



Monterey County

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Board Report

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Approve and authorize the Auditor/Controller to execute CGI Statement of Work No. 12 (SOW 12) in the amount of \$8,218,497 to provide CGI Advantage Enterprise Resource Planning (ERP) System upgrade services for the implementation of the CGI Advantage ERP System version 3.10 (v3.10) production environment.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

Approve and authorize the Auditor/Controller to execute CGI Statement of Work No. 12 (SOW 12) in the amount of \$8,218,497 to provide CGI Advantage Enterprise Resource Planning (ERP) System upgrade services for the implementation of the CGI Advantage ERP System version 3.10 (v3.10) production environment.

SUMMARY:

After eight years, the current version of our ERP system v3.7 has reached the end of its useful life and must be replaced. Statement of Work No. 12 (SOW 12) is the primary step in upgrading the CGI Technologies ERP system to version 3.10 (v3.10). It is the culmination of pre-upgrade effort/evaluation provided by SOW 11. SOW 11 provided insight as to the level of effort, and therefore the level of funding necessary to accomplish the required upgrade. It is estimated that the upgrade will require 18 months at a total cost of \$14,806,765 which includes: \$8,218,497 for contracting with CGI SOW 12, \$3,694,991.44 in internal County employee time, \$2,171,276.56 contract labor, \$150,000 for office space, \$122,000 for IT services and \$450,000 for contingencies.

DISCUSSION:

The success of any going concern (including governments) that requires funding in order to provide services is absolutely dependent on that entities' ability to manage its financial resources. In The County of Monterey, the primary mechanism to manage financial resources is the CGI ERP v3.7. The effort to acquire resources for an ERP began prior to 2003. Resources became available in 2006, when the implementation planning began in earnest. As the planning progressed, it was increasingly apparent that the unique needs of the County and the decades of inattention to the financial infrastructure of the County would increase both the complexity and the cost of the endeavor. It was also clear that, as a first, albeit, large step in solving the financial woes of the County, not all needs could be addressed in the initial implementation. So it was determined that some needs would be postponed until after the implementation of the most pressing needs had been successfully accomplished.

Given the extraordinary level of effort and complexity, the ERP v3.7 is unquestionably a success. As evidence of this, note that prior to this effort the County was rated one step above

junk status by Moody's credit rating agency, had close to zero cash, had no emergency reserves, was reliant on Tax Revenue Anticipation Notes (TRANs) to meet annual cash flow needs and was unable to manage, or even foresee major financial hurdles like the one experienced at NMC in early 2003. Today, thanks to this tool, County management and the Board of Supervisors have the information needed to manage the County finances. Now the County has significant emergency reserves, has enough cash that we no longer even qualify for TRANs and have "AA" credit ratings with major rating agencies. This of course translates into more efficient government, more public services, higher wages and higher employment.

Although ERP v3.7 is a success, there were many lessons learned and unforeseen issues that were in some cases addressed and in others, postponed. Given the factors listed above, this was expected. The most important and difficult unanticipated challenge came to light after "go live"; the fact that many unauthorized and therefore, undocumented pay events had evolved in the old payroll system over at least two decades. Until post "go live" these were unknown to both the Office of the Auditor-Controller and the Board of Supervisors. They were therefore, of course, not part of the planning, budgeting or implementation effort for ERP v3.7.

This created difficult and complex problems, as many employees were not being paid consistent with what they had been paid previous to "go live", although, they were being paid in compliance with formally approved contracts. As it was determined that employees were legally entitled to the old pay practices, implementation became a monumental endeavor. Just a few of the challenges included: 1) a large volume of unplanned work needed to be addressed with no additional resources available as this was at the beginning of the 2009 recession, 2) the CGI contract had been fulfilled and therefore needed CGI human resources had already been reassigned to new projects, 3) already burdened payroll and systems staff had to both produce bi-weekly payroll as well as attempt to discover, understand, plan and implement all new, undocumented pay practices without benefit of significant CGI support, 4) attempt to track, calculate and provide retroactive pay for all affected employees. This necessitated that County staff produce unique "work arounds" outside of the normal processes and partnership with CGI in order to produce the required results.

Ideally, given these post implementation issues, it would have been appropriate to initiate a new capital project to address these issues post go-live in 2010/11. This was not possible because of the reasons stated above. Therefore, SOW 12 includes the postponed post implementation project requirements, thus the increase in the original project cost estimate.

Now, after eight years, ERP v3.7 has reached the end of its useful life and must be replaced. As part of our due diligence, GCI SOW 11 was entered into in order to assess the effort of work needed to accommodate the unique needs of our County and incorporate the necessary customizations into the new ERP v3.10, understand the work effort associated with the post implementation "work arounds", as well as help us plan and prioritize postponed functionality. Since the required "work arounds" are not part of the CGI product, they must be included in the upgrade effort as either part of the baseline product (when applicable) or as a "Monterey County specific customization" which is a very expensive process.

In addition, SOW 11 identified critical areas needing attention around internal planning, staffing requirements, project management and change management. It became apparent that

the use of internal staff for “project management services” rather than using “project management professionals” in the initial implementation was not efficient. This resulted in cost and deadline overruns, insufficient testing, insufficient documentation, insufficient hardware infrastructure and lack of proper communication with CGI.

SOW 12 provides for 18 months of professional services and licensing fees for the required ERP upgrade from CGI v3.7 to v3.10. This is only the CGI professional services and licensing portion of the project. It is estimated that the implementation project will require 18 months and a total of \$14,806,765, which includes: \$8,218,497 of contracting with CGI SOW 12, \$3,694,991.44 in internal County employee time, \$2,171,276.56 contract labor, \$150,000 for office space, \$122,000 for IT services and \$450,000 for contingencies.

OTHER AGENCY INVOLVEMENT:

The Budget Office, Benefits and Human Resources, Procurement and Information Technology have assisted in determining County needs with regard to the upgrade.

FINANCING:

The Capital Automation Fund (403-1110-8006), Appropriation Unit AUD006 contains some funding for Statement of Work No. 12. Through the ERP Systems Upgrade Cost Allocation financed by County departments according to Board authorized positions, \$2,547,968 was allocated in FY2015-16. For the coming FY16-17 \$7,705,026 was allocated to departments.

The initial estimated total cost to complete the upgrade for Performance Budget, Advantage Financial, Advantage HRM, and infoAdvantage software prior to the completion of this full volume test preparatory work was \$4.68 million. Based on SOW 11 pre-work, this estimate has increase to \$14,806,765 (see attached ERP Upgrade Cost Schedule).

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Attachments:

CGI Statement of Work No. 12

ERP Upgrade Cost Schedule