TORONTO

Finance

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To: Administration Committee

From: Project Atlas Steering Committee

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Chair,
Chief Financial Officer & Treasurer

S. Hoy
Commissioner of Community & Neighbourhood Services

B. Glover
Executive Director of Human Resources

J. Andrew
Executive Director of Information & Technology

Subject: Project Atlas Update (SAP –FIS / HR/ Payroll System)

Purpose:

To report on the implementation progress of the SAP financial, human resource/payroll system –
Project Atlas - covering the period November 1999 – August 2000.

Financial Implications and Impact Statement:

The Project expenditures are closely monitored, and the budget objectives so far (January-end of
July, 2000) have been met.

Recommendations:

It is recommended that this report be received as information.

Background:

The Project Atlas started in January 1999 under a fixed price contract to implement critical
functions only. The project has been functionality and milestone driven.

The Atlas Team reports that, to date, the implementation has been successful, and all contractual milestones have been met.

Comments:

(i) Project Milestones Completed Since November 1999

The milestones listed below were met as planned, with the exception of the conversion of the HR/Payroll for the City of Toronto which was delayed by two weeks as the result of the Local 79 strike.

FIS Stage 2	Accounts Receivable Procurement and Inventory Planning and Budgeting Year-end processing Additional reports	December 1999
HR/Payroll:	Metro/Scarborough (17,0000 employees)	December 1999
Year 2000 Testing		December 1999
HR/Payroll:	Etobicoke (5,200 employees)	February 2000
HR/Payroll	City of Toronto (12,000 employees)	May 2000

FIS Stage 2-Highlights

The scope of this stage was to implement additional SAP modules: Accounts Receivable, Procurement and Inventory Management Processes, Enhancements to Planning and Budgeting, Year-end processing, additional reports. Critical for this stage was also the completion of all the Year 2000 testing.

This stage went into production smoothly, with very few problems. The production support has been being carried out with resources from Finance, with no consulting support.

Currently, the City is using the following SAP modules: General Ledger, Accounts Payable, Accounts Receivable, Funds Management, Cost Centre Accounting (Operating Costs), Project Systems (Capital Budget), Purchasing, Inventory Management, Materials Resource Planning, Contracts, and Bidders' List. Modules or functionality that was identified in the RFI that has not been implemented include: imaging (a review is now being conducted on the feasibility of using such technology), use of internet for transactions (E-commerce solutions will be investigated further this year), 3 way match of invoice, PO and receiving document (will be implemented after upgrade to release 4.6 tentatively schedule for Spring 2001, and performance measures (to be reviewed in 3rd quarter 2000). Other minor functionality not considered critical by the Advisory Committee will not be implemented such as the ability to create deposit slips for various banks.

HR/Payroll Highlights

As of May 2000, the City is using one Payroll system, for a total of 37,000 employees.

The conversion to the SAP payroll for Metro, Scarborough, Etobicoke, and Toronto was completed successfully, with few outstanding problems that were resolved as part of the 30 day post implementation support. The payroll is being sustained by a combined group of staff and consulting resources under the City's management.

The payroll production team has been dealing successfully with running the regular production schedule, year-end processing, preparation of T4s, changes imposed by Revenue Canada, retroactive payments, implementation of the collective agreements, and day to day production issues.

HRP Implemented Functionality

The scope of the HRP Phase 1 was to implement core payroll functionality, as well as the supporting HR functions to allow payroll to run. The key elements of the following have been implemented:

Payroll Accounting
     Payroll Calculation & Run/Payslips & Cheques/Disbursement of Pay, Benefits & Deductions
     Distribution of Actual Personnel Costs
     Third Party Remittance
Time & Leave Management
     Time Data Recording and Administration
     Absence & Attendance Quotas
     Leave Accrual & Recording
Benefits Administration
     Benefits & Allowance Eligibility/Benefit Enrolment/Deduction Calculation
Personnel Administration
     Personnel Action Processing – New Hire
     Salary Administration
     Personnel Change History
Organization and Position Management
     Maintenance of Organizational Structures
     Position Administration
     Cost Allocation & Distribution

This functionality represents 100% of what was requested by the City in Phase I.

