these opportunities to hundreds of relevant LSBE and CBE businesses on the online certification platform who otherwise would not have been notified of these opportunities.

⁷ <https://camisvr.co.la.ca.us/LACoBids/CertList/VendorCert>

⁸ <https://doingbusiness.lacounty.gov/>

Furthermore, ISD also introduced a Self-Service Spend Report portal where departments can easily obtain their award and payment data for the last three (3) fiscal years. This enhancement was highly requested by many departments since the inception of the Small Business Utilization plan of 2016 and marks a significant step forward in the collection of actionable procurement data⁹.

Next Steps

DCBA will continue to report back updates to your Board on a quarterly basis until the directives are complete.

Our next quarterly update will be due on January 1, 2020.

Should you have any questions or need additional information, please contact me, Rafael Carbajal, Chief Deputy Director, at (213) 974-0834 or rcarbajal@dcba.lacounty.gov, or Christian Olmos, Chief, Office of Small Business, at (323) 267-2460 or colmos@dcba.lacounty.gov.

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- c: Executive Office, Board of Supervisors
- Chief Executive Office
- County Counsel
- Auditor-Controller
- Center for Health Equity
- Community Development Authority
- Internal Services Department
- Public Health
- Public Works
- Women and Girls Initiative
- Director of Personnel

⁹ <http://camisdv4.co.la.ca.us/ppereportingdev/>



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COUNTY OF LOS ANGELES DEPARTMENT OF CONSUMER AND BUSINESS AFFAIRS

"To Enrich Lives Through Effective and Caring Service"



Joseph M. Nicchitta
Director

Joel Ayala
Chief of Staff

Rafael Carbajal
Chief Deputy

February 4, 2020

To: Supervisor Kathryn Barger, Chair
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Janice Hahn

From: Joseph M. Nicchitta
Director

THIRD REPORT BACK REGARDING THE IMPLEMENTATION OF A PLAN TO ACHIEVE THE COUNTY OF LOS ANGELES' 25% PROCUREMENT ATTAINMENT GOAL FOR LOCAL SMALL BUSINESS ENTERPRISES (ITEM NO. 11, AGENDA OF APRIL 30, 2019)

Summary of Report

On April 30, 2019, your Board adopted two motions¹ directing departments to take material steps to meet the Board-established goal that by 2020, Local Small Business Enterprises (LSBEs) attain 25 percent of the County's eligible annual procurement awards. During the current fiscal year, the County successfully awarded **\$453,592,327.49** in contracts to certified businesses, the highest amount for any six-month period since the inception of the initiative. Your Board also directed departments to take material steps to meet Board-established procurement goals for Community Business Enterprises (CBEs), which include minority-, women-, and disabled veteran-owned business enterprises. Your Board directed the Department of Consumer and Business Affairs (DCBA) to lead the implementation of many of these steps and to consult with other departments and manage the overall achievement of the LSBE and CBE procurement attainment goals.

¹ <http://file.lacounty.gov/SDSInter/bos/supdocs/135120.pdf> and
<http://file.lacounty.gov/sdsinter/bos/supdocs/135175.pdf>

Your Board specifically:

- Directed the Chief Executive Office to establish Management Appraisal and Performance Plan (MAPP) goals for fiscal year 2019-20 for all department heads to take material steps to support the County's 25 percent LSBE Utilization Goal, and further directed the Director of Personnel, in consultation with DCBA and Internal Services Department (ISD), to provide guidance to department heads on these new MAPP goals.
- Authorized DCBA, in consultation with ISD, Public Works, and the Initiative on Women and Girls, to engage a consultant to conduct outreach to CBEs to identify business support needs and barriers to soliciting work with the County;
- Directed DCBA, in consultation with the Chief Executive Office, Human Resources, ISD, the Initiative on Women and Girls, the Center for Health Equity, and County Counsel, to develop a "Contracting with Certified Businesses" training on the County's Learning Net for County procurement and contracting staff;
- Instructed the Director of ISD, in consultation with the Chief Executive Office, DCBA, the Chief Information Officer, the Auditor-Controller, Public Works, and the Health Agency, to ensure coordination within the various County's purchasing and contracting policies, procedures, practices, and technology with LSBE utilization efforts; and
- Authorized the Director of DCBA to enter into a memorandum of understanding with other cities and agencies and use existing eligible grant resources to establish and launch a regional procurement initiative.

Your Board further instructed the Directors of DCBA and ISD, in coordination with other County departments, to report back in writing in 60 days on the following:

- Recommendations to modify the existing simplified acquisition process to allow for a maximum simplified acquisition amount of up to \$249,999, including enhanced auditing protocols;
- Analysis and recommendations for potential changes to bonding and insurance requirements to lower costs and burdens LSBEs, CBEs, and other certified businesses face when attempting to contract with the County;
- Identify opportunities to extend LSBE and CBE procurement attainment goals to County-related agencies and special districts; and

- Assess efforts to increase data capture and identify necessary resources to implement enhanced data gathering and reporting regarding LSBE and CBE utilization, including enhanced auditing protocols for contract awards made to certified firms.

