

ERP Presentation to Board Members, November 2010

The Enterprise Resource Planning (ERP) System for Business was approved by the School Board as part of the District's Comprehensive Information Blueprint. The ERP System, through its SAP (Systems, Applications and Products) software, provides technology solutions that integrate all data and processes of an organization into a single unified system. The system's goal is to streamline and enhance the District's Finance and Human Resource processes to more efficiently and effectively serve all stakeholders.

Below is a history of the ERP project and the recommendation to extend to October 2011 the payroll implementation in order to thoroughly test the system and provide effective training.

At the School Board Meeting of July 11, 2007, the District approved Deloitte Consulting LLP to implement the ERP system for Human Resources, Finance, Procurement, Payroll, and Time and Attendance for a cost up to \$85.4 million financing to Banc of America Public Capital Corp.

On June 25, 2008, at a Special Board Meeting, Agenda Item SP-1, the Board authorized the Superintendent to approve a reduction-in-force because of modifications to the initial Statement of Work under the Deloitte Master Service Agreement (MSA) Sub-section 2.3. This change postponed the implementation of the Financial Modules and the "go live" dates for the remaining modules.

On July 15, 2008, School Board Agenda Item E-147, the Board approved the engagement of KPMG LLP (KPMG) to perform independent project monitoring services. On November 18, 2008, Agenda Item E-86, the School Board received the KPMG final report. The report expressed concerns about cost and scheduling overruns and recommended strategies for addressing these risks. KPMG also recommended that "M-DCPS re-start the implementation of the SAP Financials (Finance Modules) as soon as possible" as the risk of failure due to running overlapping systems was extremely high. KPMG did not identify conditions that would warrant canceling this project.

The Summary of Key Recommendations were:

- The ITS resources and activities should be merged with the ERP Project Plan.

This recommendation was satisfied and uncovered a delay of approximately 3-4 months.

- Consider alternatives to the current development and deployment plans.

This recommendation was satisfied and did not accelerate schedule.

- Maintaining MSA Finance Legacy System to manage the District's financial operations should be considered a short-term solution.

This recommendation brings Finance Module back into scope.

There were errors in the figures originally estimated for the ERP implementation. For example, the Total Cost of Ownership (TCO) was estimated at \$85.4 million, but it did not include ongoing maintenance or support costs. It also had insufficient District resource allocations. The Return on Investment (ROI) should have been 0% instead of the 22% projected over ten years which was based on a SAP Value Engineering Study. In addition, the payback was estimated to be 7 years, but staff noted that it now goes out to 11 years.

There were also delays in the project with an \$8 million cost. The initial startup, as an example, was delayed 5 months; Deloitte absorbed the cost for 3 months. The SP-1 delayed the project 2 months. Furthermore, the previous administration insisted on a 24-month implementation schedule.

Subsequently, at the January 14, 2009 School Meeting, Board Item E-46, approved authorization to proceed with a revised ERP implementation plan the termination of Deloitte Consulting, LLP, for Convenience, effective February 16, 2009. The revised implementation includes Finance/Procurement, Human Resources, Payroll, Time/Attendance, and Benefits. In addition, it approved a supplement for Bid 098-GG04 Information Technology Consultants to obtain implementers.

The new implementation Timeline is thus:

- OMPA (Organizational Management and Personnel Administration) – October 2009
- E-Recruiting – December 2009
- Finance/Procurement – January 2010
- HR 2.0 – August 2010
- Time, Payroll, and Benefits – October 2011

Since February 9, 2009, as a Staff Follow-Up to the Board Meeting of January 14, 2009, staff has provided written monthly reports on the ERP status, including project timeline, completed, and planned activities.

The March 6, 2009 Final Terms of Enterprise Planning Contract with Deloitte noted that the transition from Deloitte to M-DCPS was completed on February 6, 2009, one week early. There were significant savings to the District; Deloitte originally quoted

\$14,897,604 and ITS reduced this amount to \$11, 541,223, saving the District \$3,356,381. The total paid Deloitte was \$38, 888,723. Without settling, it would have cost the District \$54 million.

It is important to note that the original project budget was \$85,400,000 and that during the Deloitte period \$58,898,649 was expended. This left M-DCPS a balance after Deloitte of \$26, 501,351.

Conversations in the District about ERP are ongoing. At the May 12, 2009 Audit Committee Meeting, staff discussed issues supporting continuing ERP implementation. Issues with the current financial system, MSA, were noted along with the financial status of the District and the \$52 million spent that would require a transfer of expenditures from Capital Fund to General Fund if there was no asset. In addition, the benefits of the new system were reiterated.

At present, M-DCPS is on schedule for completing payroll implementation in October 2011; its cost will be \$2,566,080. This cost will be absorbed by budget reduction in ITS and other areas.

The implementation was extended from January 2011 to October 2011, some of the benefits of this extension are:

- There will be adequate time to train and perform dual-time entry using a phased-in approach for 14 payroll cycles.
- Employees will have ample time to see the new payroll advice and understand the changes that the new advice will incorporate.
- It will take place after opening of schools/class sizing are complete.
- The system is back to somewhat normal operating mode (Organizational Readiness).
- The normal payroll processing will be set.

In summary, it appears that based on the experience with the ERP implementation, M-DCPS will have successfully implemented by October 2011 more efficient and effective finance and human resources processes and systems to better meet the District's needs.