

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: December 06, 2007

SUBJECT: PROCUREMENT AUTHORIZATION AMENDMENT- INVENTORY
AND PURCHASING

RECOMMENDATION

It is recommended that the Commission authorize:

VWO/Inventory

- a) A Purchase Order Amendment for an increase of \$1,069,462.28 to a revised total upset limit of \$9,873,863.48 to IFS North America Inc. (IFS) for the Vehicle Work Order/Inventory Replacement system.

Purchasing

- a) A Purchase Order Amendment for an increase of \$833,327.85 to a revised total upset limit of \$4,393,114.17 to IFS North America Inc. (IFS) for the Purchasing Module Replacement system.

FUNDING

Sufficient funds for these expenditures have been included under 7.2 Intelligent Transportation & Technical Systems for the Inventory and Purchasing Projects (State of Good Repair Category) as outlined on pages 1427 – 1435 and 1451 to 1454 of the 2008-2012 TTC Capital Program as approved by the Commission on November 14, 2007.

Sufficient funds for the maintenance requirements for the vehicle work order / inventory and purchasing systems have been included in the both the 2007 and 2008 approved TTC Operating Budgets to cover these expenditures.

BACKGROUND

The current Materials Management System (MMS) was purchased from Computer Associates in 1988. The implementation of the Inventory and Purchasing modules was completed in 1990. In 1995 the modules were upgraded to improve the systems material planning capabilities. The Accounts Payable module was implemented in late 1996.

A technical review of the ongoing supportability of MMS was conducted by IT Services staff. It was determined that continuing to operate MMS past 2009 would be problematic due to changes in technology.

The Vehicle Work Order Replacement Project evaluated and selected the IFS system as a lifecycle replacement for two ageing vehicle maintenance systems. The IFS system included an integrated Inventory application that was evaluated and recommended as the solution for the lifecycle replacement of the Inventory modules in MMS.

In July 2003, the Commission approved the award of a contract to IFS for the purchase of a new Vehicle Work Order system and Inventory System.

A project had been identified to replace the MMS Purchasing modules as part of the overall lifecycle replacement of the MMS system. The purchasing and inventory processes are closely related therefore an integrated solution was ideal. IFS offered a purchasing module as part of its integrated solution.

In May 2004 the Commission approved the award of a contract to IFS for the purchase of the replacement of the MMS Purchasing system.

During 2006, staff evaluated the way forward to provide the business requirements for the Accounts Payable processes and to permit the retirement of MMS. It was determined that procurement and deployment of the IFS Accounts Payable module in an integrated IFS application was the best solution representing less risk and cost compared to other evaluated integration solutions.

In July 2007 the IFS Implementation Status Update was presented to the TTC's E-Systems Committee. At this meeting the E-Systems Committee endorsed the IFS programme consisting of Vehicle Work Order, Inventory, Purchasing, and Accounts Payable projects.

The purchase of the IFS Accounts Payable module was presented and approved at the September 19, 2007 Commission meeting.

DISCUSSION

The IFS product has been selected as the core replacement system for the current Inventory and Purchasing systems. Both of these projects are well underway having completed their initial analysis phases and are both well into the implementation phase where the solution components are being developed and tested.

The IFS product is an integrated application suite whereby the combined use of individual software modules has a high degree of interface and dependence on each other. The timelines for the integrated testing and implementation of the Inventory and Purchasing modules are being coordinated with those of the Common Vehicle Work Order and Accounts Payable projects to facilitate a synchronized and consolidated project implementation schedule.

In 2006, when the Accounts Payable implementation study began, the Inventory and Purchasing project schedules were changed to allow time for the Accounts Payable

implementation study to conclude and the Accounts Payable implementation activities to catch-up allowing TTC to synchronize the common project activities required for an integrated IFS implementation. As a result, additional IFS consulting support will be required to facilitate the integration of the Accounts Payable module with the Inventory and Purchasing functionality. This requires an increase to the IFS purchase orders. We also recommend budgeting additional funds for changes to previously specified and constructed Inventory and Purchasing IFS modifications that might be affected by the Accounts Payable implementation.

The increase of \$1,069,462.28 is now required for the Inventory and \$833,327.85 for Purchasing for the following work (as detailed in Appendix 'A'):

- Increase in IFS implementation support due to an increase in the implementation timeline as well as assistance in determining any cross-functional impacts of modifications to the Purchasing, Inventory, and Accounts Payable modules.
- Changes to IFS developed modifications as a result of the Accounts Payable implementation.

Inventory

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|----------------------------------------|---------------------|
| Original Contract Award Amount | \$7,902,000.00 |
| Amount of Previous Approved Amendments | 902,401.20 |
| Amount of this Amendment | <u>1,069,462.28</u> |
| Revised Contract Amount | \$9,873,863.48 |

Purchasing

| | |
|----------------------------------------|-------------------|
| Original Contract Award Amount | \$2,079,429.22 |
| Amount of Previous Approved Amendments | 1,480,357.10 |
| Amount of this Amendment | <u>833,327.85</u> |
| Revised Contract Amount | \$4,393,114.17 |

Work on these amendments is 0% complete.

JUSTIFICATION

The IFS product has been selected as the core replacement system for the current Vehicle Work Order, Inventory, and Purchasing systems. Both of these projects are heavily committed having completed their initial analysis phases and are now in the implementation phase where the solution components are being developed and tested. The recent approval of the inclusion of the Accounts Payable system as part of the IFS application suite implementation will allow TTC to retire the aging MMS application. The Inventory, Purchasing and Accounts Payable systems must be implemented at the same time in an integrated application to ensure continued business requirements for accounts payable.

November 09, 2007
14.46.46

Attachment: Appendix 'A'
Appendix 'B'