



STAFF REPORT ACTION REQUIRED

Procurement Authorization – Managed Services for SAP-ERP Implementation Program

| | |
|--------------|-------------------------|
| Date: | March 22, 2017 |
| To: | TTC Board |
| From: | Chief Executive Officer |

Summary

The purpose of this report is to obtain authorization for the award of Contract C25PH16893 for SAP Managed Services (Managed Services) for the SAP-ERP Implementation Program to IBM Canada Limited covering the period April 2017 to March 2021 and in the Total Upset Limit Contract Price, of \$15,000,000.00 (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, Managed Services, was identified during program planning and will be responsible for: installing, configuring, and certifying the TTC SAP hardware and software in two TTC data centres for the production systems; running, supporting, and maintaining the SAP hardware and software that supports the production systems; providing offsite disaster recovery facilities and associated support; and providing application support and minor enhancements for the implemented SAP business solutions.

Recommendations

It is recommended that the Board:

Authorize the award of Contract C25PH16893 for SAP Managed Services for the SAP-ERP Implementation Program to IBM Canada Limited in the Total Upset Limit Contract Price of \$15,000,000.00 (inclusive of HST) covering the period April 2017 to March 2021.

Financial Summary

The cost of managed services will be allocated against the Capital Budget under the SAP-ERP Implementation Program and against the Operating Budget as new processes are moved into production. While the total cost of the Managed Services is about 15% higher than initially estimated in 2013, the services planned for 5 years ensures TTC has the time necessary to develop the technical skills and knowledge required to operate the new environment. Inflation has been included in pricing and capped. There is price certainty for the duration of the 5 year contract.

The following table illustrates the cost split between the Capital and Operating budgets.

| Managed Services Cost Allocation | Year 1 / 2017 | Year 2 / 2018 | Year 3 / 2019 | Year 4 / 2020 | Year 5 / 2021 | Total |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|--------------|
| Capital Budget | \$1.8 | \$1.8 | \$1.8 | \$1.8 | \$1.8 | \$9.0 |
| Operating Budget | | 1.0 | 1.0 | 1.0 | 1.0 | 4.0 |
| Total | \$1.8 | \$2.8 | \$2.8 | \$2.8 | \$2.8 | \$13.0 |

All costs are in \$Millions.

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 21, 2015 and by City of Toronto Council on February 17, 2016.

Staff will confirm the allocation to the Operating budget on an annual basis and include in the Operating budget submission. The first allocation to the Operating budget will occur in 2018.

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](http://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2015/June%2022/Reports/Procurement%20Authorization%20Program%20Management%20Services%20for%20SA.pdf)

- System Integrator Services – Core Human Resources, Financials, Payroll (Wave 1) – Contract C25PX15779 (\$9.1M)

Details about the contract award and details about project budget, project schedule, project deliverables, operating impact, and project benefits were provided in this report.

[http://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2016/March 23/Reports/PA%20 System Integrator Services for SAP ERP Implementation Pr.pdf](http://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2016/March%2023/Reports/PA%20System%20Integrator%20Services%20for%20SAP%20ERP%20Implementation%20Pr.pdf)

Subject of this Report:

- Managed Services for SAP-ERP Implementation Program

Future Contracts:

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

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, Commissions or Corporations. 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. (Contract No. C25PW12844), 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 2017-2026 Capital Budget approved by both the Board and City of Toronto Council.

The 'itelligence Group' study also included a review of the potential benefits. '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, but 'itelligence Group' estimate the 10 year savings at almost \$60M. These are being tracked to realization and will be reported through the TTC E-Systems Working Group.

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.

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.

Appendix A provides a status update on the project.

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: 2 have been awarded to-date, 1 is the subject of this report, and 2 will be awarded in the future.

The contracts required for this project are as follows:

A. Program Management Consulting Services – 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. System Integrator Services – Core Human Resources, Financials, Payroll (Wave 1) – Contract No. C25PX15779

This contract was approved at the Board Meeting of March 23, 2016 and awarded to IBM Canada Ltd. on March 24, 2016.

C. SAP Managed Services - RFP No. P25PH16893 (Subject of this report)

D. System Integrator Services – Workforce Management (Wave 2) (Future contract)

E. System Integrator Services – Budgeting, Procurement, Materials Management (Wave 3) (Future contract)

The new SAP applications support mission critical business processes and employ technology new to TTC. During program planning it was determined that assistance is required to provision and operate the new environment while TTC focuses on delivering the project and develops the technical skills and knowledge necessary to take over operation of the environments in the future.

