STAFF REPORT
ACTION REQUIRED
With Confidential Attachment

Procurement Authorization – System Integrator Services for SAP-ERP Implementation Program (WAVE 1)

Date:	March 23, 2016
To:	TTC Board
From:	Chief Executive Officer
Reason for Confidential Information:	This report contains advice that is subject to solicitor-client privilege, including communications necessary for that purpose.

Summary

The purpose of this report is to obtain authorization for the award of Contract C25PX15779 for System Integrator Services for the SAP-ERP Implementation Program (Wave 1) to IBM Canada Ltd. (IBM), in the Total Contract Price, of $9,095,370.00 (inclusive of HST).

As Part of the TTC 5-Year Corporate Plan to modernize the TTC, implementing SAP is an important component. It will allow the TTC to modernize administrative processes through a comprehensive business improvement approach coincidental to implementing SAP. This contract, System Integrator Services (Wave 1), will be responsible for leading the design of the new business processes for human resources, payroll, and finance, identifying and quantifying the benefits expected with the new processes, configuring the SAP application to support the new processes, and implementing these new systems into the production environment.

Recommendations

It is recommended that the Board:

1. Authorize the award of Contract C25PX15779 for System Integrator Services for the SAP-ERP Implementation Program (Wave 1) to IBM in the Total Contract Price of $9,095,370.00 (inclusive of HST).

2. Receive the information as set out in the Confidential Attachment.

3. Authorize that the information as set out in the Confidential Attachment remains confidential as it is subject to solicitor-client privilege.

4. Note that regular reports will be provided to the TTC E-System Working Group to include project KPIs and benefits identified and quantified during the business process re-engineering phases of the program.

Financial Summary

Funds in the amount of $63.2M are included in the TTC's 2016-2025 Capital Budget under the SAP-ERP Implementation Program, as approved by the Board on November 23, 2015 and by City of Toronto Council on February 17, 2016.

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

Accessibility/Equity Matters

This system will meet all AODA requirements for accessibility.

Decision History

Contracts awarded by the TTC Board To-Date:

- Program Management Consulting Services – Contract C25PX15778 ($5.7M)

http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2015/June_22/Reports/Procurement_Authorization_Program_Management_Services_for_SA.pdf

Subject of this Report:

- System Integrator Services – Core Human Resources, Financials, Payroll (Wave 1)

Future Contracts:

- System Integrator Services – Workforce Management (Wave 2)
- System Integrator Services – Budgeting, Procurement, Materials Management, Asset Management, Facilities Maintenance, Vehicle Maintenance (Wave 3)
- SAP Managed Services

Issue Background

SAP-ERP Implementation Program

As part of the TTC 5-Year Corporate Plan to modernize the organization, the TTC will transform its back office processes and systems supported by the implementation of the SAP Enterprise Resource Planning application through a comprehensive business process review. Core back office systems including financials, human resources, and payroll will be addressed in the early phases of the program. The program will deal with all other administrative processes in later phases of this project.

There are approximately 60 finance, human resources, and payroll systems, standalone applications and databases. The main systems are over 25 years old.

The City of Toronto Core Services Review completed in 2011-12 recommended SAP for all City of Toronto Agencies, Boards, and Commissions. The City of Toronto also has a 'SAP First' preference when evaluating replacements for existing business information systems.

In 2013 a contract was awarded by TTC to Software AG (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. Software AG (Canada) was subsequently purchased by 'itelligence Group'.

The 'itelligence Group' study identified the following issues and opportunities at TTC:

- Current applications are silo'd, and do not perform as effectively as they could.
- The majority of the current applications are more than 9 years old, and some are well in excess of 25 years old.
- These systems require more effort to utilize than a modern system for a variety of reasons. Data integrity /consistency are lower than desired because there are so many interactions between different systems.
- There are few performance metrics to validate processing from a business perspective. There are cases of multiple applications performing very similar functions and at least one case of multiple applications to perform what should be done by a single application.

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 as part of the TTC Modernization Plan".

Comments

The 'itelligence Group' study estimated the cost of the program: $63.2M including contingency. This amount has been set as the project budget for this implementation and has been included in the approved the approved 2016-2025 Capital Budget approved by both the Board and City of Toronto Council. A breakdown of implementation costs is outlined in the following table.

