

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: March 25, 2014

REF: ASB-061-14

To: Innovation, Technology, and General Services (ITGS) Committee

From: Ted Ross, Assistant General Manager, Information Technology Agency
Deborah Ramos, Assistant General Manager, General Services Department
Todd Bouey, Director of Financial Reporting, Office of the Controller

Subject: **AMENDMENT NO. 10 TO CONTRACT C-114340 WITH CGI FOR ENVISION PART 2 OF THE FMS 2.0 PROCUREMENT PROJECT (AKA SMS REPLACEMENT)**

RECOMMENDATIONS

On March 13, 2014 the Information Technology Oversight Committee (ITOC) approved a request from the Information Technology Agency (ITA), the Office of the Controller (CTR), and the General Services Department (GSD) to execute Amendment No. 10 to City Contract C-114340 with CGI for the Envision-Part 2 of the FMS 2.0 Procurement Project (aka Supply Management System Replacement). Funding for the cost of \$346,800 will be shared by ITA (\$200,000), CTR (\$100,000), and GSD (\$46,800) from their respective FY 2013-14 Adopted Budgets.

Council approval is requested for the following recommendations:

1. Authorize the General Manager of the Information Technology Agency, or his designee, to execute Amendment No. 10 to City Contract C-114340 with CGI Technologies and Solutions, Incorporated, to implement the Envision-Part 2 of the FMS 2.0 Procurement Project (aka Supply Management System Replacement) at a cost of \$346,800;
2. Authorize the Controller to appropriate and transfer the following funds from the FY 2013-14 Adopted Budget as follows:

FROM:

Dept. No.	Fund No.	Acct No.	Amount
CTR 26	100	3040	\$100,000
GSD 40	100	6010	<u>\$ 46,800</u>
		TOTAL	\$146,800

TO:

Dept. No.	Fund No.	Acct No.	Amount
ITA 32	100	3040	\$146,800

BACKGROUND

The Supply Management System (SMS) is a citywide application used by Council-Controlled departments to acquire materials and supplies from vendors and City warehouses (\$500M in annual purchases). Since 2008, the SMS system and its interface to the City financial system has been experiencing substantial issues in stability, functionality, and performance due to losses of personnel, system over-customization, lack of maintenance, and heavy reliance on contractor support. This

serious situation spurred many meetings and conversations about the long-term strategy for SMS. In March 2013, the Information Technology Oversight Committee (ITOC) reviewed a requested report from the Information Technology Agency (ITA) and General Services Department (GSD) regarding potential long-term strategies for the SMS system (upgrade existing system vs. system replacement). The ITOC requested additional information regarding five-year cost estimates that were delivered in a separate May 2013 report to ITOC. Subsequently, the ITOC recommended starting the SMS Replacement Project using the existing Financial Management System (FMS) Procurement module through an initial "Envision-Part 1" phase where the City contracted with CGI to document existing purchasing processes, jointly establish business requirements for a new system, document a "fit-gap" between the baseline FMS 2.0 Procurement system with the needs of the City, identify interfaces/technical requirements of the new system, and develop a project roadmap for implementation. The City Council approved funding for Envision-Part I in the ITA FY 2014 Adopted Budget.

The following report summarizes the results of the Envision-Part 1 and suggested next steps.

FMS 2.0 PROCUREMENT SYSTEM – ENVISION-PART 1 RESULTS

Between September 2013 and February 2014, City departments and CGI partnered to perform Part 1 of a two-part Envision Phase for the FMS 2.0 Procurement Project (aka SMS Replacement). This included the following activities:

- 15 formal Discovery Sessions to establish current processes with 100+ City experts (GSD Purchasing, GSD Warehouse, CTR, ITA, and departments)
- 16 formal Prototyping Sessions to review the baseline FMS 2.0 Procurement system with 40+ City experts (GSD, CTR, and ITA)
- Dozens of informal technical and functional meetings to solidify system requirements and opportunities
- Site visits and department user participation activities

The results of Envision-Part 1 are formally documented in a detailed 280-page FMS 2.0 Procurement Fit-Gap Analysis Report (available upon request) for the SMS replacement. This includes:

- Identification of 38 separate procurement and inventory processes across Vendor Maintenance, Contract Maintenance, Procurement, Vendor Payments, Inventory, and Vendor Self-Service
- Documentation of 217 business requirements and scenarios
- List of 14 required systems customizations for the City
- Technical specifications for system implementation
- Data conversion and system interfaces assessment

The fit-gap assessment indicated a good overall fit between City requirements and the baseline Procurement system (*see APPENDIX A for FIT-GAP EXHIBITS*).