The team evaluated 3 options for the provisioning of the SAP production environment (computing infrastructure, SAP on premise Enterprise Resource Planning (ERP) applications, monitoring tools) and the operation, monitoring, and maintenance of the SAP production environment.

The first option evaluated was the deployment of the computing infrastructure and the SAP on premise ERP applications at a City of Toronto data centre and the operation, monitoring, and maintenance of the SAP production environment by City of Toronto SAP staff. The TTC would connect to the City of Toronto data centre via an external network connection. Following discussions with City of Toronto staff, this option was eliminated for the following reasons:

- The City of Toronto data centres are at capacity and there is no space to provision the racking and servers for the TTC computing infrastructure;
- Establishing secure, high performance network connectivity with a City of Toronto data centre would be expensive and time consuming;
- The City of Toronto SAP teams are fully engaged supporting the City of Toronto SAP environments – additional staff would be required to support the TTC environments;
- TTC has purchased the most recent generation of SAP applications that run on the SAP HANA platform – City of Toronto staff are not experienced with this new platform.

The second option evaluated was a traditional outsourcing contract where the computing infrastructure and SAP applications are deployed in a vendor's data centre on vendor hardware, and the operation of the environment is performed by the vendor at their data centre. The TTC would connect to the vendor data centre via an external network connection. This option was eliminated for the following reasons:

- Establishing secure, high performance network connectivity with a vendor's data centre would be expensive and time consuming;
- Repatriation of the SAP applications and assuming operation by TTC would require the purchase and provisioning of hardware in the TTC data centres, and migration of the SAP applications and support tools to the TTC data centres;
- Repatriation of the SAP applications and assuming operations by TTC would require a number of months to complete – TTC would not have the ability to complete this transition quickly should we find ourselves able to assume operation of the environment sooner than expected.

The third and recommended option is the contracting of Managed Services for the design and deployment of the computing infrastructure and SAP applications in the TTC data centres, and operation of the environment by vendor staff. Under this option, the disaster recovery site is provisioned by the vendor and uses vendor supplied hardware. This option is recommended for the following reasons:

- The computing infrastructure would be purchased and owned by TTC and installed in the TTC data centres – TTC would not pay to lease vendor hardware;
- The computing infrastructure installed in the TTC data centres is inside the TTC's secure, high performance telecommunications network;
- Assuming responsibility of the operation, monitoring, and maintenance of the computing infrastructure and SAP applications would not require repatriation from an offsite data centre – TTC would have the ability to complete this transition quickly should we find ourselves able to assume operation of the environment sooner than expected.

At the end of the 5 year contract, TTC will transition support from the Managed Services provider to either TTC staff or a shared services model with the City of Toronto. Provisions have been made within the contract for two additional 1 year extensions. There are also contract provisions for early termination if we are able to take over operation sooner.

Procurement Process

Starting in July, 2016, the TTC has followed a two-stage approach for the procurement of these services as follows:

1. Request for Proposal Stage: Proponents were invited to submit a proposal to be scored on technical and commercial requirements. The RFP process determined the qualified proponents.
2. Negotiation Stage: TTC negotiated with the two highest ranked proponents to reach an acceptable agreement with one of the proponents.

RFP Process

A Request for Proposals was publicly advertised on the MERX website as well as the TTC's Web site on July 6, 2016. This proposal was cancelled as TTC did not receive any qualified proposals. On September 6, 2016, a new proposal was advertised on the MERX website as well as the TTC's Web site. One addendum was issued during the proposal period. Fifteen companies downloaded copies of the proposal documents out of which three submitted a proposal by the closing date of October 6, 2016. Only five of the fifteen companies that downloaded copies of the RFP were major Managed Services providers.

Evaluation Process

Submissions from the following companies were received for SAP Managed Services:

1. IBM Canada Ltd. (IBM)
2. Tata Consultancy Services Canada Inc. (TCS)
3. Wipro Limited (Wipro)

An Evaluation Team consisting of five members, three representing the Information Technology Services Department and two from the 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 D.

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 49 points out of the maximum 70 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 variations by a qualified proponent to the Master Services Agreement (MSA) and Statements of Work (SOW) documents that were included in the RFP.

