

REGION OF OTTAWA-CARLETON
RÉGION D'OTTAWA-CARLETON

REPORT
RAPPORT

Our File/N/Réf. 28-00-0003
Your File/V/Réf.

DATE 13 March 2000

TO/DEST. Co-ordinator
 Corporate Services and Economic Development Committee

FROM/EXP. Executive Director, Information Technology Office

SUBJECT/OBJET **PURCHASE OF SYSTEM SUPPORT SERVICES FOR SAP**

DEPARTMENTAL RECOMMENDATIONS

That the Corporate Services and Economic Development Committee, and Council approve:

- 1. The purchase of SAP R/3 consulting services from IBM Canada Ltd., to assist with the software upgrade from version 4.0b to 4.6b at a cost not to exceed \$210,000.**
- 2. The purchase of SAP R/3 application 3rd level support services from IBM Canada Ltd., Ottawa, Ontario, for the period of April 1, 2000 to March 31, 2001 at a cost not to exceed \$225,000.**

BACKGROUND

The Region of Ottawa-Carleton went live with the SAP R/3 application in the spring of 1999. The SAP application is used by over 700 users and supports a number of core business processes for the Region (including Police Services and OC Transpo), such as: financial management, procurement, materials management, plant maintenance, vehicle maintenance, and human resource management as well as payroll for OC Transpo.

Shortly after the initial go-live, the Region entered into a 12 month 3rd level remote support contract with IBM Canada to provide senior level expertise to assist staff and address complex problems and issues. The contract allowed for 22 days of support consulting per month, and was reduced to 15 days half-way through the contract as the staff grew more confident with the application.

DISCUSSION

The Support Centre has a number of project initiatives scheduled for this year. The primary project is to upgrade the software from version 4.0b to 4.6b. The upgrade is required for several reasons. Firstly, in order to maintain vendor support of the application it is critical for the Region to remain current and up-to-date with new releases. In doing so, staff is then able to apply vendor supplied corrections, updates, product enhancements, and required legal changes such as payroll tax calculations.

Secondly, support for our current version, 4.0b, expires June 2001. Industry experts recommend a 4 to 6 month window be set aside to conduct an upgrade.. Looking ahead and not wanting to impact other key operational milestones such as budget preparations, financial year-end, payroll T4 processing, and the potential of SAP being used by the new city, it has been determined that now is the best time to conduct the upgrade. Furthermore, the upgrade will provide the most up-to-date and current foundation for future additions and modifications to the application to support existing and new requirements for projects scheduled this year. Should the Transition Board confirm the SAP Enterprise Resource Planning system (E.R.P.) as the business technology of the new city, proceeding with the upgrade now would also avoid training users twice, once in the 4.0b version and shortly afterwards, in the new version.

Consulting services, estimated at just over 100 days, are required for a cross section of modules including: financials, procurement, materials management, payroll, human resources, etc. Given that this is the first time that staff will be conducting a major upgrade to the application, it is critical that staff have the support of expert consulting services that are familiar with the Region's installation and configuration and have an in-depth knowledge of SAP R/3. IBM Canada as the initial implementation partner and provider of the 3rd level support for the past 12 months are at this time in the best position to provide this service. IBM is well acquainted with the Regional organization and the manner in which we have configured the R/3 application to meet our business requirements. They are also familiar with the changes and enhancements that occurred over the past 12 months and a change in support partners at this time would result in a significant addition to the project timeline and overall cost. IBM's consulting rates are in keeping with other providers in the industry and are reflective of market rates.

In addition to completing the upgrade, the Region requires the renewal of the current 3rd level support agreement with IBM Canada expiring March 31, 2000. This agreement is needed for several reasons.

First, it is needed to backfill and support production requirements during the upgrade project. Internal R/3 staff will be almost exclusively assigned to work on the upgrade. External 3rd level support resources will be used to provide and supplement end-user and application support during the upgrade. Secondly, there will be a period in which it will be critical to maintain the 3rd level support to address any problems arising from the upgrade and to maintain the stability of the system. Finally, it will be necessary to coach and mentor staff through the normal day-to-day production issues in the new version of the software.

Beyond the initial post upgrade period, 3rd level support is recommended in order to provide staff with an on-going source for advanced R/3 skills and expertise. Internal staff has performed exceptionally well learning and supporting the new R/3 application. It is felt that the 3rd level support requirement can be reduced once again, from the present 15 days per month to 10 days. This is a good indication of the growing expertise and confidence of our own internal staff. It is recommended that the Region continue to retain IBM Canada to provide 3rd level support for the next 12 months. As stated previously, IBM is most familiar with our specific installation, organization, and how we have configured R/3 to meet our specific business needs.

EVALUATION

It is recommended that the Region purchase both the consulting services required to assist with the R/3 upgrade, and renew the present 3rd level support contract with IBM Canada Ltd. for the following reasons:

- provide required continuity of resources and knowledge during and after the upgrade
- familiarity with the Region's implementation of SAP R/3 application
- familiarity with the Region's R/3 specific configurations to meet internal business processes
- understanding of OC Transpo business rules as they relate to HR and payroll
- demonstrated ability to provide technical and application support
- demonstrated ability to supply and maintain depth of resources at the required skill level
- demonstrated ability to teach and mentor RMOC SAP team members

PUBLIC CONSULTATION

Public consultation is not required.

EXPENDITURE JUSTIFICATION

Upgrading the R/3 application software is a must. Failure to complete the upgrade sooner rather than later will impact staff's ability to respond to current and future demands on the E.R.P. system

It is also critical that staff has the on-going services of 3rd level support resources to trouble shoot complex problems and provide advanced SAP R/3 expertise on demand. Failure to do so could result in stability problems of the system and would restrict staff's ability to resolve problems quickly and effectively.

FINANCIAL STATEMENT AND APPROVAL

Approved Budget to Date	\$ 3,740,626
Total Paid and Committed	<u>(649,494)</u>
Balance Available	3,091,132
THIS REQUEST	<u>(435,000)</u>
Balance Remaining	<u>\$2,656,132</u>

Funds are available the 2000 Capital Budget, Order No. 900475 in the amount of \$435,000.

*Approved by
Louis Shallal, P. Eng., Ph. D.*

SUPPLY MANAGEMENT DIVISION COMMENT

I concur.

*G. Ford on behalf of
the Finance Commissioner*

FINANCIAL SERVICES COMMENT

N/A