(iii) Contractual Milestones Outstanding

FIS Stage 3 - Add. Operating Budget enhancements   July 2000- completed
        and Cost Planning

Advanced Payroll   February 2001

HR Phases 2/4   February 2001

FIS Stage 3: Operating Budget Enhancements

Budget Development in SAP is comprised of two main components, Salary Cost Planning and Non-Salary Cost Planning. Salary cost planning is performed in the HR module with results transferred to the CO module where the remainder of planning is performed.

The purpose of Budget development and Salary Cost Planning project was to respond to both departmental and corporate requirements. These needs included an integrated approach to salary cost planning and an analytical approach to budgeting, while still providing an opportunity for development of an alternate "what if" scenario.

An automated interface from the current Capital budget System (CAPTOR) to SAP for planning data was also provided.

Advanced Payroll

The last phase of the payroll implementation will provide advanced payroll functionality, as follows:

Various Time Management activities:
       Creation of a single point of entry screen
       Automation of time banks
       Improvement of broken service records

Various payroll activities:
       Retirees management
       Harmonisation of WSIB
       Mass hire/termination

HR Phases 2/4

This phase will include the following:

- **Organization and Position Management**

Enhanced Position Management: Phase 2/4 will build on work done in Phase 1 and will
       introduce further configuration. As the data in this module is the central skeleton for other
       modules being implemented, the new configuration facilitates the use of these other modules.

- **Personnel Development and Training**

Qualifications/Competencies functionality allows the organization to identify and catalogue qualities, knowledge, skills, education and competencies needed by employees to perform jobs and tasks.

Qualifications/Competencies will be implemented in phase 2/4 for the core competencies of senior management. This is intended to provide sufficient knowledge transfer to City staff to expand the configuration after phase 2/4 as the development of the City's competency model continues.

Training & Education: The SAP HR Training and Education component enables organizations to plan, manage and evaluate internal and external training activities. Training and Event Management can also be used to manage conventions or conferences that have sessions running concurrently. Enrolment and wait-listing functions are available as well as cost allocations for charge-backs.

Training & Education will be implemented for instructor-led training by the Information & Technology Division during phase 2/4. Similar to competencies, afterwards city staff will apply the knowledge gained on this limited scope to roll it out to other areas that administer training, e.g. Health & Safety, Organization Effectiveness.

- **Compensation Administration**

Compensation Management covers a range of functions associated with salary and compensation administration. During phase 2/4 the system will be configured only to store and report on job evaluation and employee compensation data. This module will be re-assessed after the city upgrades to the next version of SAP, where new functionality is expected to meet more of the city's business needs.

Personnel Cost Planning permits departments to develop and compare different costing scenarios to forecast wages, salaries and other labour cost items. Personnel costs are extracted according to the organizational units within the organization structure. Personnel Cost Planning has the ability to factor organization changes, such as staffing reductions or increases, into calculations. Personnel Cost Planning data interfaces final planned budget to controlling module (CO). This module went live at the beginning of August, 2000.

- **Recruitment Administration**

Resumix/SAP Interface: The existing tool for recruitment administration for the city, Resumix, will be interfaced to SAP. Overall efficiency will be enhanced by automating data transfer.

- **Department Inquiry Access to SAP**

Security & Training: Starting in 2001 departmental users will be identified, trained and secure access granted to inquire on SAP.

(iv) Other Activities Undertaken Relative to the SAP Implementation

- Re-engineering of accounts payable function

A review of the accounts payable process and structure is currently under way. The final report from the consultants will be available by the end of October.

It is anticipated that changes recommended by this study will commence in the fourth quarter 2000. The result should be a more efficient and reliable process of paying suppliers.

Other areas such as accounts receivable will be reviewed late 2000 or early 2001 to identify areas where improvements can be made.

