



County of Los Angeles CHIEF EXECUTIVE OFFICE OPERATIONS CLUSTER

SACHI A. HAMAI
Interim Chief Executive Officer

DATE: July 2, 2015
TIME: 1:00 p.m.
LOCATION: Kenneth Hahn Hall of Administration, Room 830

AGENDA

Members of the Public may address the Operations Cluster on any agenda item by submitting a written request prior to the meeting.
Three (3) minutes are allowed for each item.

1. Call to order – Gevork Simdjian
 - A) **Board Letter – APPROVAL OF AMENDMENT NO. 6 WITH CGI TECHNOLOGIES AND SOLUTIONS, INC. FOR SERVICES TO ENHANCE ENTERPRISE FINANCIAL AND HUMAN RESOURCES APPLICATIONS**
A-C – John Naimo or designee
 - B) **Board Letter – AUTHORIZATION TO EXTEND CONTRACT FOR THIRD PARTY SERVICES AND CONTRACTS FOR WORKERS' COMPENSATION SERVICES**
CEO – Steve Robles or designee
 - C) **Board Letter – AUTHORIZATION TO PURCHASE SOFTWARE LICENSE AND MAINTENANCE SERVICES FROM YARDI SYSTEMS, INC.**
HACoLA, CIO – Sean Rogan and Richard Sanchez or designee(s)
 - D) **Board Letter – AMENDMENT NO. 3 TO AGREEMENT WITH SAS INSTITUTE INC. FOR DATA MINING SOLUTION**
DPSS, CIO – Sheryl L. Spiller and Richard Sanchez or designee(s)
2. Public Comment
3. Adjournment



JOHN NAIMO
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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July 21, 2015

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**APPROVE REQUEST FOR A CONTRACT AMENDMENT NUMBER SIX
WITH CGI TECHNOLOGIES AND SOLUTIONS, INC. FOR SOFTWARE
AND IMPLEMENTATION SERVICES TO ENHANCE THE COUNTY'S
ENTERPRISE FINANCIAL AND HUMAN RESOURCES APPLICATIONS
(ALL SUPERVISORIAL DISTRICTS) (3 VOTES)**

CIO RECOMMENDATION: APPROVE (X)

SUBJECT

The Chief Executive Office, Auditor-Controller, Department of Human Resources, Internal Services Department, and Chief Information Office recommend approval of Amendment Number Six (Amendment) to the Auditor-Controller's Services and License Agreement (SLA) with CGI Technologies and Solutions, Inc. (CGI) to enhance functionality of the enterprise financial and the human resources software applications (eCAPS and eHR) and related services.

JOINT RECOMMENDATION WITH THE CHIEF EXECUTIVE OFFICE, DEPARTMENT OF HUMAN RESOURCES, INTERNAL SERVICES DEPARTMENT, AND CHIEF INFORMATION OFFICE THAT YOUR BOARD:

1. Approve, and delegate the authority to the Auditor-Controller (A-C) to execute the attached Amendment Number Six (Amendment) to the A-C's Services and License Agreement (SLA) with CGI Technologies and Solutions, Inc. (CGI) to enhance functionality of the enterprise financial and the human resources software applications (eCAPS and eHR). The license and consulting services portion of the Amendment is on a fixed-price, deliverable basis in the amount of

\$31,127,242, effective upon execution by your Board of Supervisors (Board) through September 30, 2022.

The proposed increase in expenditure authorization of the Amendment for implementation services and maintenance shall be \$12,389,375 for Fiscal Year (FY) 2015-16; \$8,866,073 for FY 2016-17; \$3,421,846 for FY 2017-18; \$3,082,387 for FY 2018-19; \$1,108,205 for FY 2019-20; \$1,122,426 for FY 2020-21; and \$1,136,930 for FY 2021-22. Any amount not used in any FY would be carried forward to the following FY, not to exceed the total contract amendment amount of \$31,127,242.

2. Increase the A-C's authorization to execute change orders utilizing contingency funds in the SLA in the amount of \$4,000,000 for the purchase of as-needed services.
3. Authorize the Director of the Internal Services Department (ISD) to acquire the necessary hosting services, storage devices, and provide maintenance staff to support the A-C's implementation of the Amendment in an amount estimated at \$7,141,690, as identified in the Board Letter.
4. Delegate authority to the A-C to negotiate and/or execute any escrow agreements, and amendments thereto, for source code for the System and pay fees under such agreements.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Between 2004 and 2011, the eCAPS and eHR enterprise web-based applications have been established as the integrated core financial and human resources administrative applications for all County departments. These enterprise applications have proven to deliver critical financial, budget, procurement, inventory, contract management, payroll, and human resources functionality that support the daily operations of all County departments.

The eCAPS/eHR Project (Project) has successfully completed all of the major events associated with established goals and objectives of Phases I, II, III, and IV activities on time and within budget. The Project is in process of completing the final major event associated with the replacement of the County Talent Management application with the NEOGOV product. This final event is on schedule for a March 2017 completion.

This record of success has:

- Provided the County sustainable administrative applications that can be maintained and enhanced as the County's business needs evolve;
- Created stability for the County's administrative systems through long-term

arrangements with a committed vendor to allow the Board of Supervisors to focus on other critical issues;

- Aligned with the County's strategic initiatives to provide a comprehensive solution to financial integrity, human resource uniformity across departments, contracts management, position control, enhance budgeting/forecasting capabilities, facilitate sharing of data among County departments and advanced reporting;
- Allows for greater visibility (open data) of County services and effective communication to its constituents through improved recruitment;
- Minimizes County risk by using effective technology that protects the County administrative applications from security attacks and improves data integrity; and
- Provided the foundation to focus on the replacement and improvement of other legacy applications.

The success of the Project provided a solid foundation for the County's integrated financial and human resources administrative systems. The Amendment proposes to build on that strong foundation by upgrading the application to the current software version, providing enhancements in the areas of vendor self-service, contracting, human resources management tools, countywide standard reporting, and expanding the existing Talent Management areas.

Implementation of Three Additional Subprojects for eCAPS/eHR (Board Actions #1 and #2 - \$23,435,752)

Under the Amendment, the eCAPS and eHR applications will be upgraded to the current version of the CGI Advantage[®] software (Version 3.11) and enhancements implemented in business functionality for the various County administrative applications. These enhancements are detailed in the following three subprojects:

- **Subproject 14 Financial System Upgrade (\$8,594,681)** – Upgrades the financial application (eCAPS) to the latest Version 3.11 which will improve system processing, implements the Advantage[®] Debt Management module for use by A-C, CEO, and Treasurer and Tax Collector (TTC), enhances the Contract Management System and in conjunction with the City of Los Angeles, develops and implements a mobile Inventory Management application.
- **Subproject 15 Human Resources System Upgrade (\$10,121,986)** – Upgrades the human resources modules (eHR) to the latest Version 3.11 for Department of Human Resources (DHR) and A-C to implement enhancements for leave processing, processing of Personnel Action Requests (PARs), improves the reporting capabilities for HR processing and enhances the functionality in the Talent Management area for unit level security and banding. These improvements will provide enhanced functionality for all departments in managing their employees' human resources transactions.

- **Subproject 16 Talent Management (\$719,085)** – Continues DHR's improvements to the County recruitment, application, and examination processes, stays in line with the Human Resources Study to incorporate broad-based testing approaches and provides a stable operating environment with maintenance services through September 30, 2022.

The Contingency Allocation (\$4,000,000) is undefined at the beginning of the contract phase. As needs arise and additional services are required, the Contingency Allocation provides the eCAPS/eHR Advisory Committee the flexibility to meet the County's business needs rapidly in order to avoid disruption to critical County services through the Change Notice process provided for in the SLA.

Enhancements

In addition to the software upgrade to the latest version, the subprojects include several software modifications to provide improved functionality and address improved business requirements, including:

- **Countywide Contract Management System (CCMS)** – the improvements to the CCMS include improved notification to users working on a contract document, e-mail reminders on pending due dates, better integration between the Contract Library System and eCAPS, and support for a contract evaluation component.
- **PAR Processing Enhancements** – based on user feedback, improvements are planned for e-mail notifications with links to documents in process, validation on positions to avoid duplication, inference of additional information from eHR, improved comments and logging, streamlining the business processes, and improved security based on user-roles. The PAR enhancements also include improvement to PAR reporting and integration to the current list management function of CDMS.
- **eHR Enhancements** – modifications to the Reserve Leave Process for more efficient processing.
- **Talent Management Improvements** – modifications to the NEOGOV application are planned to improve security by unit in addition to department and changes in the banding functionality to include a veterans' band on certification lists.

Other Projects

In addition to the major task of upgrading the financial and human resources suite of modules to the latest version, the Amendment includes several additional efforts to

improve the County's business operation and support the enterprise applications, including:

- **HR Business Intelligence Pilot** – is intending to leverage the extensive historical data that is being collected by the financial, human resource, talent management and other County databases to provide management analytics for decision-making. This initiative plans to provide business intelligence to address two specific use cases: a) the length of time to hire and b) the time and cost to fill vacancies.
- **Extended Support for Budget Preparation** – the more recent versions of the Advantage[®] Budget Preparation software (Version 3.10 and 3.11) have a significant number of enhancements and options to consider for improving the County's budget preparation process. The Amendment includes an allocation for extended support from CGI to assist the County in reviewing and implementing the enhanced functionality if the CEO chooses to implement the enhancements and requires assistance.
- **Managed Advantage[®] Transition Services** – are included in FY 2019 to assist the four departments (ISD, A-C, DHR, and CEO) in learning the detailed business and technical functionality of the Advantage[®] application in order to no longer purchase the enhanced maintenance support from CGI. The human resource modules are complex and the transition training and knowledge transfer services are intended to reduce the County's risk of maintaining the payroll and human resource applications.

The implementation of these three subprojects will provide the County following benefits:

- The latest version of eCAPS and eHR applications allows the County to take full Advantage[®] application enhancements;
- Establish the eCAPS and eHR enterprise web-based applications as the integrated core financial and human resources administrative applications for all County departments;
- Eliminate redundant department shadow systems for improve operations and achieve cost savings;
- Provide consistency of processes across departments for more efficient and compliant administration of business operations meeting federal, State, and local regulations;
- Utilize modern technology to improve County operations;
- Reduced manual processes, improved transparency, and streamlined inter-departmental management of the County's debt, loans, and leases through the implementation of a comprehensive Debt Management system that is fully integrated with the County's Financial system (eCAPS);

- Enhanced business data analysis and management through data consolidation from several County systems and more detailed reporting to help improve the County's hiring process and reduce opportunity costs resulting from extended vacancies; and
- Continued progress in positioning the County to be the "employer of choice" in the public sector by better leveraging innovations available through expanded use of the County's Talent Management system.

The staging and extended schedule of the three subprojects over a two year implementation time frame, from FY 2015-16 to FY 2016-17, are a core part of the plan to ensure a successful, accurate implementation of these enhancements.