PROJECT COSTS	TOTALS
Labour	
External Contracted Staff	$32,400,000
TTC Staff	4,471,000
Hardware (Equipment Purchase)	5,000,000
Software Licenses and Maintenance	6,000,000
External Training Services	725,000
Total Implementation Costs (w/o contingency)	**$48,596,000**
Contingency (30%)	$14,578,800
Total Implementation Costs	**$63,174,800**

The 'itelligence Group' study also included a review of the potential benefits as outlined in the following table. 'itelligence Group' estimated the potential benefits based on their experience implementing SAP at other organizations and metrics from SAP's Value Engineering practice. Benefits will be confirmed during the business process improvement phases of the program and reported to the TTC E-System Working Group.

POTENTIAL BENEFITS	10 YEAR CUMULATIVE TOTALS
Cost Reduction / Cost Avoidance	
Finance (Standardization, Data Management, Month-end Close)	$5,020,000
Financial Reporting	264,000
Accounts Payable Invoice Handling	2,400,000
Payroll (Time Entry to Pay)	28,000,000
Human Resources (Integrated Data, Reduced Cost to Hire/Onboarding)	3,005,000
Operations (Operator Scheduling, Enterprise Asset Management, Fleet Maintenance)	12,230,000
Information Technology (Decommission Legacy Systems, Maintenance)	3,000,000
Corporate (Budget Management, Data Management)	2,140,000
Cost Avoidance	
Information Technology (Decommission Legacy Systems – Reduced Support Costs)	3,500,000
Total Estimated Benefits (10 Year Cumulative Total)	**$59,559,000**

As a result of the review and recommendation, TTC 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.

In 2014 a contract was awarded to 'itelligence Group' (Proposal No. P25PL14793) through a competitive RFP process to serve as Consultant Advisors to the TTC SAP-ERP Implementation program to help TTC complete program initiation activities, including determining the governance and program team structures, followed by periodic monitoring of program execution.

TTC is also working with the City of Toronto SAP team 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.

Program Staffing

To manage delivery of the program, a program team comprised of TTC and contracted staff has been created. Contracted staffing of the program team is planned to be retained through five contract awards: 1 has been awarded to-date, 1 is the subject of this report, and 3 will be awarded in the future.

The contracts required for this project are as follows:

A. <u>Program Management Consulting Services</u> – Contract No C25PX15778

This contract was approved at the Board Meeting of June 22, 2015 and awarded to Comtech Group Inc. on June 23, 2015.

B. <u>System Integrator Services – Core Human Resources, Financials, Payroll (Wave 1)</u> – RFP No. P25PX15779 (Subject of this report)

C. <u>System Integrator Services – Workforce Management (Wave 2)</u> (Future contract)

D. <u>System Integrator Services – Budgeting, Procurement, Materials Management, Asset Management, Facilities Maintenance, Vehicle Maintenance (Wave 3)</u> (Future contract)

E. <u>SAP Managed Services </u>(Future contract)

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.

Procurement Process

Starting in February, 2015, the TTC has followed a two-stage approach for the procurement of these services as follows:

1. Pre-Qualification Stage: A Request for Pre-Qualification (RFPQ) was completed in early 2015 to identify pre-qualified proponents.
2. Request for Proposal Stage: The pre-qualified proponents were then invited to submit a proposal to be scored on technical and commercial requirements. The RFP process determined the preferred proponents.
   a. Negotiation Stage: TTC negotiated with the two highest ranked Preferred Proponents to reach an acceptable agreement with one of the Preferred Proponents.

Request for Pre-Qualification (RFPQ) Process

In February 2015, the TTC issued a Request for Pre-Qualification (RFPQ) for SAP System Integration Services Wave 1 to identify proponents that are able to carry out and be accountable for the implementation of the SAP System for Wave 1. As part of the RFPQ process, the TTC issued detailed requirements to identify a short-list of proponents that would be given the opportunity to bid on the formal RFP for SAP System Integration Services Wave 1 (the "RFP"). The TTC received 8 responses to the RFPQ. The following five (5) proponents were selected to be on the short-list to be able to bid on the RFP.

- Accenture
- Deloitte Inc.
- Ernst & Young LLP (EY)
- GroupeX Solutions
- IBM

RFP Process

The five (5) pre-qualified proponents were invited to download the RFP from the public MERX website on August 12, 2015. All five pre-qualified proponents downloaded copies of the proposal documents. Six Addenda were issued during the proposal period. All five pre-qualified proponents submitted proposals by the closing date of September 10, 2015.

Evaluation Process

The evaluation of proposals was based on a five stage, two envelope process consisting of both qualitative and pricing components as set out in the RFP. The evaluation criteria for each of the five stages of evaluation are summarized as follows:

1) Stage 1 – Commercial Compliancy: Proponents were required to meet the requirements of Stage 1 in order to continue to Stage 2 of the evaluation.