This third report serves as an update on each of the directives outlined above.

MAPP Goals

Your Board approved one-time MAPP goals for fiscal year 2019-20 for all department heads to take considerable steps to support the LSBE and CBE procurement utilization goals. As indicated in DCBA's October 30, 2019 report,² DCBA developed a MAPP goal guide, which was shared by the Director of Personnel via her October 11, 2019, countywide MAPP planning to all department heads. Since DCBA's last report, DCBA staff has met with multiple departments to provide additional guidance determining an appropriate MAPP goal and to support the success of selected MAPP goals.

DCBA will continue to support departments in the second half of the fiscal year to ensure that they successfully achieve their goals.

Specialized Technical Assistance for Community Business Enterprises

As reported in our October 30, 2019, report, minority-owned, women-owned, disadvantaged, and disabled veteran-owned businesses face the following five primary barriers to government contracting:

1. Differences in capital for business start-up or expansion;
2. Differences in education level;
3. Differences in experience growing up in a family business;
4. Differences in social networks; and
5. Overt discrimination or racism.

In response, DCBA is analyzing data to conduct strategic marketing to these business communities based on industry and County procurement needs.

DCBA is also developing a resource guide specific to immigrant-owned businesses and entrepreneurs. This guide will include a know-your-rights section, County and community business resources, and valuable technical assistance.

² http://file.lacounty.gov/SDSInter/bos/bc/1063963_10-30-19-SecondReportBackRe25percentProcurementAttainment.pdf

Learning Net Training on Contracting with Certified Businesses

As stated in our October 30, 2019, report to your Board, to achieve the County's LSBE and CBE utilization goals, procurement staff, management, and executives must understand the important policies supporting certified business procurement and the tools available to maximize procurement opportunities.

To ensure countywide understanding, DCBA is finalizing a Learning Net training that will reaffirm your Board's priority to reach its LSBE utilization goals by 2020 and increase CBE utilization overall, and provide a comprehensive and clear understanding of the various preference programs to create a more inclusive procurement environment for certified businesses. The training will highlight tools designed to help department leadership and staff develop a multi-pronged utilization strategy that leverages procurement vehicles, certified vendor databases, and historical procurement data. DCBA is finalizing this training and anticipates deploying the training via the County's Learning Net during the third quarter of fiscal year 2019-20.

OneLA Regional Collaborative

A common barrier to government contracting reported by local small, minority- and women-owned businesses is the complex and antiquated procurement processes maintained by public agencies within the region. Businesses must register with numerous agencies, and submit applications for and keep track of different certifications, which can be tedious and burdensome.

To address these barriers, DCBA has partnered with various entities, including ISD, Public Works, the Los Angeles Area Chamber of Commerce, the U.S. Small Business Administration (SBA), Los Angeles World Airports, LA Metro, Metropolitan Water District, various chambers of commerce and others to launch the OneLA Regional Collaborative (OneLA). The first-of-its-kind multi-agency partnership, officially launched on September 18, 2019, leverages the outreach efforts, business resources, and buying power of partner agencies for the benefit of the region's small, minority- and women-owned businesses.

As part of the inauguration of OneLA, DCBA launched a new online regional certification platform³ that lowers barriers to entry for small, diverse firms by centralizing certification applications across multiple regional agencies and connects them to public procurement opportunities offered by multiple agencies in one place.

³ <https://app.avisare.com/signup/lacounty>

We initially launched with CBE applications to beta test the system and have seen excellent results. During the period beginning September 18, 2019, to December 18, 2019, DCBA received 191 CBE certification applications, approved 132 of these applications, and denied only 7, compared to 70 submissions, 42 approvals, and 28 denials during the same period one year ago. The updated platform has enabled DCBA to increase the volume of certification applications and approvals and reduce the denial rate. Most of our denials are a result of the applicant not submitting the required supporting documents in a timely manner. The new platform requires applicants to upload mandatory documents at the time of submission, as opposed to separately via email, which has increased the rate of complete applications.

We are preparing to onboard the County's LSBE, Disabled Veteran Enterprise, and Social Enterprise certification applications, and integrating the platform with the County's eCAPS and Webven system.

