

**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
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 (Loudoun) 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 Loudoun's legacy financial, human resources, and taxation systems, as well as the future replacement of those systems. The ITR and CAMA systems are successfully implemented and fully operational.

On November 2, 2011, the Loudoun Board of Supervisors (the Board) authorized the negotiation of a contract to implement ORACLE eBusiness Suite (EBS) as the ERP System for Loudoun and LCPS. The resulting contract included EBS licensed software and implementation services for the ERP system, which were to be deployed in three phases, as detailed below.

- *Phase 1: Financials, Procurement, Grants, and Document Management:*
 - *Duration:* January 2012 – July 1, 2013
 - *Status:* COMPLETE
- *Phase 2: Human Capital Management (HCM) Applications (HR and Payroll)*
 - *Duration:* January 2014 – TBD
 - *Status:* Paused in November 2015 and Restarted in May 2016
- *Phase 3: Advanced Procurement*
 - *Duration:* November 2013 – May 2014
 - *Status:* COMPLETE

Phase 1 and Phase 3 were implemented and are currently operational. Phase 2 was placed on hold in August 2015 after Application Software Technology (AST), the previous system integrator, was notified (July 2015) that they were in material breach of the contract due to multiple failed test events and missed implementation dates. As part of the negotiated settlement terms with AST, which began on May 9, 2016, Oracle America Corporation, Inc. (Oracle) started completion of the Phase 2 HCM implementation for Loudoun and LCPS.

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

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

Phase 2 Human Resources and Payroll

In January 2015, Loudoun engaged Oracle to perform a comprehensive assessment of the failed Phase 2 implementation and to recommend a road map to best move the project forward. Based on the outcome of the assessment, Loudoun and the previous system integrator determined that Oracle, as the owner of the software, was the most suitable system integrator to complete the Phase 2 implementation. As a result, Loudoun authorized Oracle to begin the implementation on May 9, 2016.

On Thursday, June 23, 2016, the Board authorized the County Administrator and the County Attorney to finalize and execute a settlement agreement with the previous system integrator. In addition, the Board authorized the County Administrator or the Purchasing Agent to accept and execute the assignment of the System Agreement (QQ-01540-1) between the County and AST to Oracle to complete the Phase 2 implementation per contract US-TOMA-012015 (including its Schedules and Oracle Ordering Document(s)). Furthermore, the Board approved the appropriation of \$4,775,527, which includes a 10% contingency amount, from the FY 2016 General Fund balance to complete the Phase 2 implementation.