2) Stage 2 – Technical Evaluation: Proponents were required to achieve a total minimum of 45.5 points out of the maximum 65 points available for this Stage 2 in order to be considered qualified to move onto Stage 3 and 4 of the evaluation process.

3) Stage 3 – Presentation Evaluation: Proponents were scored out of a maximum 15 points available for this Stage 3.

4) Stage 4 – Pricing Evaluation - Pricing information was scored. Pricing was required to be submitted in a separate sealed envelope which was only opened upon the successful completion of Steps 1 through 3 described above. Proponents were scored out of a maximum of 20 points for pricing.

5) Stage 5 – Negotiation Stage - the scores from Stage 2 to Stage 4 were added to determine a cumulative score to rank proponents. The RFP stated that the number of proponents that TTC selected to negotiate with was to be determined by TTC in its sole discretion.

Results

All proposals received were reviewed for commercial compliancy during Stage 1 and all proposals that were compliant were rated by the evaluation team. All five proponents met the requirements of Stage 1 and continued to Stage 2 of the evaluation process.

One company, GroupeX Ltd. failed to meet the requirements of Stage 2 and was not evaluated further. Four proponents (Accenture Inc., Deloitte Inc., IBM, and EY) met the requirements of Stage 2 and continued to Stage 3 of the evaluation process and also had their pricing component evaluated in accordance with Stage 4.

Negotiation Stage (Stage 5)

EY and IBM had the highest total weighted scores and were selected as the Preferred Proponents to enter into negotiations based on their proposals and the process established by the TTC and expressly set out in the RFP. TTC negotiated with the two highest ranked proponents (the Preferred Proponents) in sequence starting with the Proponent scoring the highest total weighted score.

The objective of the negotiation sessions was to finalize the content of the final contract between the TTC and the successful Proponent. TTC was unable to reach agreement with the highest scoring Preferred Proponent on a number of critical issues following three weeks of negotiations. After considerable internal and advisory consultations, negotiations commenced with the second Preferred Proponent. Additional information pertaining to the details for the parallel negotiations is provided in the Confidential Attachment.

Negotiations with the second Preferred Proponent, IBM, resulted in an agreed upon contract. Staff recommend the award of contract be made to IBM.

A Fairness Monitor, Veronica Bila of MNP, was retained by the Commission 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 draft report provided by MNP confirms the fairness of the process based on their observations.

Further details on the procurement process followed and the evaluation criteria used are provided in Appendix C and D of this report.

Following the approval and award of this contract, TTC will commence work on Wave 1: implementation of new business processes and applications for core human resources, financials, and payroll functions.

Dates of future procurements are estimated as follows:

- System Integrator Services – Workforce Management (Wave 2) – Q4, 2016
- System Integrator Services – Budgeting, Procurement, Materials Management, Asset Management, Facilities Maintenance, Vehicle Maintenance (Wave 3) – Q1, 2017
- SAP Managed Services – Q3, 2016

Program progress will be included as part of the CEO's report. The program will provide regular reports to the TTC E-System Working Group about benefits realization.

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Attachments

Appendix A – Detailed Cost/Benefit Overview
Appendix B – Key Deliverables
Appendix C – Procurement Process
Appendix D – Evaluation Criteria
Appendix E – Fairness Monitor Report
Appendix F – Confidential Attachment

Appendix A – Detailed Cost/Benefit Overview
Procurement Authorization
SAP System Integrator Services for SAP-ERP Implementation Program
(Wave 1)
Proposal No. P25PX15779

Program Cost Breakdown

The 'itelligence Group' study estimated the cost of the program: $63.2M including contingency. A breakdown of implementation costs is outlined in the following table.

PROJECT COSTS	TOTALS
Labour	
External Contracted Staff	$32,400,000
TTC Staff	4,471,000
Hardware (Equipment Purchase)	5,000,000
Software Licenses and Maintenance	6,000,000
External Training Services	725,000
Total Implementation Costs (w/o contingency)	**$48,596,000**
Contingency (30%)	$14,578,800
Total Implementation Costs	**$63,174,800**

Estimated Program Benefits

The 'itelligence Group' study included a review of the potential benefits as outlined in the following table. 'itelligence Group' estimated the potential benefits based on their experience implementing SAP at other organizations and metrics from SAP's Value Engineering practice. Benefits will be confirmed during the business process improvement phases of the program and reported to the TTC E-System Working Group.