Increasing Contract Limits in the Simplified Acquisition Process

DCBA and ISD, in consultation with the Auditor-Controller, have agreed that increasing the simplified acquisition process threshold from \$24,999 to \$249,999, as directed by your Board, is feasible but should be phased. Increasing the threshold incrementally will ensure that internal controls are in place to minimize fraud and abuse. DCBA and ISD will work together to implement a change management and communication plan and incorporate tech enhancements to raise the threshold by April 1, 2020, to \$75,000. DCBA and ISD will monitor and analyze use of the simplified acquisition process at the \$75,000 threshold and report to your Board on outcomes and a phasing plan for future increases.

DCBA is advancing safeguards to support this effort, including strengthening language in the preference program ordinances related to revocation of a vendor's certification and amending all preference program ordinances to include a Commercially Useful Function (CUF)⁴ requirement. DCBA developed a CUF certification form to include in all County solicitations, which requires a bidder to provide a written statement detailing the contractor's CUF compliance. County Counsel has reviewed this form, and DCBA is currently working with ISD to integrate into the County's procurement process.

⁴ The Commercially Useful Function ensures that a certified vendor receiving a bid preference on a solicitation is not operating as a broker or "passthrough" for a non-certified business.

Modifications to Bonding and Insurance Requirements

In our October 30, 2019, report, we discussed establishing a liaison with the SBA to facilitate referrals and warm hand-offs for the U.S. Department of Transportation's (DOT) bonding assistance program.⁵ However, further research into these programs revealed that establishing such a liaison is not feasible because the SBA only guarantees surety bonds for private surety companies. The SBA does not provide direct services related to bonds. Thus, establishing liaisons would not be feasible. In the interim, DCBA will develop a webpage designed to connect businesses to the SBA and DOT bonding programs, answer frequently asked questions regarding the County's bonding requirements, and integrate this information into our one-on-one technical assistance program curriculum.

Insurance requirements also remain an area of concern for many small businesses. Our businesses report that insurance requirements are too financially burdensome. Addressing these issues will take additional research, planning, and evaluation of current practices and statutory and policy requirements. Accordingly, DCBA will continue to convene all relevant partners to discuss insurance levels, timing, and potential policy and business process changes. This includes exploring tiered contracting where lower dollar and lower risk opportunities require a reduced level of insurance requirements.

Opportunities to Extend Goals to County-Related Agencies and Special Districts

During this reporting period, DCBA met with the Los Angeles County Sanitation Districts (Sanitation Districts) to discuss the County's utilization goals and efforts to extend these goals to County-related agencies and special districts. The Sanitation Districts have an established aspirational 20 percent participation goal for minority-owned, women-owned, disadvantaged, disabled veteran, and small business firms. Nonetheless, the Sanitation Districts have expressed interest in aligning this goal to the County's 25 percent utilization goal.

Furthermore, we discussed other opportunities for collaboration, including outreach events, workshops, and posting DCBA's business-facing services on their website. The Sanitation Districts also expressed interest in joining OneLA and will be invited to our next convening accordingly.

DCBA also met with Chancellor Rodriguez and representatives over purchasing for the Los Angeles Community College District (LACCD). DCBA will continue to nurture this

⁵http://file.lacounty.gov/SDSInter/bos/bc/1057661_ContractorBondingAssistanceProgramReportBackJanuary23_2018.pdf

relationship and support LACCD in its efforts to reach minority-, women-, and disabled veteran-owned businesses.

Ensuring Accurate Data Collection

Throughout 2019, the County has made great strides to ensure accurate data collection to benchmark utilization efforts and measure progress. One of the most notable successes has been the launch of the County Spend Report Portal developed by ISD. Through this portal, departments can easily obtain their award and payment data and their utilization of LSBE, DVBE, and SE vendors going back to fiscal year 2017-18. This enhancement marks a significant step forward in the collection of actionable procurement data.

DCBA continues to work with ISD to develop and implement a solution for the tracking of CBE utilization data through the integration of our new certification platform into the County's enterprise systems. Deeper integration of the technology solution with existing systems such as WebVen and eCAPS is necessary to track utilization of CBE certified vendors and is part of phase two of the certification platform implementation plan. In the interim, DCBA continues to promote inclusion and facilitate compliance with Board Policy 5.130 (Contracting with Community Business Enterprises) by providing County departments, government agencies, and private businesses the listing of actively certified CBEs upon request.

Next Steps

DCBA will continue to report updates back to your Board on a quarterly basis until the directives are complete.

Our next quarterly update will be due on April 10, 2020.

Should you have any questions or need additional information, please contact me or Azusena Favela, Deputy Director, at (213) 248-0880 or afavela@dcba.lacounty.gov or Christian Olmos, Program Chief, Office of Small Business, at (213) 626-9407 or colmos@dcba.lacounty.gov.

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Each Supervisor
February 4, 2020
Page 8

Community Development Authority
Internal Services
Human Resources
Public Health
Public Works
Women and Girls Initiative
