STAFF REPORT
ACTION REQUIRED

Procurement Authorization - Program Management Services for SAP-ERP Implementation Program

Date:	June 22, 2015
To:	TTC Board
From:	Chief Executive Officer

Summary

The purpose of this report is to obtain authorization for the award of a contract for SAP Program Management Services for the SAP-ERP Implementation program to Comtech Group Inc., in the upset limit amount of $5.7 million, in Canadian funds, with a duration of five (5) years from the Notification of Award, on the basis of highest total weighted score.

To manage delivery of the program, it is intended to staff the program team with a complement of TTC and consultant staff. Program Management Services is the second of six planned contract awards for consultant staffing in specific specialty areas, which will provide consultant staffing over the five year duration of the program.

Recommendations

It is recommended that ….

1. The Board authorize the award of contract for Request for Proposal (RFP) No. P25PX15778 for Program Management Services for the SAP-ERP Implementation Program to Comtech Group Inc. in the upset limit amount of $5.7M, in Canadian funds, with a duration of five (5) years from the Notification of Award, on the basis of highest total weighted score.

Financial Summary

Sufficient funds are included in the TTC's 2015-2024 Capital Budget under SAP-ERP Implementation Program, as noted on pages 897-900, as approved by the Board on February 2, 2015 and City of Toronto Council on March 10/11, 2015.

The estimated final cost of the program is $63.4M. The program will run over 5 years completing by December 2019.

Contract work will be administered on a Work Assignment Release basis. Work will only commence as authorized by TTC staff in the form of a Work Assignment Release and payment for services will be based on the terms included in the Contract Documents.

The Chief Financial & Administration Officer has reviewed this report and agrees with the financial impact information.

Accessibility/Equity Matters

This recommendation has no accessibility or equity issues.

Decision History

The subject matter of this report is in support of the TTC's Capital Program for the implementation of SAP to modernize business processes.

The SAP-ERP Implementation Program was approved by the Board on February 2, 2015 and City of Toronto Council on March 10/11, 2015.

http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2015/February_2/Reports/2015_2024_TTC_CAPITAL_BUDGET.pdf

http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2015/February_2/Reports/Decisions/Decision_2015_2024_TTC_Capital_Budget.pdf

Issue Background

SAP-ERP Implementation Program

As part of ongoing modernization initiatives, the TTC will transform its back office processes and systems supported by the implementation of the SAP Enterprise Resource Planning application. Core back office systems including Financials, Human Resources, and Payroll will be addressed in the early phases of the program. The program will consider procurement, logistics, fleet maintenance, workforce management, and other processes in later phases.

The legacy Human Resources and Payroll systems are comprised of many decentralized processes and data. Many manual processes are used for the approximately 14,000 employees' time entry, time tracking and there are a large number of 'local' databases used across the TTC for a variety of functions. The end

result is duplication of effort, redundant and inaccurate data, and difficulty in quickly accessing data for analysis.

While there are well defined rules in Finance, there is limited centralization of data and processes. Departments across the TTC rely on spreadsheets and databases resulting in the same problems experienced by the Human Resources and Payroll processes.

There are approximately 59 Finance, Human Resources, and Payroll systems, standalone applications and databases. The average age of the main systems within Finance, Human Resources, and Payroll is 25 years.
The Core Services Review (City of Toronto) recommended SAP (Systems, Applications and Products) for all City of Toronto Agencies, Boards, and Commissions. In 2013 a contract was awarded by TTC to Software AG (Canada) Inc. later acquired by itelligence Business Solutions Canada, Inc. (Proposal No. P25PW12844), through a competitive RFP process, to conduct a readiness assessment and develop an Enterprise Resource Planning (ERP) Strategy for the TTC.

The study concluded that the "TTC needs to complete a comprehensive Program of business process re-engineering of most business functions enabled by the implementation of the SAP Enterprise Resource Planning application. This project should be undertaken in the next 5 years as part of the TTC Modernization Plan".

As a result of the review and recommendation, TTC received approval to put in place a Program to re-engineer business processes across most of the TTC business domains using SAP. The SAP ERP will be used as the replacement application for most TTC legacy applications. The SAP application will be implemented in its standard form. The program will use the standard SAP implementation methodology that follows SAP best practices.

The estimated final cost of the program is $63.4M. The program will run over 5 years completing by December 2019.

