

**BOARD OF SUPERVISORS
FINANCE/GOVERNMENT OPERATIONS AND
ECONOMIC DEVELOPMENT COMMITTEE
INFORMATION ITEM**

SUBJECT: Monthly Report/Implementation of the Enterprise Resource Planning (ERP) Project

ELECTION DISTRICT: Countywide

STAFF CONTACTS: John Sandy, County Administration
Robert Middaugh, County Administration
Wendy Wickens, Information Technology
Penny Newquist, Finance and Procurement
Vince Marchesano, Vivad Technologies, LLC

PURPOSE: To provide an update on the status of the County's Enterprise Resource Planning (ERP) system implementation.

BACKGROUND: The Loudoun County Government and Loudoun County Public Schools (LCPS) began implementation of a new Enterprise Resource Planning (ERP) commercial off-the-shelf (COTS) system in January 2012 as part of a larger program to replace three core financial systems [i.e., ERP, Computer Aided Mass Appraisal (CAMA), and Integrated Tax Revenue (ITR)]. This action was based on an independent assessment of the County's legacy financial, human resources and taxation systems, as well as the future replacement of those systems.

In November 2008, Digicon Corporation completed the assessment and concluded that when the County acquired its current systems, more than 20 years ago, the functions and features provided, and the architecture upon which they were built (IBM), met the County's business and budgetary requirements. However, over the years, the technology exceeded its useful lifecycle, and operations and support was proving to be increasingly complex and difficult to maintain. Digicon recommended the County consider implementing a state-of-the-art ERP system to improve business and operational efficiency, which also would meet the demands for information in a more reliable and timely manner, with requisite quality and accuracy.

On November 2, 2011, the Board authorized the negotiation of a contract, not to exceed \$21,050,064, to implement ORACLE EBS (eBusiness Suite) as the ERP System for Loudoun County Government and LCPS. The contract was awarded to Applications Software Technology Corporation (AST), a Platinum Oracle partner, which included the Oracle EBS licensed software and implementation services for the ERP system.

On December 4, 2013, the Board appropriated an additional \$9,160,925 to the capital project budget (ERP Implementation Fund), which was used to complete outstanding items for Phase 1, and to provide additional resources to complete Phase 2. Not all funds have been expended to date. An additional 7.00 FTEs were added to the Department of Information Technology (DIT) and the former Department of Management and Financial Services' Finance and Budget Divisions, to provide needed system support. In December 2015, the Board appropriated an additional \$1,500,000 from the FY 2015 fund balance to complete the Phase 2 implementation, bringing the ERP capital budget to \$32,228,494. It should be noted that this amount does not include budgeted contracted project management services, which totals \$3,465,848. Expenses for consulting and other technical support through Fiscal Year 2016 not in the project budget are \$1,595,771.

ISSUES: This item provides a monthly update from the Department of Finance and Procurement and DIT on the implementation of the ERP system.

The Client Manager, Vince Marchesano, and County staff will be present to discuss details and answer questions.

Phase 2 - Human Resources and Payroll

AST Negotiations

AST and County executives met on November 13, 2015, December 15, 2015, and again on March 21, 2016 and on June 6, 2016 to discuss the path moving forward. AST remains in material breach of the contract. However, the County Attorney's Office and AST are actively working towards an agreed to solution to successfully complete the project.

