

Bond Case Briefs

Municipal Finance Law Since 1971

L.A. County Implements New System to Ease Procurement Challenges.

Los Angeles County, one of the largest local governments in the U.S., is implementing new technology designed to help effectively manage contracts, statements of work (SOW) and RFPs. The new enterprise document management solution is designed to help the county “dynamically assemble” documents, improve consistency and minimize exposure to legal risks.

L.A. County has 35 departments and manages about 7,800 contracts. The \$26 billion organization was previously challenged with complications and risks associated with managing its contracts and other legal documents, often resulting in strained relationships with key vendors and increased costs of operations.

“The historical problem we have had is keeping track of the standardizations needed in our contracts and ensuring consistency,” said Robert Davis, assistant auditor-controller for the county. “Multiple departments will contract with the same vendor for multiple services and their contract terms will be different or there will be different clauses in the contracts. It’s very important that we use the same terms, especially if we are using the same vendor.”

The county sought an adaptable control mechanism to solve the problems associated with its size and complexity. An enterprise document management system from Beach Street Consulting, called Contracts Lifecycle Management, leverages EMC technologies to help the county “dynamically assemble” contracts, RFPs and SOWs. Contracts analysts can choose from approved templates, specify the counterparty and other details, and select from optional and alternative clauses. The system then returns a formatted Word document to the user that contains the appropriate clauses and has performed term replacement with the contract/counterparty details.

“Things change often — there are always new provisions, HIPAA laws change, regulations change, etc.,” said Davis. “That presents a significant challenge for our legal staff and for our auditors. The new system ensures the use of standards, while maintaining flexibility in meeting our business requirements.”

Davis said contracts administrators in various departments would previously grab the last contract, RFP or SOW templates they used, unaware of what had changed since the document was created. Davis said the county initiated several initiatives over the years to address these issues, without success.

“We’ve talked about doing this many times, but it’s such a monumental task — how do you start, and where do you start?” he said.

Contract review was an additional challenge previously. The county’s basic contract contains between 50 and 60 standard clauses. The Beach Street solution flags manual changes made to standard clauses so county attorneys can easily identify them.

“Every time one of the county’s attorneys read a contract previously, they would read it from scratch. Changes to standard clauses were often difficult to spot,” Davis said. “Sometimes critical

things would be taken out. When you are looking at a 50- to 75-page document, things can get missed. But this way if something is taken out or modified, it's automatically flagged and counsel can ensure the clause is put back in."

Davis said county attorneys now only need to review sections that have marked changes rather than reading entire documents. "The application will greatly improve our processing time, quality of documents and compliance with county standard terms and conditions. It will also help the county ensure that the latest approved legal text is used and all appropriate provisions are included in the final executed contract."

"Contract automation is traditionally difficult as it bridges requirements from business, legal, compliance and IT," said John Burns, president and co-founder of Beach Street Consulting Inc. "The new system helps to solve a classic issue of how to maintain control while providing for flexibility and change."

Davis said though the system will be particularly helpful for Los Angeles County because of its size, it could potentially benefit any jurisdiction.

"Having this type of standardization could help anybody, because they don't have to rethink the whole process and start from scratch each time," he said. "We expect this will help lower our risk, standardize our dealing with vendors and ensure we're not dealing with multiple versions of documents."

Davis said the county developed the working prototype of the system in eight weeks.

BY JUSTINE BROWN / JUNE 9, 2014 0