The program is broken down into 6 'Waves' as follows:

- Wave 1: Core Human Resources, Finance, Payroll (July 2015 to June 2017)
- Wave 2: Workforce Management (May 2016 to December 2017)
- Wave 3: Budgeting, Accounts Payable/Receivable, Procurement Contract Management, Enterprise Asset Management (November 2016 to December 2017)
- Wave 4: Plant Maintenance Integration (September 2017 to September 2018)
- Wave 5: Rail Maintenance Integration (March 2018 to March 2019)
- Wave 6: Bus Maintenance Integration (September 2018 to September 2019)

We may elect to combine some of the later Waves. Program Closeout will be completed by December 2019.

In 2014 a second contract was awarded to itelligence Business Solutions Canada, Inc. (Proposal No. P25PL14793), through a competitive RFP process, to serve as Consultant Advisors to the TTC SAP-ERP Implementation program. The two main objectives of this contract are to help TTC complete program initiation activities, including determining the governance and program team structures, followed by periodic monitoring of program execution.

TTC is working with the City of Toronto SAP practice to develop plans to align the two organizations to enable a shared SAP application environment, based on the latest version of SAP products and SAP best practices, and a shared support structure to run, support, maintain, and enhance the shared application and business processes. This alignment initiative will run in parallel to the TTC SAP program, and City of Toronto SAP projects. Timing of the shared SAP application environment and shared support structure has not yet been determined.

Program Staffing

To manage delivery of the program, it is necessary to create a program team comprised of TTC and consultant staff. Consultant staffing of the program team is planned to be retained through six contract awards, which are outlined as follows:

    A. Consultant Advisor – Purchase Order No. C25PL14793

    TTC recognized the complexity and risk of the SAP program and contracted a Consultant Advisor (itelligence Business Solutions Canada, Inc.) to provide assistance during the program Initiation phase followed by ongoing oversight during the remaining phases of the program.

    B. Project Management Consulting Services – RFP No. P25PX15778 (subject of this report)

    The SAP Program Management Office will be comprised of TTC and Program Management Consultant staff and will be responsible for program delivery. This group will be responsible for the management of program scope, budget, and schedule for all phases of the program. This includes: identification of business requirements, business process re-engineering, SAP system configuration, testing, end-user training, organizational change management and communication, and implementation.

    This contract will include the following 4 positions:

- Program Manager – responsible for planning, leading, and controlling the program;

- Business Process Re-engineering Manager – responsible for developing the approach for the redesign of TTC business processes as supported by SAP module implementation, and monitoring of the new processes and workflows through the identification of Key Performance Indicators and performance measures to be able to identify effectiveness of the new processes;
- Organizational Change Management and Communication Manager – responsible for driving the Organizational Change Management and Communication activities for the program ensuring dependencies with Business Process Re-engineering and other implementation activities are identified and synchronized;
- Training Manager - will be responsible for creating and executing the training plans based on the training strategy for the program.

C. System Integration Services – Core Human Resources, Financials, Payroll – Target Contract Award Date September 2015

The supplier for this contract will provide expertise in SAP implementations, SAP project management, as well as SAP-related expertise in business process re-engineering, organizational change management and communications, and training. The supplier will bring implementation expertise for these specific business processes and provide business solutions implemented on the SAP platform.

D. System Integration Services – Workforce Management – Target Contract Award Date April 2016

The supplier for this contract will provide expertise in SAP implementations, SAP project management, as well as SAP-related expertise in business process re-engineering, organizational change management and communications, and training. The supplier will bring implementation expertise for these specific business processes and provide business solutions implemented on the SAP platform.

E. System Integration Services – Budgeting, Procurement, Materials Management, Asset Management, Facilities Maintenance, Vehicle Maintenance – Target Contract Award Date October 2016

The supplier for this contract will provide expertise in SAP implementations, SAP project management, as well as SAP-related expertise in business process re-engineering, organizational change management and communications, and training. The supplier will bring implementation expertise for these specific business processes and provide business solutions implemented on the SAP platform.

F. SAP Solution Hosting Services – Target Contract Award Date October 2015

The supplier for this contract will provide hardware, operating system software, and support services for the set-up and operation of the SAP ERP application. This

engagement may be in place until the end of the program. Long-term, TTC and the City of Toronto are working to develop a shared SAP environment and a shared services model to support the day-to-day operation of the SAP application as well as future enhancements and implementations.