Long-Term Maintenance Agreements (Board Action #1 - \$7,691,490)

It is vital that the County's enterprise applications are reliable, current, and continue to improve and support the ever changing County needs and business requirements. The current CGI contract includes a long-term maintenance agreement for the base financial and human resources applications. The Amendment provides for a similar long-term arrangement with CGI for on-going maintenance support of the additional functionality the County has implemented since the last amendment or will be implementing with this Amendment:

- A standard maintenance agreement for:
 - The Case Management application, which is the base application for the Countywide Contract Management System (CCMS) and the business process for electronic Personnel Action Requests (PARs), for \$1,232,850 from October 1, 2016 through September 30, 2022;
 - The new Debt Management module for \$970,326 from October 1, 2016 through September 30, 2022; and
 - The new mobile inventory application for \$180,000 from October 1, 2016 through September 30, 2022.
- Talent Management Hosting and Maintenance Services for the NEOGOV application for \$3,556,441 from October 1, 2017 through September 30, 2022;
- A 2-year agreement with IBM (\$162,500) for continued access to the Kenexa KRB Talent Management database to support the legal requirements for document retrieval; and
- An 18-month extension of the enhanced Managed Advantage[®] maintenance services for the human resource application to support a transition of services from CGI to ISD in FYs 2017-18 and 2018-19 (\$1,589,373).

Implementation of Strategic Plan Goals

The Amendment promotes the Board-approved County Strategic Plan Goals of

Operational Effectiveness, Community Support and Responsiveness, and Integrated Service Delivery. In addition, the Amendment enhances the development of the County's enterprise financial and human resources applications by implementing improved management information and efficiencies in the County's business operations.

FISCAL IMPACT/FINANCING

The projected costs under the Amendment for the three new subprojects; hosting, storage, and staff costs to support the subprojects; long-term maintenance arrangements and other operating charges through September 30, 2022 described above are summarized below and additional details are provided in Attachment I:

- Implementation Services (\$19,435,752);
- County Contingency (\$4,000,000); and
- Maintenance Services for Long-term Support of the Financial, Procurement, Budget, Human Resources and Talent Management Applications (\$7,691,490).

As indicated above, the Amendment will provide for standard and enhanced maintenance services from CGI on a long-term basis, which results in a substantially reduced annual cost over purchasing maintenance services on a year-by-year basis. It further provides no annual maintenance fee increase for several of the critical County administrative applications and a capped increase for talent management services.

Continued Hosting of Talent Management Services

The eHR application includes the use of third-party applications to meet the County's business requirements for recruitment, examinations, and item analysis. Since the recruitment services require direct access to the public and a different technical architecture, the County currently utilizes the third-party CGI business partner (NEOGOV) to host the application. Under the Amendment, five years of on-going hosting and maintenance services for the existing Talent Management products are included. If the County chooses to utilize additional Talent Management modules an increase in maintenance charges may apply.

The Amendment, in the amount of \$31,127,242, increases the SLA total to \$254,516,240.

ISD Expenses - \$7,141,690 (Board Action #3)

The additional ISD costs necessary to support implementation of Amendment Number Six are in two categories:

- Additional charges for server hosting, storage during the upgrade, development,

- and implementation activities (\$3,091,690); and
- Additional staff necessary to assume responsibility for the enhanced maintenance for eHR applications (\$4,050,000).

Other Operating Costs

The on-going operating costs of the eCAPS and eHR enterprise applications are included in the A-C, DHR, and ISD operating budgets.

The annual funding requirement for the eCAPS/eHR Project Amendment is spread over a seven year period from FY 2015-16 (\$13,389,000) through FY 2021-22. Details by fiscal year are described in Attachment I.

Funding requirements for FY 2015-16 are included in the Adopted Budget. Funding for FYs 2016-17 through 2021-22 will be addressed in the annual budget process for each year. The County's General Fund has set aside committed funding of \$13,389,000 for this purpose.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The Amendment follows the same contractual structure as the existing eCAPS contract and in Amendment Number One through Amendment Number Five.

The Amendment Six for the three Subprojects provides revised contract language, appendices, and exhibits consisting of the following:

- The addition of the Debt Management module;
- Fixed-price deliverable-based services identified in each specific SOW for each of the three Subprojects;
- Extension of standard maintenance of certain modules until September 30, 2022;
- Continued hosting and maintenance services for the Talent Management application with NEOGOV; and
- Continuation of expanded maintenance to provide additional services over the standard maintenance level for eHR modules for a period of one additional year (October 1, 2017 to September 30, 2018) at the same fixed-price per year and six months transition period at a reduced rate.

In accordance with your Board's policy of employing outside counsel for certain information technology contracts, County Counsel retained the law firm of Mitchell Silberberg & Knupp LLP (MSK) to review the base agreement of the Amendment. MSK did not participate in the negotiation of the Amendment. Their independent review will be set forth in a separate and more detailed letter issued by MSK.

CONTRACTING PROCESS

In order to determine a cost estimate for the scope of the Amendment, the A-C, DHR, ISD, and CIO, provided CGI with the County's business requirements to support each of the three Subproject areas. Based on the County's requirements, CGI submitted proposals and a SOW for each of the Subprojects. Upon receipt of the CGI proposals, the four departments, under direction of the eCAPS/eHR Advisory Committee, entered into contract negotiations with CGI who is the only provider of the Advantage[®] products and provider of maintenance services. County Counsel provided direction on the contract amendment and reviewed all proposed documents.

The Amendment is consistent with the provisions of the SLA as follows:

- No provisions of the SLA are changed that will affect the successful delivery and implementation of the financial and human resources applications therein;
- The financial penalty provisions for missing Key Milestones, negotiated as part of the SLA, apply to each of the three new Subprojects;
- The Standard Maintenance and Managed Advantage[®] Maintenance provisions are modified to provide the expanded level of support only for human resources for one and a half years and to provide standard maintenance until September 30, 2022 for the case management, Debt Management, and Inventory Mobile applications;
- Extension of the hosting and maintenance services for Talent Management is included for an additional five years;
- Major terms and definitions, such as Key Milestones; review and approval of deliverables; hold-back of payments, Go-Live and Final Acceptance, for each Subproject remain the same as the SLA;
- The SLA's Aggregate Liability Provisions vary throughout the term of the contract based on each Subproject and extended maintenance period and have not been changed from Amendment Number Five; and
- The terms and conditions of the SLA were reviewed against the current County required terms and conditions. Similar provisions to many of the County standard terms and conditions are already included in the existing SLA through Amendment Number Five. Based on the review with the County standards, five new provisions were added covering:
 - Facsimile Representation;
 - Time off for Voting;
 - Termination for Breach of Warranty to Maintain Compliance with County's Defaulted Property Tax Reduction Program;
 - Warranty of Compliance with County's Defaulted Property Tax Reduction Program; and
 - Consideration of Hiring County Employees Targeted for Layoff or Re-Employment List.

Two standard provisions are not included for the following reasons:

- Non Exclusivity – not applicable to the services being provided under this agreement; and
- Complaints – the eCAPS/eHR Project has an established Help Desk and a process that has been used since 2004 to receive customer input and department involvement in the financial and human resource areas.

The following language was updated in order to be in line with the County standard language:

- Contractor's Acknowledgement of the County's Commitment to the Safely Surrendered Baby Law.

IMPACT ON CURRENT SERVICES

The Amendment for the expansion of the eCAPS/eHR Project will impact all County departments. The three new subprojects will build on the Countywide applications established by the eCAPS/eHR Project and enhance functionality in several key areas, including:

- Upgrade of the financial suite of modules (including procurement, inventory, and budget preparation) to Version 3.11;
- Upgrade of the human resource suite of modules (including position control, payroll, and personnel administration) to version 3.11;
- Enhancements to the Contract Management System to support the implementation in additional County departments;
- Improved processing for electronic PARs by DHR based on feedback from the pilot departments;
- Implementation of a new Inventory mobile application that is being designed in conjunction with the City of Los Angeles to improve the warehousing functions in the County departments; and
- A new Debt Management module to track debt service and lease requirements integrated with the eCAPS financial modules.

Specific benefits by each subproject are listed in Attachment II.

CONCLUSION

Approval of this Amendment will enhance the County's financial and human resources systems operated and administered by the A-C, ISD, CEO, and DHR.

The extended maintenance services under the Amendment provide the County a timely and cost-effective approach to meet the County's administrative needs. These

services assist the County in remaining current with application improvements over the years. They also allow the County to reduce the use of its resources and the risk of having outdated applications and, therefore, hindering departments' ability to meet the County's future financial and human resources needs.

Approval of this eCAPS/eHR Project Amendment allows the County to continue building on a solid infrastructure for its critical financial and human resources applications. It enhances the County's approach to stay innovative and forward-thinking in meeting its ever-challenging administrative demands. Further, it provides for policy and procedures standardization across County departments and ensures fiscal and personnel compliance with Board-adopted guidelines. Lastly, it promotes process efficiency and effectiveness and brings the County to a level of stability should future expansion or needs arise.

Respectfully Submitted,

JOHN NAIMO
Auditor-Controller

SACHI A. HAMAI
Interim Chief Executive Officer

LISA M. GARRETT
Director, Department of Human Resources

RICHARD SANCHEZ
Chief Information Officer

JIM JONES
Director, Internal Services Department

Attachments

c: Interim County Counsel
Acting Executive Officer, Board of Supervisors
Information Systems Commission
IT Board Deputies
Public Information Office

**eCAPS/eHR Project Fiscal Impact/Funding
Auditor-Controller/CGI Technologies and Solutions, Inc.
Services and License Agreement –
Amendment Number Six**

The projected costs under the Amendment for the three new subprojects; hosting, storage, and staff costs to support the subprojects; long-term maintenance arrangements and other operating charges through September 30, 2022 are described below:

I. Services and License Agreement (SLA) Amendment Number Six - \$31,127,242

The Amendment comprises the following components:

Table 1: Requested Amendment Number Six (Board Actions #1, #2, and #3)

Category	Estimates	Amount
CGI Application Services		
a. Implementation Services (Board Action #1)		
1). Subproject 14 - Financial Upgrade (A-C)	\$ 8,594,681	
2). Subproject 15 - HR Upgrade (A-C/DHR)	\$10,121,986	
3). Subproject 16 - Talent Management (DHR)	\$ 719,085	
Implementation Services	Sub-total	\$19,435,752
b. Contingency (Board Action #2)	\$4,000,000	
Contingency	Sub-total	\$4,000,000
CGI Service Level Agreement		\$23,435,752
CGI Maintenance Services (Board Action #3)		
• Contract Management Services	\$1,232,850	
• Talent Management Services	\$3,556,441	
• Debt Management module	\$970,326	
• Inventory Mobile Application	\$180,000	
• Managed Advantage® (eHR)	\$1,589,373	
• IBM/Kenexa Database Access	\$162,500	
CGI Maintenance Services	Sub-total	\$7,691,490
CGI Amendment Number Six	Total	\$31,127,242

a) Implementation Services (\$19,435,752)

Under the Amendment, implementation services are fixed-price, deliverable-based in the amount of \$19,435,752. They consist of design, development, technical services, training, implementation, and project management services for all three subprojects.

Implementation services under the Amendment cover deliverables for each Subproject, scheduled from the effective date of the Agreement to the proposed "Go-Live" date for each Subproject. The specific Subproject deliverables, implementation services, payment schedules, and final acceptance dates are identified in each of the Subproject Statement of Work (SOW) project plans, including business requirements, deliverables, and tasks.