3) Stage 3 – Demonstration Evaluation: The demonstration evaluation consisted of a technical evaluation of demonstration scenarios based on pre-established criteria and weighting. Proponents were scored out of a maximum 5 points available for this Stage 3; scores from Stage 2 and Stage 3 were added to become part of the total weighted score.

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 25 points for pricing allocated as follows:

- 19 points for the Combined Implementation and Managed Services Grand Total Price
- 6 points for the Composite All-Inclusive Blended Hourly Billing Rate

The Stage 4 score was added to the Stage 2 and Stage 3 scores to become part of the overall weighted score.

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 three proponents met the requirements of Stage 1 and progressed to Stages 2 through 4 of the evaluation process.

Negotiation Stage (Stage 5)

IBM and TCS had the highest total weighted scores and were selected 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 in parallel.

The objective of the negotiation sessions was to finalize the content of the final contract between the TTC and the successful Proponent. Negotiations with IBM, who had the lowest overall price of the two highest ranked proponents, resulted in an agreed upon contract. Staff recommends the

award of contract be made to IBM.

A Fairness Monitor, Veronica Bila of MNP, 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. Observation, monitoring and overseeing the negotiations between TTC and the proponents is not within the scope of the fairness monitor's contract. The report provided by MNP confirms the fairness of the process based on their observations and is attached as Appendix E to this report.

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 the first major group of activities: installing, configuring, and certifying the TTC SAP hardware and software in two TTC data centres for the production systems.

Dates of future procurements are estimated as follows:

- System Integrator Services – Workforce Management (Wave 2) – Q4, 2017
- System Integrator Services – Budgeting, Procurement, Materials Management (Wave 3) – Q2, 2018

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.

Contacts

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Attachments

Appendix A – SAP-ERP Implementation Program Status Update
Appendix B – Key Deliverables
Appendix C – Procurement Process
Appendix D – Evaluation Criteria
Appendix E – Fairness Monitor Report

**Appendix A – SAP-ERP Implementation Program Status Update
Procurement Authorization
Managed Services for SAP-ERP Implementation Program
Proposal No. P25PH16893**

Progress To-Date

Wave 1 will deliver new core business processes for Human Resources, Payroll, and Finance in Q4, 2017 including:

- Payroll processing for staff and union employees, pensioners;
- Benefits administration – employees and pensioners;
- a new General Ledger with a re-structured chart of accounts;
- the core Human Resources Information System (maintenance of employee data), Recruiting, and Onboarding, management of job positions;
- and processes to support the Human Resources Service Centre (general employee inquiries, employee data maintenance, benefit data queries and updates, payroll queries and corrections).

Changes to Legacy applications will be required to co-exist with the new SAP business solutions. Data will be migrated from the Legacy applications to SAP.

Process designs have been finalized and most of the system configuration has been completed. Testing has started and will continue for the next 7 months.