POTENTIAL BENEFITS	10 YEAR CUMULATIVE TOTALS
Cost Reduction / Cost Avoidance	
Finance (Standardization, Data Management, Month-end Close)	$5,020,000
Financial Reporting	264,000
Accounts Payable Invoice Handling	2,400,000
Payroll (Time Entry to Pay)	28,000,000
Human Resources (Integrated Data, Reduced Cost to Hire/Onboarding)	3,005,000
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Information Technology (Decommission Legacy Systems, Maintenance)	3,000,000
Corporate (Budget Management, Data Management)	2,140,000
Cost Avoidance	
Information Technology (Decommission Legacy Systems – Reduced Support Costs)	3,500,000
Total Estimated Benefits (10 Year Cumulative Total)	**$59,559,000**

Following is an overview of estimated potential benefits in five areas.

1. **Finance ($5,020,000):** new financial processes will start to deliver benefits early in the program lifecycle (starting year 3). Process standardization, improved data management, and improvements in the month-end close processes will result in greater efficiency (estimated potential saving or cost avoidance of $560K annually starting in year 3, increasing to $650K starting in year 5).

2. **Accounts Payable ($2,400,000):** electronic handling of invoices including approvals will reduce the end-to-end payment timeline, ensure all discounts are realized, and allow higher processing volumes per accounts payable clerk (estimated potential savings or cost avoidance of $300K annually starting in year 3).

3. **Payroll Time Entry to Pay ($28,000,000):** in the transportation divisions, all operator hours are pre-loaded to the various time tracking systems at the start of a six week scheduling period. Exceptions, including overtime, absences, advances, and adjustments are handled manually and impact multiple systems. In all other areas, there is significant manual handling of the same types of payroll transactions. 'itelligence Group' stated that, in general, SAP process improvements to payroll could result in savings equivalent to 1% of the total value of payroll processed. This allowance will be assessed and the feasibility determined during the business process improvement design phase of the project.

4. **Operations ($12,230,000):**

   • **Operator Scheduling ($4,410,000):** with SAP serving as a central store of daily performance data, specifically overtime requirements and the resulting impact on spare operators, managers will be able to proactively look at ways to reduce overtime resulting in the reduction of 1 FTE per division.

   • **Enterprise Asset Management ($3,500,000):** with SAP serving as a central store of data about the ownership costs of TTC assets, TTC will be able to better analyze the cost of operating our rolling stock. This will result in better spend decisions (continue to maintain or replace), and

more uptime for vehicles. SAP process improvements in this area generally result in potential savings equivalent to 1% on the procurement of new assets. The average annual procurement of assets in this category was $303.8M for the period 2005 to 2012. This allowance will be assessed and the feasibility determined during the business process improvement design phase of the project. .

- **Fleet Maintenance Services ($4,320,000):** with SAP serving as a central store of fleet maintenance data, managers will be able to gain efficiencies allowing the reduction of 1 FTE per division.

5. **Miscellaneous ($11,909,000):**

- Financial Reporting Standardization - $264,000
- Human Resources Recruiting and Onboarding - $3,005,000
- Corporate Budget Management and Data Management - $2,140,000
- Information Technology Legacy System Decommissioning (Hardware, Software Licenses and Warranties) - $3,000,000
- Information Technology Legacy System Decommissioning (Support Staff) - $3,500,000

<p align="center">**Appendix B – Key Deliverables**
Procurement Authorization
SAP System Integrator Services for SAP-ERP Implementation Program
(Wave 1)
Proposal No. P25PX15779</p>

Key Deliverables

- SAP Business Systems Components:
    - SAP Business Suite on HANA Enterprise Resource Planning Application that includes business system components supporting the core Finance and Payroll processes. This application suite will support business processes identified for future program waves.
    - SAP SuccessFactors Human Resources application that will support core Human Resources processes including personnel recruiting and personnel management.
- Re-engineered business processes for core back office processes.
- New business systems and business processes to allow consolidated work time entry (timesheets) from all areas of the business.
- New business systems and business processes to allow employees to manage their off-time requests, training requests, maintain their employee information, etc.
- Integration of the SAP business systems with existing TTC business systems and the Enterprise Data Warehouse to provide consolidated data for business planning, business decisions, and consolidated reporting of KPIs.

Appendix C – Procurement Process

Procurement Process

TTC followed a two-stage approach for the procurement of these services as follows:

3. Pre-Qualification Stage: A Request for Pre-Qualification (RFPQ) was completed in early 2015 to identify pre-qualified proponents.
4. Request for Proposal Stage: The pre-qualified proponents were then invited to submit a proposal to be scored on technical and commercial requirements. The RFP process determined the preferred proponents.
    a. Negotiation Stage: TTC negotiated with the two highest ranked Preferred Proponents until an acceptable agreement was achieved with one of the Preferred Proponents.