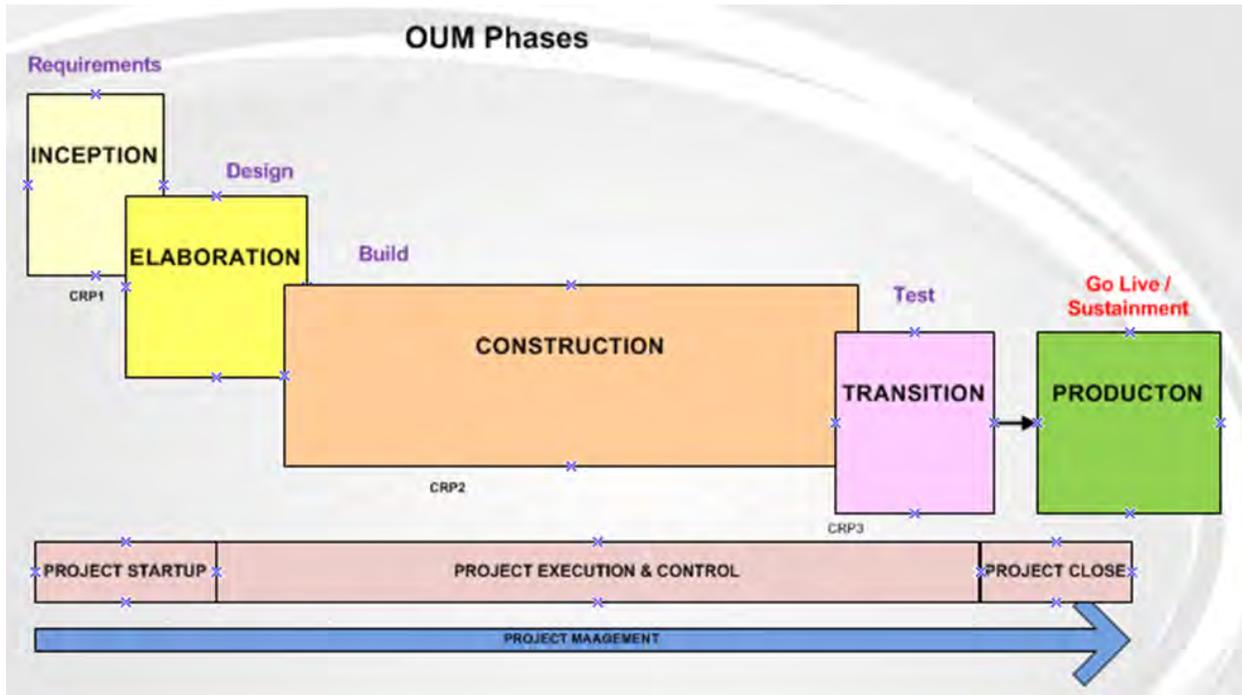
Phase 2 Implementation Reactivation

The Phase 2 implementation with Oracle started on May 9, 2016. Oracle is currently onsite providing project management and system integration services. Additionally, the Business Transformation Office (BTO), providing operational and strategic management support to Loudoun and LCPS, and Client Management, providing project communication across and among Loudoun and LCPS and the Oracle's project team and Executive leadership, have been established. Loudoun is currently soliciting responses for Independent Verification and Validation (IV&V) to provide project management review and technical review services.

Approach

Oracle's 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, Oracle further structured this implementation into two distinct sub-phases – Phase 2 A: Inception and Elaboration and Phase 2B: Construction, Transition, and Production.



During Phase 2A, Oracle, Loudoun, and LCPS will collaboratively review all business requirements to (a) determine whether they are still applicable after the failed implementation and to ensure that they are clearly defined; (b) 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 (c) determine what design/build can be reused from the previous implementation, if any. These activities will further result in a scope of work, solution design, and test plans.

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

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

Phase 2 is now scheduled to go-live in July 2017, as reflected in *Attachment 1: Oracle Phase 2 Project Timeline*.

Status

Per the realigned project plan (which will be baselined pending Loudoun's approval), the project is on schedule to go-live in July 2017. The overall project is currently 9% complete, and the status of key project activities and milestones, by phase, are detailed below.

- **Inception Phase:**

- *Completed Activities and Milestones:*

- Complete and Validate Requirements (Requirements Traceability Matrix - RTM – Loudoun and LCPS)
- Complete and Validate the CEMLI Catalog (Loudoun and LCPS)
- Analyze the RTM (Loudoun and LCPS)
- Conference Room Pilot (CRP) 1 (Loudoun and LCPS)
- Baseline the RTM (Loudoun and LCPS)
- Analyze the CEMLI Catalog (Loudoun and LCPS)
- Baseline the CEMLI Catalog (Loudoun and LCPS)

- *Delayed Activities and Milestones:*

- Project Startup/ Framework / Governance:

- *Percent Complete:* 90%

- *Scheduled Completion Date:* June 30, 2016

**Note: OCS and Loudoun Project Management does not deem this delay to have an impact on the overall project schedule and does not foresee this delay as a risk to the project.*

- **Elaboration Phase:**

- *In Progress Activities and Milestones:*

- Setup and Configuration Documents (Loudoun and LCPS)
 - *Percent Complete:* 25%
 - *Scheduled Completion Date:* August 3, 2016
- Data Mapping (Loudoun and LCPS)
 - *Percent Complete:* 30%
 - *Scheduled Completion Date:* August 3, 2016

There are currently no risk or issues that Oracle's and Loudoun's project management deem to be an impact to the overall project

FISCAL IMPACT: Currently \$6.2 million (including encumbrances) is available to the ERP project in the Capital Fund. The cost for Oracle to complete the Phase 2 implementation is estimated at \$9,389,468. After a settlement agreement with previous implementer is executed and performed, a deficit of \$3,836,579 will remain to complete implementation of Phase 2 by Oracle, which the Board has addressed by appropriating \$4,775,527 from FY 2016 General Fund Balance.

Project Startup
 5/9/16