The SOWs follow similar project management approaches and methodologies successfully used in the earlier phases and subprojects of the Project. Improvements have been made to the Project approach in several areas, including more involvement of the County staff to reduce cost and improve the knowledge transfer, improved testing approaches, utilize the CGI automated testing service (Accelerate), additional reporting and business intelligence approaches, and transition services to reduce maintenance costs.

b) County Contingency (\$4,000,000)

The Amendment also provides for an increase of the existing \$23,255,801 contingency amount by \$4,000,000. The total contractual contingency allocation is approximately 14% of the services to be provided. It is used to purchase as-needed modifications identified during the design phase to meet or improve County business processes, additional training services, report development not covered in the existing business requirements, or unforeseen changes identified during the development stages of any subproject.

The eCAPS/eHR Advisory Committee, is a project governing body consisting of the Department Heads, or their designees, from the A-C, CEO, CIO, ISD, and DHR, review and approve all change notices for the usage of contingency funds. This approach and practice, under the review of County Counsel, has proven to be a successful management technique to keep the project on schedule, address, changing business requirements, and ensure that the application best meets County needs.

c) Maintenance Services for Long-term Support of the Financial, Procurement, Budget, Human Resources, and Talent Management Applications (\$7,691,490)

Maintenance Services

The SLA, under the existing agreement, provides for standard maintenance services for the financial and human resources suite of applications and Talent Management. It also includes enhanced maintenance services (Managed Advantage[®]) for the human resources modules.

It provides for long-term cost-effective arrangements similar to the arrangements that were established for the financial and human resources application suites in Amendment Number Five. Amendment Number Six adds the following maintenance provisions:

- **Case Management Application** – The Case Management Application is the basis for the County’s CCMS and the electronic Personnel Action Report processing and is critical to the County business processing in those areas. The County is paying an annual fixed-price of \$205,475 under the existing SLA maintenance agreement through September 30, 2016. Amendment Six extends this same rate for six years through September 30, 2022.
- **Talent Management Hosting and Maintenance (NEOGOV)** – The current SLA includes a hosting and maintenance agreement for Talent Management through September 30, 2017. Amendment Number Six extends this service through September 30, 2022 to be concurrent with the other eCAPS and eHR maintenance agreements for this critical human resources function. The proposal includes an annual increase tied to the Consumer Price Index, not to exceed 2% per year beginning October 1, 2017. The current agreement establishes the October 1, 2016 through September 30, 2017 at \$670,000.
- **Managed Advantage[®] Enhanced Maintenance** – Amendment Number Five contracted for five years of Managed Advantage[®] Enhanced Maintenance for Human Resources at an annual fixed price of \$1,260,000. The County is currently in the third year of this service that will extend at the same annual rate to September 30, 2017. In 2009, the County transitioned the enhanced Managed Advantage[®] service for the financial modules from CGI to the County. The County has assumed responsibility for the enhanced maintenance services for the financial, procurement, inventory, and budget applications due to our familiarity in operations since 2005. Amendment Number Six proposes for ISD to cover enhanced maintenance for all human resources modules beginning in FY 2018. The proposal identifies a planned increase of three FTEs in ISD services and includes a package of CGI training and services (\$1,658,750) for ISD, DHR, CEO, and A-C Support staff to transition from CGI to ISD.

As indicated above, the Amendment will provide for standard and enhanced maintenance services from CGI on a long-term basis, which results in a substantially reduced annual cost over purchasing maintenance services on a year-by-year basis. It further provides no annual maintenance fee increase for several of the critical County administrative applications and a capped increase for talent management services.

Continued Hosting of Talent Management Services

The eHR application includes the use of third-party applications to meet the County's business requirements for recruitment, examinations, and item analysis. Since the recruitment services require direct access to the public and a different technical architecture, the County currently utilizes the third-party CGI business partner (NEOGOV) to host the application. Under the Amendment, five years of on-going hosting and maintenance services for the existing Talent Management products are included. If the County chooses to utilize additional Talent Management modules an increase in maintenance charges may apply.

The Amendment, in the amount of \$31,127,242, increases the SLA total to \$254,516,240, as set forth in Table 2 below:

Table 2 CGI Service and License Agreement

eCAPS / eHR Program	Original Contract Plus Amendments 1 - 5	Amendment #6	Total SLA Contract
	April 2004 - Sept 2022	Aug 2015 - Sept 2022	2004 – 2022
Services	\$ 148,428,906	\$ 19,435,752	\$ 167,864,658
Contingency	\$ 23,255,801	\$ 4,000,000	\$ 27,255,801
Total Services	\$ 171,684,707	\$ 23,435,752	\$ 195,120,459
Total Maintenance	\$ 51,704,291	\$ 7,691,490	\$ 59,395,781
Total Service and License Agreement	\$ 223,388,998	\$ 31,127,242	\$ 254,516,240

II. ISD Expenses - \$7,141,690 (Board Action #4)

The additional ISD costs for server hosting, storage, and staffing expenses through FY 2021-22 are contemplated under the Amendment are shown in Table 3 below:

Table 3: Added ISD Expenses for Amendment Number Six (Board Action #4)

Fiscal Year	Amount
a. Server Hosting and Storage	
• FY2015-16	\$ 1,000,000
• FY2016-17	\$ 2,091,690

Sub-Total	\$ 3,091,690
b. Maintenance Staff Support	
• 3 FTEs per year for 6 years	\$ 4,050,000
Sub-Total	\$ 4,050,000
Total ISD Charges	\$ 7,141,690

a) *Additional Hosting and Storage Costs (\$3,091,690)*

The cost for server hosting and storage by ISD to support the three subprojects under the Amendment reflects the current pricing approach by ISD. The A-C no longer pays for equipment upfront, but instead incurs the additional server hosting and storage costs as needed. This results in a lower upfront cost, but a larger increase during the development and testing stages of the implementation project (i.e. FY 2015-16 and FY 2016-17), while the applications are being upgraded and tested. These costs are then reduced once the application is implemented. The on-going costs are included in the ISD charges to the A-C operating budget for Integrated County Applications.

b) *ISD Maintenance Support Expenses (\$4,050,000)*

The County currently contracts for enhanced maintenance support services for the human resources (eHR) application through the CGI Managed Advantage[®] Program. The County has gained experience in maintaining the human resource application since the implementations in April 2010 and April 2012.

As such, the A-C and ISD are proposing to discontinue purchasing this enhanced level of maintenance for the human resource applications from CGI in FY 2018. Instead, ISD will provide this service using County staff at a lower cost. Funds to cover ISD operating expenses for three full-time equivalents (FTEs) of staff (\$675,000) per FY are included in Table #3. This is a total cost of \$4,050,000 for six fiscal years. The three FTEs are the additional staffing required for ISD to provide these services. These amounts would be charged to the A-C and included in the A-C's annual Integrated Applications Budget.

Other Operating Costs

The on-going operating costs of the eCAPS and eHR enterprise applications are included in the A-C, DHR, and ISD operating budgets, i.e., the cost of County staff, facilities, and on-going operations.

III. Financing

The annual funding requirement for the eCAPS/eHR Project Amendment in FY 2015-16 and the next six years is listed below:

Table 4: eCAPS/eHR Amendment Number Five Budget Authorization by Fiscal Year

Fiscal Year	CGI SLA Amendment Six	ISD Charges	Annual Funding Requirement
FY 2015-16	\$ 12,389,375	\$ 1,000,000	\$ 13,389,375
FY 2016-17	\$ 8,866,073	\$ 2,766,690	\$ 11,632,763
FY 2017-18	\$ 3,421,846	\$ 675,000	\$ 4,096,846
FY 2018-19	\$ 3,082,387	\$ 675,000	\$ 3,757,387
FY 2019-20	\$ 1,108,205	\$ 675,000	\$ 1,783,205
FY 2020-21	\$ 1,122,426	\$ 675,000	\$ 1,797,426
FY 2021-22	\$ 1,136,930	\$ 675,000	\$ 1,811,930
Total	\$ 31,127,242	\$ 7,141,690	\$ 38,268,932

Funding requirements for FY 2015-16 are included in the Adopted Budget. Funding for FYs 2016-17 through 2021-22 will be addressed in the annual Proposed Budget process.

**eCAPS/eHR Project Benefits
Auditor-Controller/CGI Technologies and Solutions, Inc.
Services and License Agreement –
Amendment Number Six**

Amendment Number Six is comprised of three Subprojects and funding for long-term maintenance for certain modules of the eCAPS and eHR applications:

- Subproject 14 – eCAPS Financial Upgrade
- Subproject 15 – eHR Human Resources Upgrade
- Subproject 16 – Talent Management Services

Specific benefits by each subproject are listed below:

Subproject 14 – eCAPS Financial Upgrade

- Upgrade the eCAPS financial suite of modules including general ledger, accounts payable, accounts receivable, procurement, inventory, and cost accounting to most up-to-date software (Version 3.11);
- Replace the County's manual processes for debt management with an integrated solution that manages bonds, loans, and leases while automating accounting entries such as accruals and amortizations, generating bond payments, establishing loan repayment schedules, and managing both capital and operating leases;
- Increase County user productivity during Budget Preparation through a new spreadsheet-like user-interface: multiple data collection tabs allow data to be easily and effectively consolidated, while dynamic results grids allow users to more easily manipulate and slice data to effectively analyze budget numbers;
- County users will be able to apply standard modeling functions to easily run what-if and trend analysis;
- Enhanced Capital Budgeting allows users to capture project status updates, and tracks progress towards project milestones;
- More robust Salary Budget Forecasting projections to expediently handle County volumes;
- Reduce warehouse labor and costs with the development of an innovative inventory mobile application which will provide Receiving, Issuing, Transfers, Returns, and Cycle Counting functions to County warehouse staff;
- Reduce the County's infrastructure costs and facilitates system continuity through the more flexible third-party integration capabilities and improved security; and
- Improve County's contract administration and management through the deployment of enhanced capabilities to CCMS in the areas of: case reporting, solicitation evaluation, and automated e-mail notification.

Subproject 15 – eHR Human Resources Upgrade

- More user-friendly interface for Employee Self Service with additional features for County employees such as leave projections and benefits enrollment;
- Enhance Leave Reserve processing to allow this leave type to be processed in Retro processing; reduces manual correction effort;
- Facilitate Countywide Personnel Action Request rollout with additional validation, logging capability, and various user interface enhancements for improved employee on-boarding, job transfers, and title changes; and
- Facilitates improvements in reducing and managing Time-to-Hire and Vacancy Turnover through enhanced performance management analytics and creation of predictive patterns to support more informed HR-related decision-making

Subproject 16 – Talent Management Services

- Expands use of innovative recruitment strategies and online access to attract and retain talented individuals in the County through key functionality enhancements to the Talent Management solution;
- Reduces administration efforts through the replacement of disparate Department of Human Resources systems with a unified solution;
- Provides additional capabilities to protect County employees' privacy and profile management functions through controls at the Unit level within departments based on County-specific business requirements; and
- Facilitates a smooth rollout of the Talent Management system and close alignment with the County's 10 year eHR roadmap while assuring continual access/deployment of new solution features and functions.