RFPQ Process

In February 2015, the TTC issued a Request for Pre-Qualification (RFPQ) for SAP System Integration Services Wave 1 to identify proponents that are able to carry out and be accountable for the implementation of the SAP System for Wave 1. As part of the RFPQ process, the TTC issued detailed requirements to identify a short-list of proponents that would be given the opportunity to bid on the formal RFP for SAP System Integration Services Wave 1 (the "RFP"). The TTC received 8 responses to the RFPQ. The following five (5) proponents were selected to be on the short-list to be able to bid on the RFP.

- Accenture
- Deloitte Inc.
- Ernst & Young LLP (EY)
- GroupeX Solutions
- IBM

RFP Process

The five (5) pre-qualified proponents were invited to download the RFP from the MERX website on August 12, 2015. The five (5) pre-qualified proponents downloaded copies of the proposal documents. Six Addenda were issued during the proposal period.

All five (5) pre-qualified proponents submitted proposals by the closing date of September 10, 2015.

Evaluation Process

The evaluation of proposals was based on a five stage, two envelope process consisting of both qualitative and pricing components as set out in the RFP. The evaluation criteria for each of the five stages of evaluation are summarized as follows:

1) Stage 1 – Commercial Compliancy - involved review of the proposals for completeness and TTC had the option to reject proposals that were incomplete, conditional, conflicted with the terms of the RFP, or which were illegible, obscured or contained any material irregularities of any kind. Proponents were required to meet the requirements of Stage 1 in order to continue to Stage 2 of the evaluation.

2) Stage 2 – Technical Evaluation – consisted of a qualitative technical evaluation based on the pre-established evaluation criteria and weighting. Proponents were required to achieve a total minimum of 45.5 points out of the maximum 65 points available for this Stage 2 in order to be considered qualified to move onto Stage 3 and 4 of the evaluation process. This stage included the evaluation of any proposed revisions by the proponent to the MSA and form of SOW documents that were included in the RFP, which will form the final contract between TTC and the successful Proponent for the requirement.

3) Stage 3 – Presentation Evaluation – consisted of evaluation of proponent presentations based on pre-established evaluation criteria and weighting. Proponents were scored out of a maximum 15 points available for this Stage 3.

4) Stage 4 – Pricing Evaluation - Pricing information was scored. Pricing was required to be submitted in a separate sealed envelope which was only opened upon the successful completion of Steps 1 through 3 described above. Proponents were scored out of a maximum of 20 points available for this Stage 4.

5) Stage 5 – Negotiation Stage - the scores from Stage 2 to Stage 4 were added to determine a cumulative score to rank proponents. The RFP stated that the number of proponents that TTC selected to negotiate with was to be determined by TTC in its sole discretion. The total weighted score was calculated as a sum of the weighted qualitative score and the weighted pricing score from Stages 2 to Stage 4.

Results

All proposals received were reviewed for commercial compliancy during Stage 1 and all proposals that were compliant were rated by the evaluation team. All five proponents met the requirements of Stage 1 and continued to Stage 2 of the evaluation process.

Four proponents (Accenture Inc., Deloitte Inc., IBM, and EY) met the requirements of Stage 2 and continued to Stage 3 of the evaluation process and also had their pricing component evaluated in accordance with Stage 4. One company, GroupeX Ltd. failed to meet the requirements of Stage 2 and was not evaluated further.

Negotiation Stage (Stage 5)

EY and IBM had the highest total weighted scores and were selected as the Preferred Proponents to enter into negotiations based on their proposals and the process established by the TTC and expressly set out in the RFP. It was determined that TTC would negotiate

with the two highest ranked proponents (the Preferred Proponents) in sequence starting with the Proponent scoring the highest total weighted score.

The objective of the negotiation sessions would be to finalize the content of the MSA and the SOW, which will form the final contract between the TTC and the successful Proponent. TTC was unable to reach agreement with the highest scoring Preferred Proponent on a number of critical issues following three weeks of negotiations. Staff decided after considerable internal and advisory consultations to begin negotiations with the second Preferred Proponent. Additional information pertaining to the details for the parallel negotiations is provided in the Confidential Attachment.

In accordance with the express terms of the RFP process, the TTC began negotiation with the second Preferred Proponent, IBM. These negotiations resulted in an agreed upon MSA and SOW with significant cost savings to the TTC from the initial pricing offer submitted in the sealed envelope. It is staff's recommendation that the award of contract be made to IBM.