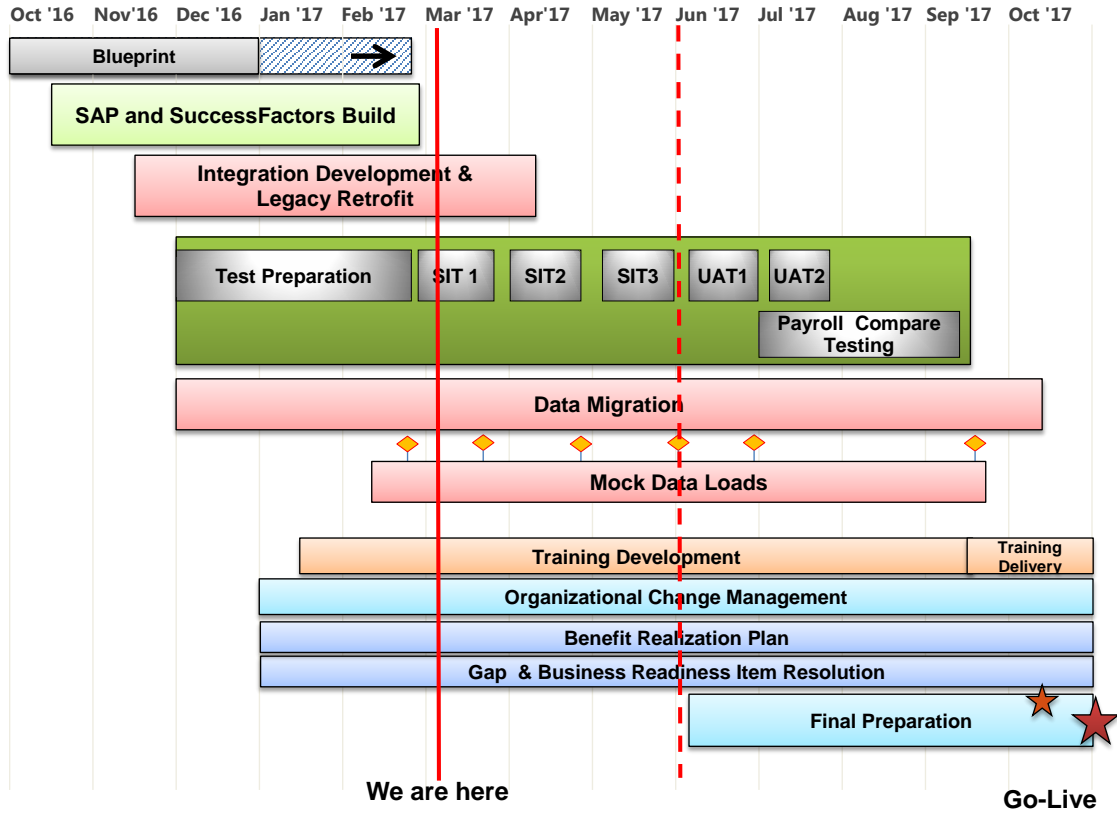
Organizational Change Management activities are underway and include communication to all TTC stakeholders and planning and preparation for training. The team is developing end user support and application maintenance plans to be in place at time of implementation.

Program Dashboard

| Performance Measure/Status | Schedule | Cost | Scope | Overall Risk |
|----------------------------|----------|------|-------|--------------|
| Status - March 3, 2017 | Y | G | G | Y |
| Outlook to Completion | G | Y | G | G |

Note: Following the completion of each Wave, the Program team will provide an assessment to completion on all elements of the Program.

Program Schedule - Wave 1



Program Milestones

| No. | Phase / Milestone | Milestone Date | 2015 | 2016 | | | | 2017 | | | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|-----|--|----------------|------|------|----|----|----|------|----|----|----|------|------|------|------|------|------|------|------|------|------|
| | | | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | | | | | | | | | | |
| 1 | Award Program Management Contract | Q2 2015 | ✓ | | | | | | | | | | | | | | | | | | |
| 2 | Wave 1/Release 1 team in place | Q3 2015 | ✓ | | | | | | | | | | | | | | | | | | |
| 3 | Program Management team in place | Q4 2015 | ✓ | | | | | | | | | | | | | | | | | | |
| 4 | Award System Integrator (SI) Contract | Q1 2016 | | ✓ | | | | | | | | | | | | | | | | | |
| 5 | Wave 1 - Core HR / Payroll / Finance (Release 1) | Q4 2015 | ✓ | | | | | | | | | | | | | | | | | | |
| 6 | Wave 1 - Core HR / Payroll / Finance (Release 2) | Q4 2017 | | | | | | | | | | █ | | | | | | | | | |
| 7 | Wave 1 - Core HR / Payroll / Finance (Release 3&4) | Q4 2017 | | | | | | | | | | █ | | | | | | | | | |
| 8 | Wave 1 - Core HR / Payroll / Finance (Release 5) | Q4 2017 | | | | | | | | | | █ | | | | | | | | | |
| 9 | Wave 2-Workforce Management | Q4 2017 | | | | | | | | | | █ | | | | | | | | | |
| 10 | Wave 3-Budgeting, AP/AR, Procurement | Q4 2017 | | | | | | | | | | █ | | | | | | | | | |
| 11 | Wave 4-Integration-Facilities Management | Q3 2018 | | | | | | | | | | | █ | | | | | | | | |
| 12 | Wave 5-Integration-Bus Maintenance | Q1 2019 | | | | | | | | | | | | █ | | | | | | | |
| 13 | Wave 6-Integration-Rail Maintenance | Q3 2019 | | | | | | | | | | | | | █ | | | | | | |