Long-term Maintenance & Support

- Provides long-term annual maintenance stability for additional County administrative applications at a fixed discounted rate and a negotiated software maintenance agreement through September 2022;
- Provides Managed Advantage[®] support for eHR Application suite through March 2019, reducing operational costs due to a fixed rate and reduces application support risks; and
- Extends hosting and maintenance services for Talent Management through September 30, 2022.



RICHARD SANCHEZ
CHIEF INFORMATION OFFICER

Office of the CIO
CIO Analysis

NUMBER: CA 15-14	DATE: 6/25/2015
----------------------------	--------------------

SUBJECT:
AMENDMENT NUMBER SIX TO CONTRACT 74797 WITH CGI TECHNOLOGIES AND SOLUTIONS, INC. FOR SOFTWARE AND IMPLEMENTATION SERVICES TO ENHANCE THE COUNTY'S ENTERPRISE FINANCIAL AND HUMAN RESOURCES APPLICATIONS

RECOMMENDATION:
 Approve Approve with Modification Disapprove

CONTRACT TYPE:
 New Contract Sole Source
 Amendment to Contract #: 74797 Other: Describe contract type.

CONTRACT COMPONENTS:
 Software Hardware
 Telecommunications Professional Services

SUMMARY:
Department Executive Sponsor: John Naimo, Auditor-Controller
Description: The Chief Executive Office (CEO), Auditor-Controller (A-C), Department of Human Resources (DHR), Internal Services Department (ISD), and Chief Information Office (CIO) is requesting authorization to: 1) execute Amendment Number Six (Amendment) to the A-C's Services and License Agreement (SLA) with CGI Technologies and Solutions, Inc. (CGI) for enhancements and maintenance services to the County's enterprise financial and human resources software applications; 2) execute Change Orders using SLA contingency funds to acquire as-need services; and 3) utilize funding in the amount of \$7,141,690 (outside of the SLA) ISD infrastructure and hosting services to implement the project, and dedicated maintenance and support staff to support the human resource software applications.
Contract Amount: \$31,127,242 **Funding Source:** Net County Cost
 Legislative or Regulatory Mandate Subvened/Grant Funded

Strategic and Business Analysis

PROJECT GOALS AND OBJECTIVES:
Starting in 2004, the County initiated a multi-phase project to implement CGI Advantage Enterprise Resource Planning (ERP) software suite for financial management, budgeting, materials management, referred to as electronic Countywide Accounting and Purchasing System (eCAPS); and human resources and payroll management, referred to as electronic Human Resources (eHR) System.
As described in the Board letter, the requested Board action includes:
1. **Authorization of a SLA Amendment that provides:**
➤ **Implementation services for three additional Subprojects** – as describe below, these subprojects will: support the upgrade of County's eCAPS and eHR suite; deployment of new system modules; implementation of system enhancements; and implementation other projects to improve business operation and applications support.

- Subproject 14, Financial System Upgrade
 - Upgrades to CGI Advantage 3.11, eCAPS Financial (Financial, Procurement, Inventory Management, Asset Management, Grants Lifecycle Management, and Vendor Self Services modules), infoAdvantage for Financial (data warehouse and reporting), Contracts Management, and Budget Preparation;
 - Establishes an allocation for additional CGI functional and technical support to support CEO review and implement Budget Preparation functionality as defined through Contract Change Notices; and
 - Implements Debt Management System, Inventory Mobile Application and implements enhancements to the Contract Management System (CMS).
- Subproject 15, eHR Human Resources Upgrade
 - Upgrades to CGI Advantage 3.11, eHR Human Resources and Payroll, infoAdvantage for Human Resources Management, Manager Self Service, Employee Self Service, and Personnel Action Request (PAR); and
 - Implements enhancements to the Personnel Action Request (PAR) and eHR Reserve Leave Processing; and
 - Supports an HR Business Intelligence (BI) Pilot to provide analytics around time to hire and time and cost to fill vacancies.
- Subproject 16, Talent Management Enhancements
 - Implements enhancements to the County's NEOGOV Talent Management System to support County requirements for Veterans Band and unit security; and
 - Improves integration with the County's PAR system.

➤ **Extended maintenance and support services**

- Extends standard software maintenance for existing and new software (Case Management, Debt Management, Mobile Inventory Management) from October 1, 2016 through September 30, 2022.
- Extends hosting and maintenance services for the County's NEOGOV Talent Management System from October 1, 2017 through September 30, 2022.
- Establishes a two year agreement with IBM for continued access to the County's legacy Talent Management database
- Puts in place a transition process for County staff to assume responsibility for CGI's enhanced eHR maintenance and support (Managed Advantage), which includes:
 - Slimmed down version of CGI enhanced maintenance and support, called Managed Advantage Lite, from October 2017 through April 2018 that provides as-needed access to CGI support personnel and to help resolve system production issues
 - CGI training and knowledge transfer services to County staff for one year for a total 8,400 hours.

<p>➤ Project contingency – increases the Contract contingency by \$4,000,000 to fund Change Notices to address design developments and scope changes not identified in the existing contract scope.</p> <p>2. Authorization to fund ISD technology services – One-time charges for ISD server hosting and storage to support the project implementation activities; and ongoing funding for dedicated maintenance and support staff to assume responsibility for eHR application maintenance and support from CGI.</p>
<p>BUSINESS DRIVERS:</p> <p>The drivers for this project include:</p> <ul style="list-style-type: none"> • Recognition that eCAPS/eHR is a key countywide asset that requires periodic upgrades to avoid technical obsolescence and ensure the reliability of these mission-critical applications; • Remaining current with Advantage ERP software enables the County to take advantage of technical and functional enhancements to improve business processes; • Upgrading and adding new functionality allows the County to better support business initiatives; and • Upgrading and adding new functionality provides an opportunity to extend the deployment of eCAPS/eHR applications to eliminate shadow systems and achieve cost savings.
<p>PROJECT ORGANIZATION:</p> <p>The eCAPS/eHR Advisory Committee comprised of Auditor-Controller, Chief Executive Office, Chief Information Office, Department of Human Resources, and Internal Services Department serves as project steering committee and have overall responsibility for monitoring performance, approving changes in scope and schedule, and resolving any conflicts with other activities or issues associated with organizational or business process changes.</p> <p>Robert Davis, Assistant Auditor-Controller, serves as eCAPS/eHR project manager and is responsible for managing to the project plan, and monitoring performance against the identified milestones.</p>
<p>PERFORMANCE METRICS:</p> <p>This proposed Amendment adds three additional subprojects (described above) that will comprise completion of this phase of the eCAPS/eHR project. Each of these subprojects have individual work plans with associated tasks, deliverables and milestones that measure progress and carry financial penalties if they are missed.</p>
<p>STRATEGIC AND BUSINESS ALIGNMENT:</p> <p>CGI’s eCAPS and eHR applications are strongly aligned with the County’s financial and human resource objectives, as well as the County’s technology standard and directions.</p>
<p>PROJECT APPROACH:</p> <p>eCAPS and eHR applications is a Commercial Off The Shelf solution from CGI that has been configured and customized to meet the County’s business requirements. This Amendment will continue to use a deliverables-based project management approach successfully used in previous phases of the project.</p>

	<p>ALTERNATIVES ANALYZED:</p> <p>No other alternatives were considered. Recognizing the investment that the County has made to implement its core financial and human resource systems, the County elected to proceed with this Amendment cost-effectively upgrade its eCAPS and eHR applications and add new functionality to support County business processes.</p>																								
<p>Technical Analysis</p>	<p>ANALYSIS OF PROPOSED IT SOLUTION:</p> <p>CGI’s eCAPS and eHR solution is consistent with the CIO Strategic Directions. It is an integrated core financial and human resources applications that support the County’s financial management, budgeting, procurement, contract management, and human resource management. This Amendment will enable the County to remain current with Advantage ERP software suite to take advantage of technical and functional enhancements and to add new functionalities to improve business processes.</p>																								
<p>Financial Analysis</p>	<p>BUDGET:</p> <p>Contract costs</p> <p>One-time costs for Implementation and Maintenance:</p> <table data-bbox="324 840 974 1092"> <tr> <td>eCAPS and eHR Upgrade.....</td> <td>\$ 10,182,533</td> </tr> <tr> <td>Enhancements.....</td> <td>\$ 3,792,763(1)</td> </tr> <tr> <td>New Modules.....</td> <td>\$ 1,350,143(2)</td> </tr> <tr> <td>Maintenance.....</td> <td>\$ 1,751,873(3)</td> </tr> <tr> <td>Other Projects.....</td> <td>\$ 4,110,313(4)</td> </tr> <tr> <td>Project Contingency.....</td> <td>\$ 4,000,000</td> </tr> <tr> <td>Sub-total One Costs:</td> <td>\$ 25,187,625</td> </tr> </table> <p>Ongoing costs:</p> <table data-bbox="324 1155 974 1239"> <tr> <td>Software Maintenance & Hosting</td> <td>\$ 5,939,617(5)</td> </tr> <tr> <td>Total Contract Costs:</td> <td>\$ 31,127,242</td> </tr> </table> <p>Other County costs:</p> <table data-bbox="324 1302 974 1428"> <tr> <td>ISD Infrastructure (one-time)</td> <td>\$ 3,091,690</td> </tr> <tr> <td>ISD Support Services (ongoing)</td> <td>\$ 4,050,000</td> </tr> <tr> <td>Sub-total ongoing County costs:</td> <td>\$ 7,141,690</td> </tr> </table> <p>NOTES:</p> <p>(1) Enhancements to CMS, PAR, eHR, Talent Management. (2) Implementation services for Debt Management and Inventory Mobile Application. (3) Managed Advantage Lite and IBM Agreement for Legacy Talent Management System. (4) HR BI Pilot, CEO Budget Preparation Support, Managed Advantage Transition Services, CGI project management. (5) Software maintenance for Case Management, Debt Management, Inventory Mobile Application, and NEOGOV Hosting and Maintenance.</p>	eCAPS and eHR Upgrade.....	\$ 10,182,533	Enhancements.....	\$ 3,792,763(1)	New Modules.....	\$ 1,350,143(2)	Maintenance.....	\$ 1,751,873(3)	Other Projects.....	\$ 4,110,313(4)	Project Contingency.....	\$ 4,000,000	Sub-total One Costs:	\$ 25,187,625	Software Maintenance & Hosting	\$ 5,939,617(5)	Total Contract Costs:	\$ 31,127,242	ISD Infrastructure (one-time)	\$ 3,091,690	ISD Support Services (ongoing)	\$ 4,050,000	Sub-total ongoing County costs:	\$ 7,141,690
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Sub-total ongoing County costs:	\$ 7,141,690																								

<p><i>Risk Analysis</i></p>	<p>RISK MITIGATION:</p> <ol style="list-style-type: none"> 1. The project will utilize CGI’s project management methodology that has been used successfully in previous eCAPS/eHR project phases. This approach tracks overall progress against the agreed upon milestones, identify risk areas, and proactively take the appropriate steps to mitigate those risks. 2. The Chief Information Security Officer (CISO) reviewed the Amendment and did not identify any IT security or privacy related issues.
<p><i>CIO Approval</i></p>	<p>PREPARED BY:</p> <p>_____</p> <p>Greg Melendez, Sr. Associate CIO _____ Date</p> <hr/> <p>APPROVED:</p> <p>_____</p> <p>Richard Sanchez, County Chief Information Officer _____ Date</p>