A Fairness Monitor, Veronica Bila of MNP, was retained by the Commission 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 draft report provided by MNP 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.

Appendix D – Evaluation Criteria
Procurement Authorization
SAP System Integrator Services for SAP-ERP Implementation Program
(Wave 1)
Proposal No. P25PX15779

Evaluation Criteria

A. Key Staff Qualifications and Experience:
- Individuals
  - Number of Years of Direct SAP Experience
  - Technical Qualifications (Academic and Professional Associations)
  - Capsule CV Description/Relevant Experience by Project

B. Requirement Responses:
- SAP Building Blocks – agree that all are in-scope; person day estimate for each building block
- Key Deliverables (forms, reports, interfaces, data conversions) – person day estimates for each deliverable
- Staffing Worksheet - all positions listed with person-day estimates by calendar month
- Project Management
  - Project Management methodologies – SAP ASAP 8 Assemble to Order and SAP SuccessFactors Launch SAP ASAP 8 for RDS
  - Experience using SAP Solution Manager tool for project documentation , 'Cloud' and on premise (S4/HANA) solutions
  - Experiencing leveraging the SAP ASAP methodology to help drive benefits management processes
  - Experience managing multiple parallel releases
  - Experience following quality management and quality gating processes
- Business Process Re-engineering
  - Approach
  - Experience with methodology/approach
  - Experience with ARIS and SAP Solution Manager tools
  - Knowledge transfer capabilities
  - Additional tools and collateral
- Organizational Change Management and Communication
  - Approach
  - Experience with methodology/approach
  - Experience with SAP Solution Manager
  - Additional tools and collateral
- Training
  - Approach

- Experience with Ancile uPerform tool and Workplace Performance Builder tools
- Knowledge transfer capabilities
- Experience/training approach for the 'Cloud'
- Experience/training approach for S4/HANA
- Experience building project team training programs
- Additional tools and collateral
- Testing
  - Testing methodologies - 'Cloud' and on premise (S4/HANA) solutions
  - Experience with TAO and HP QC testing tools, automated testing tools
  - Additional tools and collateral
- Authorization and Security
  - Proposed requirements/solution – 'Cloud' and on premise (S4/HANA) solutions
  - Experience implementing structural and role-based security models
  - Experience testing security roles and authorizations

C. Presentation of Methodology/Pre-Determined Technical Topics (by Discipline)
- Discuss the Top 10 critical success factors evidenced in the RFP
- Discuss the Top 10 things that the Prospective Supplier will do to make this implementation successful
- Describe how the Prospective Supplier's team is an excellent choice for this contract/implementation
- Describe how the Prospective Supplier would set up the Quality Gate process from inception to acceptance
- Describe how the Prospective Supplier's team would prepare for the system demonstrations during project preparation
- Describe how the Prospective Supplier would test the payroll solution including identifying the testing steps and solutions to common issues
- Describe how the Prospective Supplier would set up Value Determination (benefits identification and tracking process) and run the processes to realize the benefits
- Describe how the Prospective Supplier would categorize stakeholders and tailor communication strategies; explain why this is important
- Describe how the Prospective Supplier would implement the Project Team training approach from inception to evaluation of effectiveness
- Describe how the Prospective Supplier would perform testing from inception to 'lessons learned'
- Describe how the Prospective Supplier would manage the development log to meet project targets (time and resources) and to track approvals
- Describe how the Prospective Supplier would work with project team members to collect Authorization and Security requirements
- Describe the Prospective Supplier's experience with SAP Simple Finance and state how SAP Simple Finance differs from SAP ECC 6 FICO

- Describe the Prospective Supplier's experience integrating SAP SuccessFactors with SAP S4/HANA or SAP ECC 6.0
- Describe how the Prospective Supplier's team would prepare for the system demonstrations during scope validation/blue printing
- Describe how a process performance measurement program (using a tool like Software AG PPM) might be set up and executed
- For the following stakeholder categories (Executives, Business Process Owners, End-users, User-managers, unaffected/indirect users, IT, external users) describe how the communication plan might vary for each group

Appendix E – Fairness Monitor Report
Procurement Authorization
SAP System Integrator Services for SAP-ERP Implementation Program
(Wave 1)
Proposal No. P25PX15779

Fairness Opinion for the Toronto Transit Commission

SAP System Integration
Services (Wave 1)
Request for Proposal
No. P25PX15779

January 28, 2016

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RE: Fairness Opinion of RFP No. P25PX15779 – SAP System Integration Services (Wave 1) Procurement Process

Introduction

MNP LLP ("MNP" or "We") have been appointed by the Toronto Transit Commission ("the TTC") as Fairness Monitor to oversee the procurement process for Request for Proposal ("RFP") No. P25PX15779 for the SAP System Integration Services (Wave 1) ("the Project"). As Fairness Monitor, we are an independent and impartial third party whose role is to observe and monitor the procurement process to ensure the openness, fairness, consistency and transparency of the process. The procurement process includes communication, evaluation and decision-making associated with the project.