Legend

- ✓ Completed as planned
- ✓ Completed Late
- ✓ Completed w/Impact on Critical Path
- █ On Schedule
- █ Tracking behind Schedule
- █ Poses Risk to Critical Path

Unless stated otherwise, data is current as of: Mar 3, 2017

Reporting frequency: Quarterly

Program Issues

1. **Staffing:** Staffing from the Business to support testing remains a challenge. This has been the case for all areas involved in SAP but especially true in the Finance area where other heavy workload items (2017 budget process, PTIF applications, and PRESTO, to name a few) have stretched resources. Steps are underway to address these issues including hiring contractors to provide backfill for staff supporting the project and contractors to provide additional support for testing.
2. **Solution Complexity:** TTC has been using many of the existing systems for over 25 years and the transition to the new SAP applications and the revamped chart of accounts will pose challenges to TTC end users. This was anticipated and significant effort has been planned for communication and training.

Appendix B – Key Deliverables
Procurement Authorization
Managed Services for SAP-ERP Implementation Program
Proposal No. P25PH16893

Key Deliverables

- Implementation Services
 - Discovery, set-up, installation, and implementation of the physical computing infrastructure that includes physical and virtual resources that support the SAP environment
 - Migration of the interim SAP solutions to the new environment
 - Transition to Managed Services operations
- Managed Services
 - Monitoring of system and business processes within the in-scope environment to ensure system availability
 - Regular reporting of metrics/KPIs
 - Support and maintenance of the on premise technical infrastructure (hardware and operating systems)
 - Tracking, triage, management, and reporting of all issues and requests
 - Support and maintenance (service packs/fix packs, currency management) of the SAP S/4HANA and SAP Suite on HANA enterprise resource planning suites
 - Provide off-site Disaster Recovery facilities, processes and procedures for deploying to these facilities in the event of a disaster; annual Disaster Recovery testing
- Application Support Services
 - Provide application support and maintenance to the business processes deployed for Finance, Human Resources and Payroll and future business processes
 - Development expertise in ABAP, Fiori, Business Object Explorer, etc.

Appendix C – Procurement Process
Procurement Authorization
Managed Services for SAP-ERP Implementation Program
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Procurement Process

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A Fairness Monitor, Veronica Bila of MNP, was retained by 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. Observation, monitoring and overseeing the negotiations between TTC and the proponents is not within the scope of the fairness monitor's contract. 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
Managed Services for SAP-ERP Implementation Program
Proposal No. P25PH16893

Evaluation Criteria

A. Corporate Qualifications:

- Background and capabilities
- Number of years in business
- Depth of available relevant resources, including key personnel, for the services categorized by each of Prospective Supplier's offices and disciplines
- Churn/turn-over rate of Prospective Supplier's personnel (per year expressed as a percentage) categorized by discipline
- Percentage of contractors comprising Prospective Supplier's personnel, categorized by discipline
- Relevant corporate experience by project

B. Requirement Responses:

- Implementation Services
 - Discovery Services – methodology that informs Prospective Supplier's team of the work required as set out in the Implementation Services Statement of Work ensuring conformance and compatibility with the TTC technical environment
 - Requirements and Design Services – process for ensuring the uptime required by the TTC's Service Level Agreements; demonstrate how the SAP environment is designed to fail over in the event a TTC primary site becomes inoperable
 - Requirements and Design Services – documented process and methodology that will ensure compatibility with the TTC environment including hardware and software; delineate in-scope TTC environment and the integration points with the TTC network
 - Requirements and Design Services – documented process for the design, implementation, and configuration of the Disaster Recovery site for off-site disaster recovery should the TTC primary sites become inoperable
 - Requirements and Design Services – documented process and methodology for Disaster Recovery from initial recognition to migration of systems and data to Prospective Supplier's off-site Disaster Recovery site, and annual Disaster Recovery testing
 - Implementation of Requirements and Design Services – documented testing methodology to ensure that Prospective Supplier's implementation meets all TTC requirements/specifications
 - Implementation of Requirements and Design Services – sample instructions for the Integrated Lights Out functionality
 - Transition Services to Managed Services – sample documentation demonstrating ability to complete the transition to Managed Services including operating documentation, knowledge transfer, and migration of TTC interim SAP environments
 - Transition Services to Managed Services – documented Knowledge Transfer process and methodology and sample documents that demonstrate past performance of these services for clients with similar requirements