Please contact the Office of the CIO (213.253.5600 or info@cio.lacounty.gov) for questions concerning this CIO Analysis. This document is also available online at <http://ciointranet.lacounty.gov/>



County of Los Angeles
CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

SACHI A. HAMAI
Interim Chief Executive Officer

July 21, 2015

DRAFT

Board of Supervisors
HILDA SOLIS
First District

MARK RIDLEY-THOMAS
Second District

SHEILA KUEHL
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

AUTHORIZATION TO EXTEND CONTRACT NO. 75928 FOR THIRD PARTY ADMINISTRATOR MEDICAL MALPRACTICE, HOSPITAL LIABILITY CLAIMS ADMINISTRATION AND LEGAL DEFENSE MANAGEMENT SERVICES AND CONTRACT NUMBERS 67609, 67610, AND 67611 FOR WORKERS' COMPENSATION MEDICAL AND DISABILITY MANAGEMENT AND COST CONTAINMENT SERVICES (ALL DISTRICTS – 3 VOTES)

SUBJECT

The recommended action by the Chief Executive Office (CEO) seeks the Board's approval to execute Amendment Seven to extend the term of the current contract for Medical Malpractice, Hospital Liability Claims Administration and Legal Defense Management Services with Sedgwick Claims Management Services (Sedgwick), and to execute Amendment Three to extend the term of the current contracts for Workers' Compensation Medical and Disability Management and Cost Containment Services with CorVel Healthcare Corporation (Corvel), ACS ComplIQ (ACS), and Allied Managed Care, Inc. (Allied), for a period of twelve (12) months, effective January 1, 2016. Upon completion of negotiations the aforementioned contracts will be terminated for convenience.

IT IS RECOMMENDED THAT THE BOARD:

1. Approve and instruct the Interim CEO, or her designee, to execute and if necessary, terminate for convenience, Amendment Seven, substantially similar to Exhibit I, to extend Contract No. 75928 for Medical Malpractice, Hospital Liability Claims Administration and Legal Defense Management Services with Sedgwick for an additional twelve (12) months, beginning January 1, 2016 through December 31, 2016, to include the annual contract obligation of \$2,322,000, for a total maximum contract authority of \$27,799,000.

HOA.1173431.1

"To Enrich Lives Through Effective And Caring Service"

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Intra-County Correspondence Sent Electronically Only**

2. Approve and instruct the Interim CEO, or her designee, to execute and if necessary, terminate for convenience, Amendment Three, substantially similar to Exhibit II, to extend Contract No. 67609 with CorVel, Contract No. 67610 with ACS, and Contract No. 67611 with Allied for an additional twelve (12) months, beginning January 1, 2016 through December 31, 2016, to include the annual contract obligation for Workers' Compensation Medical Management Cost Containment services of \$13,641,000, for a total maximum contract authority of \$94,480,000.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the recommendations for the aforementioned services will allow for the continuation of vital risk management activities for an additional year, as these services will expire on December 31, 2015. The extensions of these amendments listed above will permit no disruption in services, the completion of two highly complex Requests for Proposals (RFP), appropriate transition of hard-copy files, client notifications, client orientation to new locations, and systems integrations under the new Contracts that will come to your Board at a later date. The extensions for both risk management services contracts will be through December 31, 2016.

Medical Malpractice, Hospital Liability Claims Administration and Legal Defense Management Services

An RFP was released on October 20, 2014, to solicit proposals from qualified and highly experienced Proposers, to replace the current contract. The RFP process was cancelled on February 4, 2015, to encourage more competition and ensure services are provided at the highest quality level, which is in the best interest of the County. A new RFP was released on March 25, 2015, with the intention of the solicitation process being completed before expiration. The RFP was strengthened to secure, and potentially obtain, the most accurate level of pricing from interested proposers for the requested services using the current staffing pattern and caseload trends. However, the extension of the current contracts are needed to allow for the sufficient transition time of sixty (60) days to implement the contracts with the recommended proposers.

The transition process to the new Contracts will include the transfer of highly critical and time sensitive electronic case files to the new Contractor from the County's Risk Management Information System. Case files comprise of claims from five (5) County departments (Coroner, Fire, Health Services, Mental Health, Sheriff) receiving claims administration services. Sufficient transition time is needed to complete any required system interface and for the transfer of legal defense management for approximately 95 pending medical malpractice lawsuits against the County.

Workers' Compensation Medical and Disability Management and Cost Containment Services

An RFP was released on February 4, 2015, with the intention of the solicitation process being completed before the expiration of the current contracts; however, the extensions are needed to allow for sufficient time to review all nine (9) proposals received, which will prolong the entire solicitation process by three (3) months. The initial evaluation meeting was held April 29, 2015. The final evaluation meeting is scheduled for August 12, 2015 due to the complexity of the evaluation method for the proposals, the large amount of proposals to be evaluated, and schedule conflicts between the evaluators.

Sufficient time is also needed to transition and implement the new Contracts with the recommended contractors. The new Contract transitions involve the completion of system interface and data migration, which includes the data conversion of medical bill review history, in which the new Contracts will require at least the last seven (7) years of all County payment history data available from the three (3) current contractors. Implementation time is also needed for the new Contractors to negotiate and agree to terms with CEO Risk Management Branch regarding the selection and utilization of one (1) Pharmacy Benefit Management Network, (1) Medical Provider Network, and (1) Preferred Provider Organization Network. Contractor(s) will be required to incorporate negotiated network rates in their bill review systems. Additionally, contractors are required to start-up the necessary call centers for the 24-hour telephonic reporting of all claims and injuries.

Implementation of Strategic Plan Goals

The services provided under these current contracts support the County's Strategic Plan Goal One, Operational Effectiveness/Fiscal Sustainability, by providing vital risk management services through County departments, and for County Third Party Administrators to improve the effectiveness of Countywide risk management activities.

FISCAL IMPACT/FINANCING

Funding for the amendments to the medical malpractice, hospital liability claims administration and legal defense management services contract (Sedgwick) is included in the Fiscal Year 2015-16 Adopted Budget. In accordance with County policy, the contract contains a Cost-of-Living Adjustment (COLA) provision, whereby, the CEO may increase the contractor's compensation during the option year, capped at the lesser of the generated salary movement percentage for County employees as of July 1, 2015, or the Los Angeles-Riverside-Orange County Consumer Price Index for Urban Consumers (CPI-U) for 2014.

Funding for the amendments for the workers' compensation medical and disability

management and cost containment services contracts (Corvel, ACS, Allied) will be paid from the Workers' Compensation Employee Operations budget. Funding has been included in the Fiscal Year 2015-16 Adopted Budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Medical Malpractice, Hospital Liability Claims Administration and Legal Defense Management Services

The County has contracted these services since 1975. After a formal solicitation, the Board approved the current contract in November 2006, effective January 1, 2007. The contract has been amended on several occasions and the latest amendment was executed on June 19, 2012, which allowed for the current contract extension through December 31, 2015.

Workers' Compensation Medical and Disability Management and Cost Containment Services

In 1996, a contracted consulting firm recommended the County establish a comprehensive medical and disability management program that would integrate medical fee review services with preferred provider organization (PPO) networks, nurse case management, and 24-hour claim reporting. The County has since contracted for workers' compensation medical and disability management and cost containment services since 1998.

After a formal solicitation, the Board approved each of the current contracts in October 2008, effective January 1, 2009. The contracts have been amended for each of the two (2) one-year extensions, and the latest amendment was executed on September 19, 2014, which allowed for the current contract extension through December 31, 2015.

County Counsel has reviewed and approved Exhibits I and II as to form; and concurs with these recommendations.

CONTRACTING PROCESS

The approval of these recommended extensions will allow for the completion of the two solicitations and transition to the new Contracts upon completion of the RFP process for the above referenced services. Effective date of new Contracts is January 1, 2017.

Medical Malpractice, Hospital Liability Claims Administration and Legal Defense Management Services

On November 14, 2006, the Board approved Contract No. 75928 with Sedgwick, (formerly Octagon Risk Services) for the period of January 1, 2007 through December 31, 2008. On December 4, 2007, the Board approved a subsequent extension for one (1) optional year renewal, for the period of January 1, 2008 through December 31, 2008.

On November 18, 2008, the Board approved subsequent extensions for the remaining three (3) optional year renewals, for the period of January 1, 2009 through December 31, 2011.

On December 30, 2009, under the Countywide Contract Extension and Reduction Initiative, Sedgwick agreed to reduce its fees by five percent (5%) in exchange for a guaranteed, two (2) year extension at the end of the initial contract term. The Contract was extended for two (2) additional extension years for the period of January 1, 2012 through December 31, 2013. On June 19, 2012, the Board approved an extension for an additional two (2) optional year renewals in exchange for a contract cost reduction of 20 percent (20%), for the period of January 1, 2014 through December 31, 2015.

Workers' Compensation Medical and Disability Management and Cost Containment Services

On October 7, 2008, after a formal solicitation process, the Board approved Contract Nos. 67609, 67610, and 67611 with Corvel, ACS, and Allied, (respectively) for the period of January 1, 2009 through December 31, 2013.

The contracts were amended under delegated authority authorized by the Board, for one (1) additional optional year renewals. The initial renewal was for the period of January 1, 2014 through December 31, 2014, and the second renewal was for the period of January 1, 2015 through December 31, 2015.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the contract extensions will provide for the uninterrupted, State-mandated risk management services, completion of the solicitation process, and transition to the new Contracts.

CONCLUSION

Upon approval by the Board, please return one adopted copy of the letter to the CEO Risk Management Branch, attention Steven T. Robles, County Risk Manager.

The Honorable Board of Supervisors
July 21, 2015
Page 6

DRAFT

Respectfully submitted,

SACHI A. HAMAI
Interim Chief Executive Officer

SAH:JJ
STR RLC:KSJ:TD:tv

Attachments (2)

c: Executive Officer, Board of Supervisors
Auditor-Controller
County Counsel

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**COUNTY OF LOS ANGELES CHIEF EXECUTIVE OFFICE
MEDICAL MALPRACTICE, HOSPITAL LIABILITY CLAIMS ADMINISTRATION AND
LEGAL DEFENSE MANAGEMENT SERVICES CONTRACT NO. 75928**

AMENDMENT SEVEN

This Amendment Seven (the "Amendment") to the Medical Malpractice, Hospital Liability Claims Administration and Legal Defense Management Services Contract, Contract No. 75928 ("Contract"), is entered into as of this _____ day of _____, 2015 ("Effective Date") by and between the County of Los Angeles, a political subdivision of the State of California ("County") and Sedgwick Claims Management Services ("Contractor"), as amended by Amendment One on October 18, 2007; Amendment Two on December 4, 2007; Amendment Three on November 18, 2008; Amendment Four on December 30, 2009; Amendment Five on November 14, 2011 and Amendment Six on June 19, 2012:

Recitals

WHEREAS, on November 14, 2006, the County entered into the Contract with the Contractor (hereinafter collectively the "Parties") for Medical Malpractice, Hospital Liability Claims Administration and Legal Defense Management Services; and

WHEREAS, the County Board of Supervisors ("Board") approved the original term of the Contract for one (1) year, effective January 1, 2007 through December 31, 2007; and

WHEREAS, on December 30, 2009, the parties mutually agreed on Amendment Four to extend the term of the Contract by two (2) additional option renewal years past the original contract termination date in exchange for a reduction of five percent (5%) in annual costs in concurrence with the County's Contract Cost Reduction Initiative and to add County mandated provisions regarding the County's Defaulted Tax Reduction Program; and

NOW THEREFORE, in consideration of the mutual benefits derived therefrom, it is agreed between the Parties that the Contract be amended as follows:

1. This Amendment Seven shall commence and be effective on January 1, 2016.
2. **Contract Paragraph 4.1**, shall be deleted in its entirety and replaced with the following;

“4.1 The term of the Contract shall commence on January 1, 2007, and shall expire on December 31, 2016, unless sooner terminated, in whole or in part, as provided in this Contract.”