Program Governance

The program governance structure has been developed with our Consultant Advisors from itelligence. The two main objectives when developing the structure were to ensure the efficient execution of the program and comprehensive communication to all stakeholders inside the TTC and the City of Toronto.

Following is a description of the 5 groups that make up the governance structure:

- TTC Board

- TTC E-Working Group – Made up of members of the TTC Board. Responsible for review of program decisions.

- TTC Finance and Administration Executive Committee – Responsible for program decisions affecting strategic corporate goals and organizational changes.

- SAP Program Steering Committee – Responsible for program decisions affecting strategic program goals.

- SAP Project Management Office – Responsible for the successful delivery of the program, program benefit planning and realization, program communication.

- SAP General Oversight and Advice – Includes the Consultant Advisors (itelligence), will include internal and external auditors, and will include the City of Toronto SAP Competency Centre.

A meeting was held with the Auditor General on April 17, 2015 to provide an overview of the program and to review the governance model. A full presentation to the E-working group is scheduled on June 19, 2015.

The program will provide progress updates through the CEO report, reports to the E-working group, and to the Auditor General.

Comments

A Request for Proposals was publicly advertised on the MERX Web site as well as the TTC's Web site as of April 1, 2015. Thirty-Eight companies downloaded copies of the

proposal documents, six submissions were received; one submission was forming a joint venture by the closing date of April 30, 2015. The remaining Thirty-Two companies did not submit a proposal for the following reasons:

- Thirteen (13) companies indicated that they are more interested in pursuing future TTC SAP RFP's for the coming waves and due to the Conflict of Interest clause which indicates "the successful Consultant to which this Contract is awarded to will not be permitted in any way to submit a Proposal or Bid, or participate (including assistance to another Proponent or Bidder) in the preparation of a Bid or Proposal, for any other Contract associated with the TTC SAP Program" they decided to forfeit submitting a proposal to avoid the risk of becoming precluded.
- Ten (10) companies indicated they do not have the necessary expertise;
- One (1) company indicated they are overcommitted on resources;
- The remaining companies did not provide a response for not submitting a proposal.

Evaluation of the Proposal Submissions

Submissions from the following companies were received for SAP Program Management Services:

1. The Addmore Group Inc.
2. Comtech Group Inc. Joint Venture with ARM Consulting Services Inc. (Comtech)
3. Ernst & Young LLP
4. Ouest Business Solutions Inc.
5. PricewaterhouseCoopers LLP (PwC)
6. SAP Canada Inc.

An Evaluation Team consisting of four members, three representing the Information Technology Services Department and one from Materials and Procurement Department evaluated the qualitative portion of the proposals in accordance with the criteria set out in the RFP and attached as Appendix A.

All proposals received were reviewed for commercial compliancy and all proposals that appeared to be compliant were rated by the evaluation team.

Two proposals submitted contained exceptions: Ernst & Young LLP (E&Y) indicated an exception to the Scope of Services and SAP Canada Inc. contained various exceptions to the Terms and Conditions. Both proposals were reviewed by the TTC staff and it was determined, in accordance with the TTC's Bid Irregularities their proposals are non-compliant.

The remaining four proposals submitted were commercially compliant and entered into the qualitative evaluation.

It was pre-determined that any proponent who scored a total qualitative rating of at least 70% in both Phase I (qualitative evaluation of the corporate qualifications and individuals qualifications and experience) and Phase II (qualitative evaluation of the presentation of

the methodology and pre-determined technical interview questions) would be considered qualified.

The recommendation for award is based on the highest total weighted score. The evaluation of proposals was based on a two envelope process and consisted of qualitative and pricing components; 80 points allocated to the qualitative merit (Phase I and Phase II) and 20 points allocated to the pricing (Phase III). Proposals were first scored based on qualitative criteria at the associated weightings as set out in the proposal documents.

Phase I was scored out of 60 points. All proposals achieving a total minimum score 42 points out of 60 available points would be considered qualified and proceeded to Phase II of the evaluation process. Phase II was scored out of 20 points. All proposals achieving a total minimum score 14 points out of 20 available points would be considered qualified and proceeded to Phase III the pricing component of the evaluation process.

Final scores for Phase I and II of the qualitative evaluation of proposal submissions were arrived at by consensus, whereby the following companies were considered qualified to perform the work: Comtech Group Inc. and PricewaterhouseCoopers LLP.