- Project Binder – sample risk management plan demonstrating their risk management process and methodology
- Project Binder – documented process and methodology for developing a quality assurance plan that will meet or exceed the requirements set out in TTC’s quality assurance policies and procedures
- Project Binder – documented process and methodology for developing a change management plan that will meet or exceed the requirements set out in TTC’s change management procedures
- Project Binder – documented process and methodology for developing a configuration management plan and description of the process to identify hardware, software, and system engineering changes
- Managed Services
 - Asset Management Services – documented process and methodology for recording, tracking, and updating in-scope hardware and software
 - Asset Management Services – documented process and methodology for decommissioning of in-scope assets
 - Back-up and Restore Services – documented process and methodology for back-up and restore of all data and in-scope software; identify roles and responsibilities and all tools employed
 - Back-up and Restore Services – documented process and methodology for conducting testing of the restore process and reporting the results of such testing; identify roles and responsibilities and all tools employed
 - Information Security and Risk Management Services – documented process and methodology for security reporting; identify tools employed and provide sample reports
 - Information Security and Risk Management Services – documented process and methodology to review, assess, and provide recommendations to meet TTC requirements
 - Security and Risk Management Services – documented process, methodology, and tools to detect, manage, and resolve vulnerabilities within the in-scope TTC environment
 - Capacity Management Services – documented process and methodology to monitor and track capacity
 - Currency Management Services – documented process and methodology to ensure updates to the operating systems or implementation of fixes are compatible with all other components of the in-scope environment
 - Availability Management Services – documented process and methodology to ensure availability of the in-scope TTC environment
 - Availability Management Services – documented process and methodology for reviewing the availability, trending analysis, and identifying opportunities to improve performance to exceed service level targets
 - System Performance Management Services – documented process and methodology for ensuring system performance of the in-scope environment
 - Release Management Services – documented process and methodology to ensure that all updates to the operating system or implementation of fixes are compatible with the in-scope environment to safeguard against downtime due to software conflicts following updates/fixes
 - Configuration Management Services – documented process and methodology for configuration changes to the in-scope environment
 - Preventative Maintenance and Problem Management Services – documented process and methodology for minimizing incidents pertaining to the in-scope environment

- Server/DBMS/Middleware/Storage Management Services – documented process and methodology to manage the following in-scope assets: servers, DBMS, SAP applications, middleware, and storage for the in-scope environment
- Incident Management Services – documented process and methodology for incident management
- Service Levels – demonstrate capability to meet defined service levels by identification of KPIs used at similar clients, how they use historical data to measure KPIs, mechanisms to remediate processes that do not meet KPIs
- Staffing Plan – documented process and methodology to ensure appropriate staffing for the Managed Services; provide a sample staffing plan
- Application Support Services
 - Service Request Response Services – documented process and methodology for service request response services; provide a process flow diagram delineating roles and responsibilities, list of tools and systems used
 - Design, Build, and Implementation Services – documented process, methodology, and tools used in performing these services; sample documents requested
 - Training Services – documented process and methodology to deliver training services; sample training plan requested

C. Presentation of Methodology/Pre-Determined Technical Topics

- Discuss the Prospective Supplier’s corporate mission statement and business direction for the services defined in this proposal (next 5 years)
- Discuss the Prospective Supplier’s primary business and how they will meet the requirements of this proposal
- Discuss the number of Prospective Supplier’s staff located in the GTA and the number of offshore staff that will support this engagement; discuss the number of staff supporting various disciplines, their cumulative knowledge, experience, and capabilities that will allow TTC to be efficient, effective, and secure
- Discuss how the Prospective Supplier will identify, present, and implement opportunities for increased efficiency during their performance of the Managed Services
- Discuss the number and size of accounts the Prospective Supplier’s Engagement Manager services; any changes anticipated to the mix of accounts should the Prospective Supplier be selected
- Discuss how the Prospective Supplier’s Engagement Manager will provide their services at the dates and times required by the TTC
- Discuss the attrition rate in the Prospective Supplier’s divisions supporting this engagement and the processes used by the Prospective Supplier to protect clients from the effects of attrition/turnover
- Discuss specific KPIs and performance measures in place at similar clients; describe the KPIs and performance measures best used to manage performance for the Implementation Statement of Work, Managed Services Statement of Work, and the Application Support Services Statement of Work
- Describe in detail the steps taken by the Prospective Supplier when a client with a similar environment/platform declared a disaster event: how the Prospective Supplier recovered the client’s business to the disaster recovery site within the agreed RPO/RTO and restored the client’s business at the client site once the disaster was concluded