- 86% of City processes are fully met by baseline CGI Procurement system (186 out of 217)

- 5% resolved through system modifications (specifically in commodity purchasing and inventory)
- 9% to be determined through additional “deep dives”

FMS 2.0 PROCUREMENT SYSTEM – ENVISION-PART 2

The work for Envision-Part 1 was completed in February 2014. The planned Envision-Part 2 contains the fundamental work that is required to complete the overall Envision Phase of the project. This work will be completed by July 2014, at which time, if the City decides to move forward with the FMS Procurement implementation, the FMS team must be ready to proceed with the Build Phase of the project. In addition, there is a pressing need to complete the Envision phase to ensure the successful implementation of the FMS Procurement system by July 2016.

The Envision-Part 2 contract amendment totals \$346,800, of which funding will be shared by ITA (\$200,000), CTR (\$100,000), and GSD (\$46,800) in their respective FY 2013-14 Adopted Budgets. The detailed breakdown of costs can be found in *Appendix B: CONTRACT AMENDMENT NO. 10 – DETAIL OF COST*.

The scope of Envision-Part 2 is as follows:

- 1. Hands-on City Analysis and Prototyping**
 - The prototyping sessions in Envision-Part 1 were conducted by CGI and the results were reviewed with the City. In order to promote further City acceptance and adoption, the City staff will have hands-on access to the Procurement / Inventory / Accounts Payable / Vendor Self Service modules and perform hands-on prototyping scripts.
- 2. Envision-Part 1 Deferred and Additional Prototyping**
 - Prototyping 20 scenarios from Envision-Part 1 that were deferred or require additional time and effort for the City to fully analyze.
- 3. FMS Vendor Creation / Maintenance Process and Cleansing Analysis**
 - Service and Commodity Vendors will be merged within FMS. The current processes and approaches for moving forward will be analyzed and documented.
- 4. Service Contract Prototyping and Impacts to Existing FMS Processes**

Service and Commodity system processing (accounting/authority tracking) will be merged within FMS. The current system processes and approaches for moving forward will be analyzed and documented.
- 5. eProcurement Prototyping**
 - The City will prototype the FMS 2.0 eProcurement functionality to determine if the integrated system functionality meets the City's requirements.
- 6. Implementation Assessment:**
 - The objective of the Implementation Assessment is to analyze the system implementation requirements and create strategies for data conversion, system interfaces, reporting/inquiry, training, security and workflow, and software modifications to the FMS 2.0 Procurement system.
 - These strategy documents will establish the implementation scope and document the approach as to how each area will be implemented within

the scope of the FMS 2.0 project. The strategy documents will be the basis for developing detailed plans for each area during the Build Phase.

FISCAL IMPACT STATEMENT

Approval of Amendment No. 10 to City Contract C-114340 with CGI for the total of \$346,800 will not have a General Fund impact. The Office of the Controller, the General Services Department, and the Information Technology Agency has identified savings in their respective FY 2013-14 Adopted Budgets to cumulatively fund this proposal. Approval of the recommendations of this report is in compliance with the City's Financial Policies, as budgeted funds are available.

Attachments:

APPENDIX A: FMS 2.0 PROCUREMENT SYSTEM – FIT GAP EXHIBITS

APPENDIX B: CONTRACT AMENDMENT NO. 10 – DETAIL OF COST

Contract Amendment No. 10 (CA #10) to City Contract C-114340 with CGI

CGI CA#10 - Exhibit A-B3: Supplement to Core Financial SOW

CGI CA#10 - Exhibit B-B3: Supplement to Core Financial Deliverables Definitions

CGI CA#10 - Exhibit C-B3: Supplement to Core Financial Project Schedule and Plan

CGI CA#10 - Exhibit K-B3: Supplement to Core Financial Project Assumptions

CGI CA#10 - Exhibit L-B3: Supplement to Core Financial Pricing Schedule

cc: Stephanie Magnien Rockwell, Council District 3
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APPENDIX A
FMS 2.0 PROCUREMENT SYSTEM – FIT GAP EXHIBITS

Exhibit A1: Business Process Scenario Dispositions:

SMS Replacement Envision Fit Gap Results

Total Business Scenarios Prototyped	217	100%
Fully Met - Supported by Baseline & Configuration	186	86%
Business Processes Requiring 14 Modifications	11	5%
Additional Research and/or deferred to Envision Part 2	20	9%
Eliminated	0	0%
TOTAL	217	100%