3. **Contract Paragraph 8.53, Time Off for Voting**, shall be added as follows;

“8.53 Time Off for Voting

The Contractor shall notify its employees, and shall require each Sub-Contractor to notify and provide to its employees, information regarding the time off for voting law (Elections Code Section 14000). Not less than ten (10) days before every statewide election, every Contractor and Sub-Contractors shall keep posted conspicuously at the place of work, if practicable, or elsewhere where it can be seen as employees come or go to their place of work, a notice setting forth the provisions of Section 14000.”

4. **Contract Exhibit B.1, Pricing Schedule**, shall be added to current Exhibit B, Pricing Schedule. Any reference to Exhibit B shall be Exhibits B and B.1.

5. Except for the changes set forth hereinabove, the Contract shall not be changed in any respect by this Amendment Seven. All changes set forth in this Amendment shall only be effective on January 1, 2016 and have no retroactive effect.

COUNTY OF LOS ANGELES

SEDGWICK CLAIMS MANAGEMENT SERVICES, INC.

Name: _____
STEVEN T. ROBLES

Name: _____

Title: Assistant Chief Executive Officer

Title: _____

Date: _____

Date: _____

APPROVED AS TO FORM:
MARY C. WICKHAM
Interim County Counsel

By: _____
Behnaz Tashakorian
Deputy County Counsel

**MEDICAL MALPRACTICE AND HOSPITALITY LIABILITY CLAIMS ADMINISTRATION
AND LEGAL DEFENSE MANAGEMENT SERVICES
CONTRACT NO. 75928**

**EXHIBIT B.1
PRICING SCHEDULE – YEAR 10**

FIXED RATES			
Personnel Category	Title & Quantity	% Time Dedicated to County	Target Work Load
SERVICE PERSONNEL			
Management Staff	Program Manager – 1*	100%	≤ x Claims
	Claims Manager – 1	100%	≤ x Claims
	Admin/Finance Mgr. – 1*	100%	x Claims
Claims Staff	Claims Supervisors - 2	100%	≤ x Claims ea.
	Claims Specialists - 5	100%	≤ x Claims ea.
Clerical* Staff	Financial Specialist – 1	100%	x Claims
	Administrative Assistant - 3	100%	x Claims
Other Personnel	Medical-Legal Contractor -1	Approx. 100%	x Claims
	Information Specialist – 1	100%	x Claims
	Outside Fin. Auditor – 1	Minimal	x Claims
	Risk Mgt. Consultant - 1	As Requested	x Days/Per Quarter

HOURLY RATE FOR HOURLY SERVICES	\$X/HR + Expenses
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CONTRACT YEAR	ANNUAL RATE	MONTHLY COST
YEAR 10 (1/1/16-12/31/16)	(CPI – U)(YEAR 9 COST)+YEAR 9 COST = YEAR 10 ANNUAL RATE	YEAR 10 ANNUAL RATE/12 Months

*Pursuant to provision in Statement of Work, Section 12.0 et seq., these positions are not exclusively dedicated to the County.

Hourly rate applies to:

1. Ad hoc reports when County requests Sedgwick Claims Management Services to provide reports that cannot be generated from County’s RMIS, and are not required under Section 16.0.
2. Risk Management Consultation/Educational Services provided by or through Sedgwick Claims Management Services Risk Management Consultant. Expenses are in addition to the hourly rate.

**COUNTY OF LOS ANGELES CHIEF EXECUTIVE OFFICE
WORKERS' COMPENSATION MEDICAL AND DISABILITY MANAGEMENT AND COST
CONTAINMENT SERVICES CONTRACT NO. _____**

AMENDMENT THREE

This Amendment Three (the "Amendment") to the Workers' Compensation Medical And Disability Management And Cost Containment Services Contract, Contract No. _____ ("Contract"), is entered into as of this _____ day of _____, 2015 ("Effective Date") by and between the County of Los Angeles, a political subdivision of the State of California ("County") and _____ ("Contractor") as amended by Amendment One on January 1, 2014 and Amendment Two on September 19, 2014:

Recitals

WHEREAS, on October 7, 2008, the County entered into the Contract with the Contractor (hereinafter collectively the "Parties") for Workers' Compensation Medical And Disability Management And Cost Containment Services; and

WHEREAS, the County Board of Supervisors ("Board") approved the original term of the Contract for five (5) years, effective January 1, 2009 through December 31, 2013, with two (2) one-year option renewal years; and

NOW THEREFORE, in consideration of the mutual benefits derived therefrom, it is agreed between the Parties that the Contract be amended as follows:

- 1. This Amendment Three shall commence and be effective on January 1, 2016.
- 2. **Contract Paragraph 4.1**, shall be deleted in its entirety and replaced with the following;
 - 4.1 The term of the Contract shall commence on January 1, 2009, and shall expire on December 31, 2016, unless sooner terminated, in whole or in part, as provided in this Contract.
- 3. **Contract Paragraph 8.53, Time Off for Voting**, shall be added as follows;

"8.53 Time Off for Voting
 The Contractor shall notify its employees, and shall require each Sub-Contractor to notify and provide to its employees, information regarding the time off for voting law (Elections Code Section 14000). Not less than ten (10) days before every statewide election, every Contractor and Sub-Contractors shall keep posted conspicuously at the place of work, if practicable, or elsewhere where it can be seen as employees come or go to their place of work, a notice setting forth the provisions of Section 14000."

- 4. **Contract Exhibit B.1, Pricing Schedule**, shall be added to current Exhibit B, Pricing Schedule. Any reference to Exhibit B shall be Exhibits B and B.1.
- 5. Except for the changes set forth hereinabove, the Contract shall not be changed in any respect by this Amendment Seven. All changes set forth in this Amendment shall only be effective on January 1, 2016 and have no retroactive effect.

COUNTY OF LOS ANGELES

CONTRACTOR

Name: _____
STEVEN T. ROBLES

Name: _____

Title: Assistant Chief Executive Officer

Title: _____

Date: _____

Date: _____

APPROVED AS TO FORM:
MARY C. WICKHAM
Interim County Counsel

By: _____
Behnaz Tashakorian
Deputy County Counsel

**WORKERS' COMPENSATION MEDICAL MANAGEMENT AND COST CONTAINMENT SERVICES
CONTRACT NO. _____**

**EXHIBIT B.1
PRICING SCHEDULE – YEAR 8**

BILLING CATEGORY	YEAR 8 RATES
24 Hour Telephonic Reporting	\$x per claim
Telephonic Nurse Case Management	\$x per hour
Field Nurse Case Management	\$x per hour
Medical Bill Review	\$x per line
Hospital Bill Review	\$x per line
Inpatient Hospital Bill Review	%x of savings
Hospital Bill Audit	%x of savings
Negotiated Savings – Out of Network	%x of savings
MPN/PPO CorCare	%x of savings
UR Non Physician	\$x per referral
UR Physician Orthopedic Expert	\$x per referral
UR Physician Neurology Expert	\$x per referral
UR Physician Physical Medicine Expert	\$x per referral
UR Physician Chiropractic Expert	\$x per referral
UR Physician Psychiatry Expert	\$x per referral
UR Physician Psychology Expert	\$x per referral
UR Physician Internal Medicine Expert	\$x per referral

Savings for calculating fees is defined as the lesser of OMFS to pay amount or billed amount to pay amount.

Per UR referral contemplates the entire cost of completing the UR referral objective (approving, modifying or denying treatment request). There will be no charge for resubmission from the provider for a lack of medical denial within 30 days of the lack of medical denial determination.

July 14, 2015

Honorable Board of Commissioners
Housing Authority of the
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Commissioners:

**AUTHORIZATION TO PURCHASE YARDI SOFTWARE LICENSE AND
MAINTENANCE FROM YARDI
(ALL DISTRICTS) (3 VOTE)**

CIO RECOMMENDATION: (X) APPROVE

SUBJECT

This letter is requesting approval of a Contract with Yardi Systems, Inc. (Yardi), for software license and maintenance services for the Housing Authority. Yardi is the software used to manage the Housing Authority's housing developments and Section 8 voucher program.

IT IS RECOMMENDED THAT YOUR COMMISSION:

1. Authorize the Executive Director, or his designee, to execute, amend, and if necessary, terminate a Contract and all related documents with Yardi for software license and maintenance services, in the amount of \$141,501 included in the Housing Authority approved Fiscal Year (FY) 2015-2016 Budget for this purpose and to be requested in the Housing Authority's future years annual budget process for this purpose.
2. Authorize the Executive Director, or his designee, to extend the Contract by up to two additional years, at a cost of \$144,331 for year two, and \$147,217 for year three.
3. Authorize the Executive Director, or his designee, to use up to \$43,305, a 10% contingency, using the same source of funds for unforeseen costs as

needed; the total maximum Contract sum for all three years plus the 10% contingency is \$476,354.

4. Find that the proposed Contract with Yardi is not subject to the California Environmental Quality Act (CEQA) because it is not defined as a project under CEQA and does not have the potential for causing a significant effect on the environment.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of this action is to purchase software license and maintenance services from Yardi for the Housing Authority's Public Housing and Section 8 systems. Yardi software was originally licensed in June 2007 to replace the Housing Authority's previous Housing Management and Section 8 software, replacing two systems into one, user-friendly system. The Yardi system has reduced the level of IT support needed while providing agency staff with greater opportunities for improvement, timelier service for clients, and has integrated with systems used by U.S. Department of Housing and Urban Development (HUD). Yardi software was instrumental in assisting the Housing Authority to resolve its troubled status and become a high performer for the past five years.