The Project is for implementation services with respect to certain pre-selected Systems, Applications and Products ("SAP") enterprise application solutions and related business process re-engineering services. Wave 1 (of six planned waves) addresses three key TTC business domains: Human Resources, Payroll and Finance. The implementation of Wave 1 is to form the foundation upon which subsequent waves are to be built. The work related to Human Resources and Payroll is to create opportunities for TTC to more efficiently and effectively manage its people. In addition, the work related to Finance is to enable new business capabilities, enhance financial visibility and provide TTC management with the ability to make informed decisions based on up-to-date financial information. Overall services to be procured through the RFP included expertise in SAP implementations, SAP project management, as well as leverage of SAP-related expertise in business process re-engineering, organizational change management and communications, training, and testing.

The TTC utilized a two-stage approach for the procurement of the SAP System Integration Services (Wave 1) Project. A Request for Pre-Qualification ("RFPQ") process was completed to identify pre-qualified proponents, who were then requested to submit an RFP proposal response to be scored on technical and commercial requirements.

MNP was appointed as Fairness Monitor subsequent to the RFPQ process and monitored the RFP procurement process only.

Limitations and Disclosure

We have limited the scope of our work to documents provided by the TTC and are not providing an opinion on the accuracy of the information contained within. In addition, MNP was not involved with RFPQ procurement process to short-list proponents, the development or review of the project's scope of work or in the competitively procured tenders.

We do not assume any responsibility or liability for losses incurred by any party as a result of the use of our work. We reserve the right (but will be under no obligation) to review all information included or referred to in this Fairness Opinion and, if we consider necessary, to revise same in light of any facts which become known to us subsequent to the date of presentation of same.

RFP Procurement Process

The RFP procurement process was comprised of the following steps:

- Development of the RFP, including detailed project requirements and specifications, mandatory and rated criteria, evaluation process and weightings.

- Issuance of the RFP on the MERX website, by invitation to the short-listed proponents.

- Non-mandatory Pre-Evaluation Meeting held to explain the RFP evaluation and selection process to proponents.

- Issuance of six addendums and five question and answer documents.

- Establishment of the Evaluation Team.

- Training of the Evaluation Team on the technical and presentation evaluation process and guidelines by the Senior Contract Administrator.

- Evaluation of RFP proposal submissions received by five short-listed proponents, including evaluation of mandatory commercial submission requirements (pass/fail), rated technical criteria, mark-up of the Master Service Agreement, and presentations.

- Evaluation of price proposal submissions.

During the entire procurement process, the Senior Contract Administrator (Project Procurement, Materials & Procurement Department) was involved to ensure that the procurement process and the RFP evaluation and selection criteria were adhered to.

Fairness Monitoring Principles

The following are the fairness monitoring principles that have been applied in our approach to fairness monitoring of the RFP procurement process:

- Proponents have the same opportunity made available to them to access project information.

- The information made available to proponents is sufficient to ensure that each proponent has the full information of the nature of the services sought under the RFP process.

- The criteria established in the RFP documents truly reflect the needs and objectives in respect of the services and work to be provided.

- The evaluation criteria and evaluation process are established prior to the evaluation of submissions.

- The evaluation criteria, RFP and evaluation process are internally consistent and in accordance with the organization's procurement policies and procedures.

- The pre-established evaluation criteria and evaluation process are followed.

- The evaluation criteria and evaluation process are consistently applied to all proponent submissions and presentations.

<u>Scope of Review</u>

In preparing our fairness opinion, we have reviewed, and where applicable, relied upon, the following information and documents:

1. City of Toronto Purchasing By-law, Chapter 195.

2. City of Toronto Financial Control By-law, Chapter 71.

3. TTC Procurement Policy.

4. TTC Conflict of Interest Policy.

5. RFPQ No. R25PX15740 issued February 20, 2015 and RFPQ Short-List Recommendation Report dated March 27, 2015.

6. RFP No. P25PX15779 dated August 11, 2015.

7. RFP Addendum #1 to #6 issued August 18, September 2, September 10, September 15, September 17 and September 22, 2015.

8. Question and Answer documents #1 to #5 issued September 2, September 10, September 15, September 16 and September 17, 2015.