- With respect to Application Support Services, explain how the Prospective Supplier uses on shore and off shore resources; if applicable discuss the following for off shore resources: organization, staff capabilities, length of service, interaction with client staff (communication), requirement definition, quality, and how the Prospective Supplier's offshore organization will benefit TTC

**Appendix E – Fairness Monitor Report
Procurement Authorization
Managed Services for SAP-ERP Implementation Program
Proposal No. P25PH16893**



Fairness Opinion for the Toronto Transit Commission

SAP Solution Managed Services – Competitive Procurement Process

Request for Proposal No. P25PH16893

November 21, 2016

PREPARED BY: MNP LLP
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ACCOUNTING > CONSULTING > TAX

November 21, 2016

Dave Aroney, Project Manager
ITS Department
Toronto Transit Commission
250 Bloor Street East, 13th Floor
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RE: Fairness Opinion of RFP No. P25PH16893 – SAP Managed Services 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. P25PH16893 for SAP Managed Services ("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 services with respect to the set-up and operation of a SAP environment comprised of SAP S/4 HANA On-Premise Edition and SAP Suite ON-HANA, which includes the installation of hardware, software and system, along with day-to-day managed services, and maintenance and support services with respect to the environment.

The TTC utilized a two-envelope competitive RFP procurement process requesting proponents to submit an RFP proposal response to be scored on technical and commercial requirements.

MNP was appointed as Fairness Monitor for this competitive RFP procurement process.

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 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.

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- Issuance of two addenda and four question and answer documents.
 - Establishment of the Evaluation Team.
 - Evaluation of RFP proposal submissions received from the proponents, including the evaluation of mandatory commercial submission requirements (pass/fail); rated technical criteria; mark-up of the Master Service Agreement ("MSA") and Statements of Work ("SOW"); 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.

Scope of Review

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. RFP No. P25PH16893 dated September 6, 2016.

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6. RFP Addendum #1 and #2 issued September 12 and 19, 2016.
 7. Question and Answer documents #1 to #4 issued on September 12, September 20, September 22, and October 24, 2016.
 8. Proposal Tally from Commission Services confirming proposal submissions received and proponents' evaluation of the Mandatory Commercial Submission Requirements.
 9. Evaluation Team member signed Conflict of Interest Declarations.
 10. Notification letters to proponents short-listed to attend presentations to the Evaluation Team.
 11. Final consensus evaluation and scoring sheets of the Technical, MSA/SOW and Pricing for the three proponents' proposals.
 12. Notification letters to two proponents to attend MSA and Statements of Work negotiations.

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. 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 out in the RFP and that the evaluation team conducts itself in an appropriate manner and free from conflict of interest.
5. 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.
6. Review final evaluation results for overall fairness and process integrity, including ensuring evaluation methodology was adhered to.
7. Prepare a report describing the procurement process followed, including an opinion on the fairness of the procurement document and evaluations.
8. Provide advice and assistance when requested.
9. Attend debriefing meetings when requested.

RFP Proposal Submissions

Upon RFP closing, the TTC received three proponents' proposal submissions. The Commission Services Department assessed the submissions to determine the proponents' adherence to the Mandatory Requirements and completeness of the submission. Each proponent passed the mandatory requirement evaluation and were permitted to progress to the Technical Requirements Evaluation.

Consensus scoring evaluation of the qualitative portion (i.e. Stage 2 - Technical Requirements Evaluation) took place on October 13, 14 and 17, 2016. Upon completion of the consensus scoring, all of the three proponents scored over the minimum percentage points and were qualified to proceed to the presentation and pricing evaluation stages. Presentations took place on October 26, 2016.

Proponents' pricing proposals were obtained from the Commission Services Department and the three qualified proponents' pricing proposals were reviewed by the Evaluation Team on October 27, 2016. The pricing evaluations were completed and the overall ranking of the proponents was determined. TTC entered contract negotiations with the highest ranking proponents, as outlined in the RFP.

Fairness Conclusion

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. P25PH16893 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



Geoff Rodrigues, CPA, CA, CIA, CRMA, ORMP
Partner, Enterprise Risk Services



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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