- Re-engineering of payroll function

HR/P Phase I was implemented on a very fast timeline due to a number of factors; namely Y2K. The aggressive timeline and the lack of common collective agreements and business rules did not allow for any business process redesign. A commitment was made to review and redesign business processes once Phase I was completed. This initiative began in July and involves staff from Payroll, HR and Departments. An initial scoping exercise kicked-off this initiative to prioritize the business processes.

- Account Structure

Several initiatives are under way to review the account and reporting structures within SAP. A review of program maps has begun to ensure that departments can report their programs in a manner that satisfies the budget requirements and allows the public to examine programs in a meaningful manner. At the same time, departments are reviewing account structures and making any appropriate changes to allow better management of departmental programs.

- Other

Accounting Services is also undertaking a review of balance sheet accounts in order to identify common accounts that can be consolidated reducing significantly the number of balance sheet accounts. Also new provincial reporting requirements require a review as new balance sheet accounts need to be created while others such as inventory will no longer be assets for financial statement purposes.

- Software Application Upgrade

It is a condition of the maintenance contract with SAP to upgrade the application periodically (every 18 months) in order to benefit from the additional functionality, as well as the software "fixes" provided to the customers. This requires a major planning effort from a hardware, network, and application perspective since this is not only the City's first upgrade, but it is also a major functional release. SAP will provide a demo of the new release in September. The software upgrade will be completed by May 2000.

- Requests For Proposals

An RFP for Consulting Services was issued for the purpose of identifying qualified consulting support for HR/Payroll, occasional expert advice for SAP Financials, as well as technical backup support. The Vendors were also invited to propose a sustainment model (Competency Centre) for the City to adopt in order to become self supporting. The City will engage the successful vendors for specific assignments, as required.

An RFP for Interfaces was issued for the purpose of identifying qualified consulting services as well as tools to build additional interfaces to the SAP application. The evaluation process has been completed, and the work will start right after the contract signing.

- HR Data Cleanup

The initiative was started for the purpose of improving the quality of the Cost Planning implementation. This task, to be completed by the end of August, covers the identification of unused positions, and the implementation of new business processes to manage them, updating the HR structure with FTE identification, and developing new processes, multiple cost centre assignments, salary increment functionality.

- Workflow Functionality

This has been identified as a requirement by some departments. The Advisory Group analysed the request, and concluded that this functionality cannot be implemented this year due to the current workload of the team.

- SAP Expansion to ABCs

Extending the footprint of the implementation to other Agencies, Boards, and Commissions is the next logical step. We have contacted the Public Library, the Police, and the Housing Company. The Public Library, and the Housing Company while expressing definite interest, indicated that, due to their current workload, they are not prepared to handle the conversion to SAP this year. The Police implementation has been initiated. The Police issued an RFP for implementation services, and the project is planned to start by the end of September. Concurrently, work is being done on finalising the Service Level Agreement between the City and the Police.

(v) Issues

To date, the implementation has been successful, and the contractual milestones have been met. However, there is still a lot of work to be carried out, and issues to resolve:

- Sustainment: currently a mixed team of staff and consultants supports the HR/Payroll. Due to the high workload, there has been limited transfer of knowledge to staff, with no immediate possibility to decrease the need for consultants.
- Training: in order to become self-supporting, the staff must be trained, and additional resources may be required.
- Upgrades: this will become an annual task. Aside from funds to upgrade the platform, it also requires the development of knowledgeable staff.
- Competency Centre is a concept of implementing a production support environment to meet the City's objective of self-sustainment. It is a permanent SAP centre of expertise using 'best practices', and the City's unique profile. While major progress has been made this year, this is an area of major significance, and future development.
- Functionality enhancements should be considered in order to achieve and extend the City's business objectives, and reap the benefits of the current implementation. The City will be looking into end-user reporting tools, and workflow and imaging, to name a few.
- Rolling out the functionality to ABCs should become the key task in late 2000/2001

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