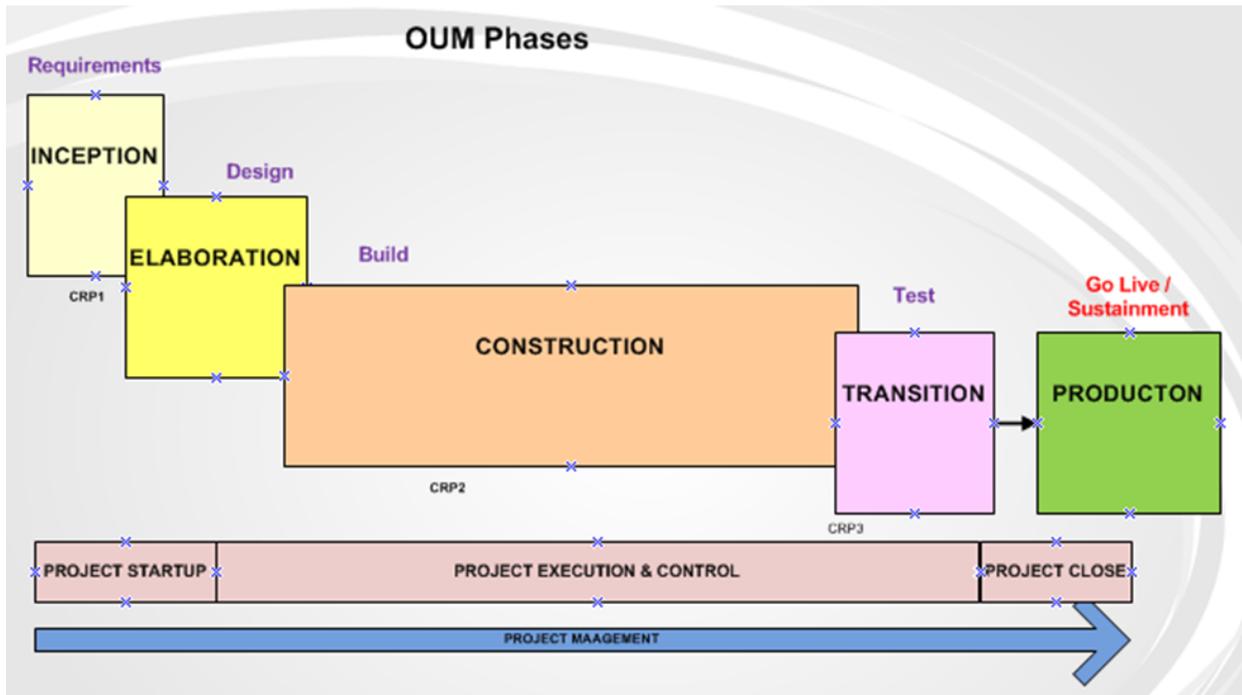
Phase 2 Implementation Restart

Phase 2 implementation restart has been activated.

Oracle Consulting Services (OCS) is currently onsite to provide project management and system integration services through implementation and post implementation support.

Approach

The OCS approach to successfully completing the Phase 2 implementation is based on the standard Oracle Unified Method (OUM - Oracle's methodology for deploying Oracle-based business solutions). To maximize efficiencies, OCS further structured this effort into two distinct sub-phases – Phase 2 A: Inception and Elaboration and Phase 2B: Construction, Transition, and Production.



During Phase 2A, OCS and Loudoun will collaboratively review every requirement to ensure they are clearly defined (and still applicable), determine whether the requirements can be met leveraging standard, out-of-the-box Oracle functionality (i.e. a “fit”) or if a change to a business process or a customization is required to meet the requirement (i.e., a “gap”), and what design/build can be reused from the previous effort. These activities will further result in a solution design and test plans.

The overall Phase 2 timeline will be defined based on Inception and Elaboration Phase output (i.e., the level of effort to build solution), however, OCS estimates that Phase 2A will consume approximately one third of the project duration.

During Phase 2B, OCS will build the solution, data will be converted, Loudoun will validate the build, and other tasks in preparation for Go-Live will occur (i.e., change management activities, including communications, training, documentation, post production support planning, etc.).

Organizational Structure

To support this approach, OCS has assembled a comprehensive team of seasoned project management, functional, and technical resources, with extensive reach back into Oracle’s senior leadership and technical support pools. In addition, Loudoun has redefined its Phase 2 organizational structure, and is currently implementing a new structure comprised of three offices with distinct functions: Business Transformation Office (BTO), Client Management Office, and Independent Verification and Validation Office (IV&V).

The BTO will provide operational and strategic management for the ERP Project, both before and after implementation. This office will be led by a Business Transformation Manager, with support from six County, LCPS, and DIT resources, and will provide the following primary functions:

- Provide oversight and leadership for all ERP Project activities
- Analyze business process change to ensure adherence
- Evaluate current policy for long term practices moving forward
- Prepare policy documentation and processes to resolve issues, and in support of system enhancements
- Ensure cross-organizational (County, LCPS, and DIT) communication with Senior Leadership
- Define and implement common standards and methods for development and support activities
- Provide leadership in vetting proposed development projects
- Assist with task prioritization, reports, and implementing enhancements across organizations (County and Schools)
- Evaluate policy for long term practices moving forward.

The Client Management Office was recently implemented to liaise between not only the project team (County, LCPS, and DIT) and the OCS team (Project Manager and system integration team), but also to Loudoun's executive leadership including the Board of Supervisors. This office is comprised of a Client Manager and Client Coordinator, and provides the following functions:

- Document management (SharePoint and Beehive)
- Team building, collaboration, and communication
- Meeting coordination (schedules, agendas, minutes, and action items)
- Cross-organizational coordination (County, LCPS, and DIT)
- Project reporting, to include meeting minutes (key agreements and action items), status, risk, issues, action items, and FGOEDC
- Conflict resolution among project team members with competing priorities
- Serve as the project historian; manage archived project information and serve as the system integrator's point of contact for related information

Under the direction of a Technical Manager and a Business/Project Manager, the IV&V Office will oversee Phase 2 business and technical activity. More specifically, this office will provide the following functions to ensure a successful implementation:

- Review management and technical aspects of the project, and make recommendations for industry standards
- Identify opportunities and make recommendations for project improvements
- Conduct risk management tasks
- Analyze the project plan, and evaluate and report on progress, resources, budget, and schedules

- Review technical configurations, conversion plans, and test plans, and make appropriate recommendations for improvement
- Define, implement, and execute a traceability and review process to track business and technical requirements to their source

The value add and benefits of this new organizational structure include:

- Standard methodology will better ensure project success
- Unbiased validation that Loudoun is utilizing the right approach, and more importantly, the final solution is designed and built to meet Loudoun's requirements
- Management insight and visibility into project risk and issues

FISCAL IMPACT: Currently \$6.2 million (including encumbrances) is available in the ERP project in the Capital Fund.