9. Pre-Evaluation Meeting Presentation dated August 25, 2015.

10. Evaluation Training Presentation dated October 14, 2015.

11. RFP Evaluation Scoring Template.

12. Proposal Submission Memo from Materials and Procurement Department confirming proposal submissions received and proponents' evaluation of the Mandatory Commercial Submission Requirements.

13. Evaluation Team member signed Conflict of Interest Declarations.

14. Consensus Evaluation Scoring of short-listed proponents eligible to proceed to presentation evaluation.

15. Notification letters to short-listed proponents.

16. Notification letter to proponent who was not eligible to proceed to the presentation evaluation.

17. Presentation Evaluation Scoring Template and Guideline.

18. Final Consensus Evaluation Scoring containing scoring of the rated technical criteria and price, ranking all proponents.

Fairness Approach

Our role as Fairness Monitor consisted of observing and monitoring the procurement process utilized by the TTC in order to ensure the openness, fairness, consistency and transparency of the communication, evaluation and decision-making processes. Specifically, our responsibilities were to:

1. Review and understand the TTC's procurement policies, processes and procedures.

2. Review various documents and information, such as the RFP documents, addendum and any correspondence between the TTC and the proponents.

3. Review the evaluation criteria with respect to clarity and consistency.

4. Attend the pre-evaluation meeting.

5. Observe and monitor the technical, presentation and price evaluation team meetings in the capacity of Fairness Monitor to ensure the procurement process was conducted according to the criteria as set o u t in the RFP and that the evaluation team conducts itself in an appropriate manner and free from conflict of interest.

6. Identify situations and issues which may compromise the evaluation process and which may result in complaints about the procurement process, and provide advice on resolving complaints.

7. Review final evaluation results for overall fairness and process integrity, including ensuring evaluation methodology was adhered to.

8. Prepare a report describing the procurement process followed, including an opinion on the fairness of the procurement document and evaluations.

9. Provide advice and assistance when requested.

10. Attendance at debriefing meetings when requested.

RFP Proposal Submissions

The five short-listed proponents were invited to prepare a response to the RFP for SAP System Integration Services (Wave 1) on August 12, 2015. Prior to the RFP closing date of October 8, 2015, proponents were permitted to submit clarifications and questions, which resulted in the TTC issuing six addendums and five question and answer documents. In addition, the TTC held a non-mandatory Pre-Evaluation Meeting on August 25, 2015 to explain the RFP evaluation and selection process to proponents.

The Evaluation Team was selected, consisting of six members. The Senior Contract Administrator conducted training for the Evaluation Team explaining the evaluation process, criteria, scoring template and rating

methodology as described in the RFP. Each member of the Evaluation Team signed a conflict of interest declaration, stating that no conflicts were identified with the five invited proponents.

Upon RFP closing, the TTC received five proposal submissions. The Commission Services Department assessed the five submissions to determine proponents' adherence to the Mandatory Requirements and completeness of the submissions. All five proponents passed the mandatory requirement evaluation.

Consensus scoring evaluations of the qualitative portions (i.e. technical requirements) took place from October 19 to 27, 2015 for all five proponent submissions. Upon completion of this consensus scoring, four proponents scored the minimum percentage points and were considered qualified to proceed to the presentation evaluation stage. Presentations took place November 11 and 12, 2015. The Senior Contract Administrator conducted training for the Evaluation Team explaining the scoring for the presentations prior to the proponent presentations taking place.

The pricing proposals were obtained from the Commission Services Department and the four qualified proponents' pricing proposals were opened by the Senior Contract Administrator on November 17, 2015. The pricing evaluations were completed and the overall ranking of the proponents was determined. The TTC entered contract negotiations with the highest ranking proponents, as outlined in the RFP.

<u>Fairness Conclusion</u>

Based on the information and documents reviewed, meetings attended and observed, and discussions with the Evaluation Team and the Senior Contract Administrator, the procurement process for RFP No. P25PX15779 has been open and fair, and in accordance with the TTC procurement policy and the evaluation process methodology, criteria, scoring and weighting within the RFP.

Yours truly,

MNP LLP

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ABOUT MNP

MNP is one of the largest chartered accountancy and business consulting firms in Canada, with offices in urban and rural centres across the country positioned to serve you better. Working with local team members, you have access to our national network of professionals as well as strategic local insight to help you meet the challenges you face every day and realize what's possible.

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