FISCAL IMPACT / FINANCING

There is no impact to the County General Fund. The Housing Authority will be using Program Funds to pay for these services. Funding is included in the Housing Authority's approved Fiscal Year (FY) 2015-2016 Budget and will be included in future fiscal years' budgets as needed. A 10% contingency is requested for unforeseen additional services as needed. The total Contract sum for all three years and the ten percent contingency is \$476,354.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The Housing Authority's current contract with Yardi expires on July 31, 2015. The new three-year Contract will allow time for the Housing Authority to solicit publicly for a new contract that best fulfills the requirements of the Request for Proposal. Yardi software is not sold by any reselling channel; Yardi sells, maintains and markets its own software and the software is only sold and supported by Yardi, who retains exclusive rights to the licenses. Therefore, the purchase of software license and maintenance services provided from Yardi is determined to be a sole source provider. During the contract term with Yardi, the Housing Authority intends to issue a Request for Proposal for a new contract with a vendor that will provide the best solutions to meet current needs of the Housing Authority's Public Housing and Section 8 systems.

This Contract contains all latest applicable Board mandated provisions, including those pertaining to consideration of hiring qualified County employees targeted for layoffs,

contractor responsibility and debarment, Safely Surrendered Baby Law, and the provisions of Paid Jury Service time for the Contractor's employees.

As a result of the negotiations, the parties agreed to the following deviations from the County standard or preferred agreement provisions:

1. Disclaimer of Warranties – The Yardi contract provides for industry standard disclaimer that limits the warranties to those specifically identified anywhere in the Yardi Contract.
2. Venue, Limitation of Liability – The Housing Authority and Contractor have agreed to minor revisions to the standard Housing Authority provisions all with the consent from the Housing Authority Risk Management division. Either party's liability under the Yardi Contract is capped at the Contract sum and Venue will be in Santa Barbara.
3. Termination for Cause – The Housing Authority and Contractor have agreed to revisions to the standard Housing Authority provisions, with mutual termination for default.
4. Section 3 of the Housing and Urban Development Act of 1968, As Amended – The services are being federally funded, and are not subject to the requirements of the Greater Avenues for Independence (GAIN) Program or the General Relief Opportunity for Work (GROW) Program implemented by the County of Los Angeles. Instead, Yardi will comply with Section 3 of the Housing and Community Development Act of 1968, as amended, which requires that employment and other economic opportunities generated by certain HUD assistance be directed to low- and very low-income persons, particularly to persons who are recipients of HUD housing assistance.

The Yardi Contract has been reviewed and approved as to form by County Counsel, as well as the Housing Authority's Procurement and Risk Management Departments. It has been determined that the Contract complies with all applicable laws, statutes, rules, regulations, and order of the United States and the State of California. On June 23, 2015, the Housing Commission recommended approval of the Contract.

The Chief Information Office (CIO) has reviewed this request and recommends approval. The CIO Analysis is attached (Attachment A).

ENVIRONMENTAL DOCUMENTATION

Computer software purchases are exempt from the National Environmental Policy Act pursuant to 24 Code of Federal Regulations, Part 58, Section 58.35 (b)(3), because they involve activities that will not have a physical impact on or result in any physical changes to the environment. These activities are not subject to the provisions of CEQA

pursuant to State CEQA Guidelines 15060(c)(3) and 15378(b)(4), because they are not defined as a project under CEQA and do not have the potential for causing a significant effect on the environment.

CONTRACTING PROCESS

The Yardi software license is solely provided by Yardi, and the Housing Authority intends to execute a Sole Source Contract, pending Board approval, as allowed under U.S. Department of Housing and Urban Development (HUD) 24 CFR 85.36, Procurement, subsection (d)(4)(i)(A), Sole Source, known as the "Common Rule". The contracting process was conducted in accordance with the Housing Authority Procurement Policies and Procedures.

IMPACT ON CURRENT SERVICES AND PROJECTS

The purchase of these services from Yardi will provide the Housing Authority with software license, support, and the ability to update services as necessary. The software will continue to be instrumental in maintaining the Housing Authority's high-performer status and integrating with the systems used by U.S. Department of Housing and Urban Development (HUD). The Housing Authority is developing a comprehensive scope of services in an effort to solicit through an RFP for a long term vendor.

Respectfully submitted,

Reviewed by:

SEAN ROGAN
Executive Director
HOUSING AUTHORITY
COUNTY OF LOS ANGELES

RICHARD SANCHEZ
Chief Information Officer
COUNTY OF LOS ANGELES

SR:MF:mr

Enclosures

c: Chief Executive Officer
County Counsel
Executive Officer, Board of Supervisors

	<p>PERFORMANCE METRICS: None.</p> <hr/> <p>STRATEGIC AND BUSINESS ALIGNMENT: The Yardi software guides Public Housing Authorities through regulatory procedures, automates workflows, and eliminates redundant data entry to increase staff productivity, improve operational efficiency, and reduce operational costs.</p> <hr/> <p>PROJECT APPROACH: Yardi software is currently operational.</p> <hr/> <p>ALTERNATIVES ANALYZED: None, the Yardi software is currently operational.</p>												
Technical Analysis	<p>ANALYSIS OF PROPOSED IT SOLUTION: The Yardi software is currently operational. The Yardi software integrates Public Housing and Housing Choice Voucher compliance, accounting, and property management on a mobile platform that is accessible through desktop computers and handheld devices.</p>												
Financial Analysis	<p>BUDGET:</p> <p>Contract costs</p> <p>One-time costs:</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 80%;">FY 2015-2016</td> <td style="text-align: right;">\$ 141,501</td> </tr> <tr> <td>FY 2016-2017</td> <td style="text-align: right;">\$ 144,331</td> </tr> <tr> <td>FY 2017-2018</td> <td style="text-align: right;">\$ 147,217</td> </tr> <tr> <td>Sub-total Contract Costs:</td> <td style="text-align: right;">\$ 433,049</td> </tr> <tr> <td>Pool Dollars:</td> <td style="text-align: right;">\$ 43,305</td> </tr> <tr> <td> Total contract costs:</td> <td style="text-align: right;"> \$ 476,354</td> </tr> </table> <p>Funding is included in the Housing Authority's FY 2015-16 Adopted Budget utilizing General Fund Bond Proceeds. There is no impact on the County General Fund.</p>	FY 2015-2016	\$ 141,501	FY 2016-2017	\$ 144,331	FY 2017-2018	\$ 147,217	Sub-total Contract Costs:	\$ 433,049	Pool Dollars:	\$ 43,305	 Total contract costs:	 \$ 476,354
FY 2015-2016	\$ 141,501												
FY 2016-2017	\$ 144,331												
FY 2017-2018	\$ 147,217												
Sub-total Contract Costs:	\$ 433,049												
Pool Dollars:	\$ 43,305												
 Total contract costs:	 \$ 476,354												
Risk Analysis	<p>RISK MITIGATION: The software is operational. The contract is to extend the current software annual license and maintenance services until a competitive solicitation can be issued, negotiated and approved.</p> <p>The Chief Information Security Officer (CISO) reviewed the request and did not identify any IT security of privacy related issues.</p>												

CIO Approval	PREPARED BY:		
		_____	_____
	James Hall, Sr. Associate CIO		Date
	APPROVED:		
		_____	_____
	Richard Sanchez, County Chief Information Officer		Date

Please contact the Office of the CIO (213.253.5600 or info@cio.lacounty.gov) for questions concerning this CIO Analysis. This document is also available online at <http://cigintranet.lacounty.gov/>

Draft

SOLE SOURCE JUSTIFICATION

DOCUMENTATION FOR SOLE SOURCE JUSTIFICATION MUST INCLUDE RESPONSES TO THE FOLLOWING QUESTIONS:

1. What is being requested? Housing Authority is requesting a three (3) year contract for the licensing and software maintenance for its Yardi software.
2. Why is the professional services needed – how will it be used? N/A – there are no professional services needed as part of this agreement.
3. Is this vendor the only one that meets the user's requirements? If yes, what is unique about the vendor? Yardi maintains exclusive rights of the software, licenses, and related copyright laws.
4. Have other vendors been considered? If yes, which vendors have been considered and how did they fail to meet the user's requirements? No, Yardi does not maintain a retail or any other partner distribution channels.
5. Will purchase of these services avoid other costs, e.g. data conversion, etc. or will it incur additional costs, e.g. training, conversion, etc.? Yardi is the Housing Authority's existing software. Staff is very familiar with the software and its functionality.
6. Is the service available from various vendors? No, see 3 & 4 above.
7. Reasonableness of Price. Does the County obtain a percentage discount or special discount not available to the private sector? Yardi is extending the discounted pricing for its software and maintenance, adjusted for inflation on a year over year basis, that was negotiated on the original contract.

Housing Authority – County of Los Angeles

May 21, 2015

TO: Each Supervisor

FROM: Sean Rogan, Executive Director

SUBJECT: ADVANCE NOTIFICATION OF INTENT TO ENTER INTO SOLE SOURCE AGREEMENT WITH YARDI SYSTEMS, INC. FOR PUBLIC HOUSING AND SECTION 8 SYSTEMS SOFTWARE LICENSE AND SERVICES CONTRACT

In accordance with Board policy requiring notification of prospective large sole source contracts, this letter is to advise you that the Housing Authority intends to enter into sole source contract with Yardi Systems, Inc. (Yardi) to maintain Yardi software license and maintenance. The Yardi software license and software agreement is solely maintained by Yardi under an approved sole source contract as allowed under U.S. Department of Housing and Urban Development (HUD) 24 CFR 85.36, Procurement, subsection (d)(4)(i)(A), Sole Source, known as the "Common Rule". The estimated amount of the contract is \$476,353.01 and targeted Board Agenda date of July 14, 2015.

Yardi is the manufacturer of Voyager software used for the Public Housing and Section 8 systems. Yardi maintains exclusive rights of the software, licenses, and related copyright laws. The software was originally licensed from Yardi in June 2007. Yardi software replaced the Housing Authority's previous Housing Management and Section 8 software, integrating the two systems into one, user-friendly system. The Yardi system reduced the level of IT support needed, provided agency staff greater opportunities for improvement, timelier service to clients, and integrates with systems used by HUD. The Yardi software was instrumental in assisting the Housing Authority to resolve its troubled status and become a high performer for the past three years.

We are requesting your approval for a new three-year contract with Yardi. The three year contract will allow time for the Housing Authority to solicit publicly and awarding of a new contract to a vendor that best fulfills the requirements of the Request for Proposal. Yardi System software is not sold by any reselling channel, as Yardi sells, maintains and markets its own software and is only sold and supported by Yardi Systems, who retains exclusive rights to the licenses.

If you have any questions, please contact me or your staff may contact Douglas Van Gelder, Manager of Information Technology, at (626) 586-1727 or via e-mail at Douglas.VanGelder@lacdc.org.