Upon completion of the qualitative evaluation, Phase III the pricing component of all qualified proponents was evaluated utilizing the percentage dedication for the pre-defined key staff positions, as set out in the RFP documents for evaluation purposes only, to determine a composite hourly billing rate. The total weighted score was calculated as a sum of the weighted qualitative score and the weighted pricing score.

Upon completion of the evaluation process, the proposals submitted by Comtech Group Inc. had the highest overall evaluated scores based on the stated evaluation criteria amongst compliant bids.

Comtech Group Inc. has previously satisfactorily performed work for the TTC.

A Fairness Monitor, Andrea Robinson of Knowles Consultancy Services (Knowles), was retained by the TTC to provide an independent third party observation to ensure that the procurement process took place in accordance with the requirements established as set out in the RFP and to ensure fairness and transparency during this process. The attached letter provided by Knowles confirms the fairness of the process based on their observations. It is noted that the Fairness Monitor is available to attend the debriefing meeting with the unsuccessful Proponents and to provide comments on the fairness of the process. Knowles will continue to provide fairness monitoring services to the TTC for the SAP System Integrator Services – Core Human Resources, Financials and Payroll RFP.

Contact

Anthony Iannucci
Head – Information Technology Services
Phone: 416-393-3565
Email: Anthony.Iannucci@ttc.ca

Dave Arksey
Project Manager – Information Technology Services
Phone: 416-393-4117
Email: Dave.Arksey@ttc.ca

Jim W. Lee
Head – Materials & Procurement
Phone: 416-393-3113
Email: Jim.Lee@ttc.ca

Attachments

Appendix A – Evaluation Criteria
Appendix B - Knowles Letter

Appendix A – Evaluation Criteria
Procurement Authorization
SAP Program Management Services
Proposal No. P25PX15778

<u>Evaluation Criteria</u>

A. Corporate Qualifications/Individuals Qualifications and Experience
  - Corporate:
    - Background and Capabilities
    - Number of Years in Business
    - Depth of Proposed Relevant Resources at Proponent's Office by Discipline
    - Relevant Corporate Experience by Project
  - Individuals:
    - Number of Years of Direct SAP Experience
    - Technical Qualifications (Academic and Professional Associations)
    - Capsule CV Description/Relevant Experience by Project

B. Presentation of Methodology/Pre-Determined Technical Interview Questions (by Discipline)
  - Understanding of the TTC Program
  - Proposed Methodology (by Discipline)
  - What to Achieve in the First 90 Days (by Discipline)
  - Key Risks and Mitigation Approaches (by Discipline)

Appendix B – Knowles Letter
Procurement Authorization
SAP Program Management Services
Proposal No. P25PX15778

Letter from the Fairness Monitor (Document attached)

Amanda Di Sarra
Procurement Manager
Toronto Transit Commission
5160 Yonge Street, 6th Floor
Toronto, Ontario
M2N 6L4

RE: **The Request for Proposals procurement SAP Program Management Services Issued on April 1st, 2015 by the Toronto Transit Commission**

Knowles Consultancy Services Inc. has been retained to provide the Toronto Transit Commission with Fairness Monitoring Services and our role with regards to the SAP Program Management Services was to act as a neutral, disinterested and independent advisor of the procurement. We reported directly to the Manager of Procurement responsible for the procurement processes related to the SAP Procurement Processes.

In our opinion the RFP was sufficiently detailed and clearly written. The RFP, Addenda, Question and Answer, Confidentiality and Conflict of Interest processes administered were clear and diligently executed. We are satisfied that the evaluation of the Proposals was conducted in accordance with TTC's own internal Project Procurement Evaluation Guidelines, Procurement Policy and practices for the evaluation process.

Only those submissions that passed the threshold technical score advanced into the quantitative evaluation process. All Proposals received were evaluated against the evaluation criteria published in the RFP and addenda issued during the open bid period.

We are satisfied that the evaluation of the price was in accordance with the process described in the RFP. We detected no bias for or against any particular Proponent in the application of the evaluation criteria.

We confirm that the highest ranked proponent to successfully meet all applicable mandatory requirements and scoring thresholds in the evaluation process, is in fact the recommended successful Proponent.

Sincerely,

Andrea Robinson, Fairness Monitor
Senior Consultant, Knowles Consultancy Services Inc.