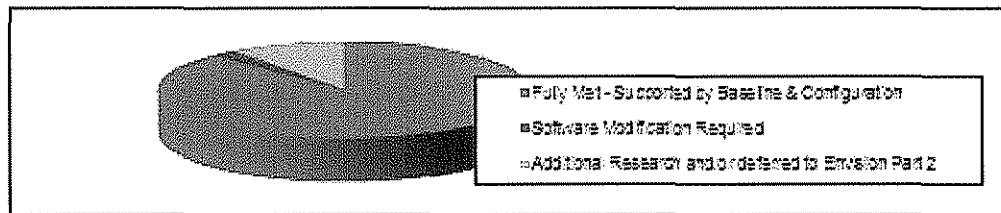


Exhibit A2: Level of FIT by Business Area:

Business Area	Scenarios Prototyped	Fit
Procurement (Commodities Purchasing)	49	Good
Payment Services (Accounts Payable)	64	Excellent
Inventory	72	Fair
Vendor Management / Vendor Self Service	29	Excellent
FMS Impacts	3	NA

Exhibit A3: Identified FMS 2.0 Procurement & Inventory Customizations:

Business Area	Mod Identifier	Description
Procurement	PROC001 – Prevent Purchase Order update after Receipt	Purchase Orders should not be allowed to be updated once goods and services have been received.
Inventory	INV001 – Track Inventory by BIN Location	Inventory items should be allowed to be tracked, issued, transferred, and received by BIN location rather than by primary default location.

Inventory	INV002 – Pick Plan parameters	The Pick and Issue (PI) document should allow selecting more parameters when creating a plan for confirming stock items to be issued. Added parameters include warehouse range (from warehouse, to warehouse) and backorder only items.
Inventory	INV003 – Staging Receiver	Advantage should allow receiving an item into a warehouse without updating the quantity for its BIN location. Receiving an item into a warehouse (before updating the BIN location) should allow a three-way match to occur.
Inventory	INV004 –Utilization Type batch job	ABC Classification codes (Utility types), Min amounts, and Max amounts will need to be assigned to every inventory item, through a batch job, on a quarterly basis. Calculation for ABC Classification assignment is based on prior sales data. Calculation for Min and Max amounts is based on prior issuing/usage data.
Inventory	INV005 – Cycle Counting batch job	Advantage should allow selecting a wider variety of parameters to create an inventory count batch job. Advantage should allow counting of stock items without freezing them from being processed.
Inventory	INV006 – Cycle Counting Live Documents	Advantage should display date and timestamps for Procurement and Inventory documents related to stock items. Documents which carry stock item information should be allowed to be processed while items are being counted and reconciled.
Inventory	INV007 – Reconciliation Inventory Adjustments	Inventory Adjustment (IA) documents created as a result of cycle counting should infer the counted quantity as the default adjustment quantity.
Inventory	INV008 – Inventory Transaction History	Advantage should provide a page that allows the tracking and monitoring of item history, including when and how an item has been issued, received, counted, and replenished.
Inventory	INV009 – Lot Expiration Tracking	The Receiver (RC) document should allow tracking of lot number and expiration date for items that can expire (such as produce).
Inventory	INV010 – Hold Items	Inventory items should be able to be placed on "hold" to prevent further transactions from against them. Transactions that have already begun should be allowed to be completed.
Inventory	INV011 – Inspect Flag	The Receiver (RC) document should provide the ability to be processed only after the received items have been inspected.

Inventory	INV012 – Standalone Inventory Receiver	The Inventory Adjustment (IA) document should be modified to allow referencing of a Confirmation Issue (CI) or Over-the-Counter (OC) document.
Vendor	MOD VEND001 – BTRC	BTRC was a modification for FMS. It is anticipated that there will be a modification in VSS for the BTRC records in FMS. This topic will require further discussion and research.

APPENDIX B
CONTRACT AMENDMENT NO. 10 – DETAIL OF COST

**Exhibit B1: Detail of Cost for Supplement B3:
FMS 2.0 - Envision - Part 2**

Deliverable #		Cost
B3-1.0	CGI Hosted Advantage Prototyping Environment	\$9,600.00
B3-2.0& 3.0	Hands-on City Analysis and Prototyping	\$68,100.00
B3-4.0	Envision-Part 1 Deferred and Additional Prototyping	\$55,400.00
B3-5.0	FMS Vendor Creation / Maintenance Process and Cleansing Analysis	\$44,300.00
B3-6.0& 7.0	Service Contract Prototyping and Impacts to Existing FMS Processes	\$96,900.00
B3-8.0	eProcurement Prototyping	\$34,600.00
B3-9.0	Implementation Assessment	\$37,900.00
Total New Deliverables		\$346,800.00