SR:MR

c: Montessa Duckett, CEO Analyst
Behnaz Tashakorian, Deputy County Counsel
Richard Sanchez, Chief Information Officer
Each Deputy



County of Los Angeles
DEPARTMENT OF PUBLIC SOCIAL SERVICES

12860 CROSSROADS PARKWAY SOUTH • CITY OF INDUSTRY, CALIFORNIA 91746
 Tel (562) 908-8400 • Fax (562) 695-4801



SHERYL L. SPILLER
 Director

PHIL ANSELL
 Chief Deputy

Board of Supervisors

HILDA L. SOLIS
 First District

MARK RIDLEY-THOMAS
 Second District

SHEILA KUEHL
 Third District

DON KNABE
 Fourth District

MICHAEL D. ANTONOVICH
 Fifth District

DRAFT

July 21, 2015

The Honorable Board of Supervisors
 County of Los Angeles
 383 Kenneth Hahn Hall of Administration
 500 West Temple Street
 Los Angeles, CA 90012

Dear Supervisors:

**APPROVE AMENDMENT NUMBER THREE TO AGREEMENT NUMBER 77217
 WITH SAS INSTITUTE INC. FOR DATA MINING SOLUTION
 (ALL DISTRICTS - 3 VOTES)**

**CIO RECOMMENDATION: APPROVE (X) APPROVE WITH MODIFICATION ()
 DISAPPROVE ()**

SUBJECT

The Department of Public Social Services (DPSS), in collaboration with the Service Integration Branch (SIB) of the Chief Executive Office (CEO), seeks that the Board approve Amendment Number Three to Agreement Number 77217 with SAS Institute Inc. (SAS) for Data Mining Solution (DMS), dated December 22, 2009 (Agreement). The purpose of this Amendment Number Three is to allow for the implementation of a LEADER Replacement System (LRS) Data Interface to the DMS system, utilized by DPSS for combatting fraud in the CalWORKs Stage 1 Child Care (Child Care Project) and the In-Home Supportive Services (IHSS) Programs (IHSS Project), and to extend the maximum term of the Agreement for an additional three (3) years, increasing the total maximum Contract Sum under the Agreement by \$4,000,000 to \$11,000,000.

IT IS RECOMMENDED THAT THE BOARD:

Approve and instruct the Mayor to sign the attached Amendment Number Three (Attachment I) to the DMS Agreement in order to:

- (i) Allow for the implementation of a new system data interface between the DMS solution and the LRS (LRS Data Interface) for purposes of detecting and preventing fraud in the CalWORKs Stage 1 Child Care and IHSS Programs; and

- (ii) Extend the term of the Agreement by three (3) years through December 21, 2018 for the provision of continued DMS maintenance and operational support; and increase the total maximum Contract Sum allocated for the term of the Agreement by \$4,000,000 from \$7,000,000 to \$11,000,000 to allow for the implementation of the LRS Data Interface, and allocation of additional Pool Dollars under the Agreement for acquisition of optional DMS-related work that may be requested by DPSS.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The primary purpose of this Amendment is to allow DPSS to engage SAS to implement the new LRS Data Interface to the DMS system currently utilized by DPSS to detect and prevent fraud in the CalWORKs Stage 1 Child Care and IHSS Programs.

The DMS system utilizes data from and is interfaced with both LEADER, the eligibility determination system, and GEARS, the Welfare-to-Work component and employment activity system. Such data includes the CalWORKs Stage 1 Child Care participants' case information and individual demographics, income, employment, Welfare-to-Work component activities, transportation and ancillary payments, Welfare Fraud investigations and household relationship information transmitted from LEADER and GEARS.

As LEADER and GEARS will be replaced by LRS, system interfaces from DMS to LEADER and GEARS will need to be replaced with an LRS Data Interface. The implementation of the LRS interface must be completed by September 2015 when the LRS pilot is targeted to go live for two pilot districts, South Central #27 and Rancho Park #60. Implementation of LRS for the remaining district offices is scheduled to begin in March 2016 and to be completed by November 2016. Implementation of the LRS Data Interface will need to be synchronized with the LRS implementation. Once LRS is fully implemented, the LEADER and GEARS applications, together with their respective DMS interfaces, will be decommissioned.

The successful implementation of the LRS Data Interface to the DMS system will ensure the continuation of data analysis, investigations and referrals necessary for the prevention and detection of fraud in the CalWORKs Stage 1 Child Care and IHSS Programs.

Implementation of Strategic Plan Goals

These recommendations are consistent with the principles of the Countywide Strategic Plan: Goal 1: Operational Effectiveness – Maximize the effectiveness of processes, structure and operations to support timely delivery of customer-oriented and efficient public services.

FISCAL IMPACT/FINANCING

The execution of this Amendment will increase the Contract Sum allocated for the term of the Agreement by \$4,000,000 to a total maximum Contract Sum of \$11,000,000. The \$4,000,000 increase in the maximum Contract Sum includes \$785,400 allocated for the implementation of the LRS Data Interface; \$400,766 for support of the LEADER, GEARS and LRS interfaces during the roll-out and transitioning period to LRS; \$1,778,601 for continued DMS maintenance and support; and \$1,035,233 for Pool Dollars for any optional DMS related work that may be requested by DPSS.

Cost for Fiscal Year (FY) 2015-16

- The total cost for FY 15-16 is estimated at \$1,921,848. The estimated net County cost (NCC) amount is \$173,000. Sufficient funding has been included in the Department's budget.

Cost for Fiscal Year (FY) 2016-17 through FY 2018-19

- The total cost for FY 16-17 through FY 18-19 is estimated at \$2,078,152. The estimated NCC amount is \$187,000. Sufficient funding will be included in the Department's annual budget request.

FACTS AND PROVISION/LEGAL REQUIREMENTS

Amendment Number Three will become effective upon Board approval. Under the Amendment, the Agreement is modified to add newly required provisions, including Cyber Security and Technology Errors and Omissions (E&O) Insurance Coverages, Data Destruction and the Time-Off for Voting provision, as well as updating some other information such as Key County Administrative personnel. All other terms and conditions, including information technology provisions currently included in the Agreement, will continue to apply to the Agreement.

This Amendment was reviewed and approved as to form by County Counsel. The CIO has reviewed the Board letter and recommends approval. The Chief Executive Office Risk Management Branch has reviewed and concurs with the newly added provisions relating to insurance.

CONTRACTING PROCESS

In response to the Board's motion of January 6, 2009, DPSS released on July 8, 2009 a Request for Proposals (RFP) for a DMS. The RFP solicited proposals from qualified vendors for the development, implementation, and maintenance of data mining technology to target fraud in the CalWORKs Stage 1 Child Care Program and establish a platform that can be leveraged to detect and prevent fraud in other public assistance programs.

SAS submitted the winning proposal. On December 22, 2009, the Board awarded SAS the contract for the development, implementation, maintenance, and support of the DMS technology to detect and prevent fraudulent activities among individuals and groups participating in the County's CalWORKs Stage 1 Child Care Program. The

Agreement was awarded for a period of two (2) years, with up to two (2) additional option years. DMS system was implemented for the CalWORKs Stage 1 Child Care Program on May 9, 2011.

Following the Board's motion of August 17, 2010, on December 14, 2010, the Board approved Amendment Number One to the Agreement authorizing SAS to conduct a 90-day pilot for the IHSS Program at no cost to the County. The purpose of the IHSS Pilot was to assess the effectiveness of data mining technology in detecting and preventing fraud and to establish a platform that can be leveraged to prevent fraud in other public assistance programs.

The Analysis of the representative sample of fraud referrals during the IHSS Pilot assessment revealed potential cost savings/cost avoidance, the ability to generate new fraud referrals not readily detected by existing manual IHSS investigative methods, as well as discover fraud referrals much sooner than is currently possible. Given the positive outcomes of the pilot analysis, DPSS submitted an Amendment Number Two to the DMS Agreement and the Board Approved this amendment on May 15, 2012, to extend the data mining technology to the IHSS Program. The DMS for the IHSS Program was implemented on April 14, 2014.

Given the expected changes and migration of LEADER and GEARS, the current source systems, the data elements for the interface files from these source systems will be migrated and replaced with a new LRS Data Interface. The DMS system data model and structure will require design, development and implementation of a new LRS Data Interface file to continue the utilization of the DMS technology to detect and prevent fraud in the CalWORKs Stage 1 Child Care and IHSS Programs.

Upon approval of Amendment Number Three by the Board, DPSS will work collaboratively with SAS to design and implement a new LRS Data Interface file to ensure the DMS continues to provide the necessary functionality for the CalWORKs Stage 1 Child Care and IHSS Programs' end users.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The execution of Amendment Number Three (Attachment I) augments the DMS by enhancing the data structure and data elements migrated from multiple systems into LRS and increasing the frequency of the interfacing data files from monthly to daily extract, which will provide for increased fraud detection and prevention. This is expected to result in new fraud referrals, earlier fraud detection, and increased efficiency, all leading to additional cost avoidance.

CONCLUSION

Upon the Board's approval, the Acting Executive Officer, Board of Supervisors is requested to return three (3) original signed copies of the Amendment and one adopted stamped Board letter to the Director of DPSS.

Respectfully submitted,

Sheryl L. Spiller
Director

Richard Sanchez
Chief Information Officer

SLS:MS:af

Attachment (1)

c: Interim Chief Executive Office
Acting Executive Officer, Board of Supervisors
County Counsel
Auditor-Controller
Chief Information Office



RICHARD SANCHEZ
CHIEF INFORMATION OFFICER

Office of the CIO
CIO Analysis

NUMBER: CIO 15-15	DATE: July 25, 2015
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APPROVE AMENDMENT 3 TO AGREEMENT NUMBER 77217 WITH SAS INSTITUTE INC. (SAS) FOR DATA MINING SOLUTION (DMS)

RECOMMENDATION:
 Approve Approve with modification Disapprove

CONTRACT TYPE:
 New contract Sole Source
 Amendment to Contract #: 77217 Other:

CONTRACT COMPONENTS:
 Software Hardware
 Telecommunications Professional Services

SUMMARY:
 Department executive sponsor: Michael Sylvester, Assistant Director, Public Social Services
 Description: Implement the New LRS Data Interface to the DMS technology to detect and prevent fraud in the CalWORKs Stage 1 Child Care and In Home Support Services (IHSS) Programs; and extend the Agreement term for two (2) years.
 Contract Amendment amount: \$4,000,000 Funding source: CalWORKs and IHSS Programs
 Legislative or regulatory mandate Subvened/Grant funded: 98%

Strategic and business analysis

PROJECT GOALS AND OBJECTIVES:
 Use DMS technology to support the early detection and/or prevention of potential fraud in public assistance programs.

BUSINESS DRIVERS:
 The DMS system data model and structure will require design, development and implementation of a new LRS Data Interface file to continue the utilization of the DMS technology to detect and prevent fraud in the CalWORKs Stage 1 Child Care and IHSS Programs. The migration of LEADER and GEARS, the current source systems, to LRS requires that the data elements for the interface files from these two source systems be migrated.

PROJECT ORGANIZATION:
 The DMS project has a formal governance structure composed of DPSS executives, program staff, operations staff and fraud investigation staff.

PERFORMANCE METRICS:
 The DMS Agreement also contains Service Level Agreement (SLA) and Liquidated Damages for performance metrics that the contractor must meet.

Amendment 3 to Agreement 77217 with SAS to Implement the New LRS Data Interface for the DMS Application

	<p>3. The Agreement clearly identifies the service levels and system performance metrics to be provided by SAS for the term of the Agreement.</p>
<p>CIO Approval</p>	<p>PREPARED BY:</p> <hr/> <p>James Hall, Sr. Associate CIO Date</p>
	<p>APPROVED:</p> <hr/> <p>Richard Sanchez, County CIO Date</p>

Please contact the Office of the CIO (213.253.5600 or info@cio.lacounty.gov) for questions concerning this CIO Analysis. This document is also available online at <http://ciointranet.lacounty.gov/>