TORONTO STAFF REPORT

March 8, 2002

To: Audit Committee

From: City Auditor

Subject: Oracle Database Software Acquisition – Additional Information

Purpose:

Subsequent to the preparation of the report entitled "Interim Report on Oracle Database Software Acquisition" dated February 6, 2002, and submitted to Council at its meeting of February 13, 2002, further information has been obtained in connection with this matter. The purpose of this report is to present this additional information.

Financial Implications and Impact Statement:

There are no immediate financial implications in relation to this report. The implementation of the recommendations in this report should produce further savings.

Recommendations:

It is recommended that:

(1)   the Commissioner, Corporate Services Department, be required to report back to the Audit Committee by June 30, 2002, on a process to coordinate the acquisition of site licenses for those Agencies, Boards and Commissions over which the City has authority;

(2)   the Commissioner, Corporate Services Department, be required to report back to the Audit Committee by June 30, 2002, on a process to coordinate the acquisition of all computer software and hardware throughout the City, including those Agencies, Boards and Commissions over which the City has authority; and

(d)   the Commissioner, Corporate Services Department, in her report to the Audit Committee give consideration to an appropriate dollar threshold amount over which the above recommendations would apply.

Background:

A report entitled "Interim Report on Oracle Database Software Acquisition" dated February 6, 2002, prepared by the Chief Administrative Officer and the City Auditor in connection with the purchase of Oracle licenses, was forwarded to the Audit Committee for its meeting of February 8, 2002. This report was subsequently forwarded to Council for its consideration at its meeting of February 13, 2002.

As indicated in the report on December 30, 1999, the Y2K Steering Committee, consisting of the Y2K Director, the former Executive Director of Information and Technology Division, and the former Chief Financial Officer and Treasurer, approved the acquisition of 10,000 Oracle licenses and related software maintenance at a cost of approximately $11.3 million. The contract, in connection with this acquisition, was executed on January 5, 2000. Based on a review of the amount of actual licenses required, it has been determined that the number of licenses needed by the City is, in fact, only a fraction of the number of licenses purchased. It was also determined that the acquisition of these enterprise licenses was not required as part of the Y2K solution.

Comments:

At the Toronto Police Services Board meeting of February 24, 2000, the Board approved a report from the Chief of Police dated January 31, 2000. The title of the report was "Selection of Database Software". This particular report recommended the following:

"the Board approve the expenditure of $3.9 million, inclusive of all taxes, based on a five year lease, to IBM Canada for a database (DB2) site license and ongoing and support costs"

The body of the report indicated that it had issued a tender, through City Purchasing, to both IBM and Oracle, the two vendors who share the majority of database installations in the market place. The IBM proposal was the lower bid by a total of $6.9 million over the five year period. The costs for the Oracle software were $10.8 million, while the IBM costs were $3.9 million. It was the unanimous decision of the Toronto Police Service management that the IBM proposal be accepted as a result of the significant financial advantage.

It should be noted, however, that the Toronto Police Service would incur data migration costs in relation to its switch over to IBM DB2. The Toronto Police Service indicated that the majority of these costs relate to internal staff time. They also advise that, even though there are additional costs, these would be significantly less than the difference in costs between the Oracle and IBM DB2 tenders.

Prior to making a decision to proceed with the IBM acquisition, the Toronto Police Service contacted the City for its comments and advice on this matter. The report to the Toronto Police Services Board indicated that "this recommendation has been discussed with the City's Executive Director, Information and Technology Division. The Executive Director agrees with the conclusion based upon the information provided to him."

There is no reference in the report to the Toronto Police Services Board that the licenses were required for Y2K purposes. Discussions with Toronto Police Service staff confirm that the purchase was not related to Y2K.

The decision to proceed with the purchase of IBM Canada database site licenses at the Toronto Police Service was taken within a month of the acquisition by the City of 10,000 Oracle licenses. Based on our review, the City had purchased a significant number of surplus Oracle site licenses which could have been used at the Toronto Police Service.

We have been advised by Toronto Police Service staff that they were not made aware that the City had recently purchased 10,000 Oracle licenses. We have also been advised by the Toronto Police Service that if they had, in fact, been aware of the acquisition of the Oracle licenses by the City, the Toronto Police Service would have coordinated its acquisition with the City.

The Requirement for a Tender Process

The acquisition of the site licenses at the City was not the subject of a tender process.

The City, at the present time and prior to the acquisition of the Oracle licenses, was committed to an Oracle data base platform. A number of large information technology applications at the City, such as SAP and the CLASS system, currently operate with Oracle data base software as its foundation. A complete migration from an Oracle data base platform to a data base platform provided by another supplier would have required significant resources both in terms of time, staff and additional funding. However, no financial analysis was done to confirm this. While the necessity for a tender process was questionable, there is no analysis or documentation supporting such a decision. In these circumstances, it would have been appropriate to advise Council of the decision not to proceed with a tender process, including a business case supporting the appropriateness of such a decision. In retrospect, the acquisition was not time sensitive and, as such, there would have been ample opportunity for this to be done.

The Toronto Police Service, on the other hand, did initiate a tender process in relation to its acquisition of site licenses. We have discussed this particular issue with both the Toronto Police Service and City Information and Technology Division staff. We have been advised that the Toronto Police Service were not committed to Oracle to the same extent that the City was. Consequently, the migration to the IBM DB2 system did not present the same operational problems which existed at the City.

Conclusions:

The Toronto Police Service acted appropriately in contacting the City prior to proceeding with the acquisition of data base site licenses. However, they were not advised that the City had recently acquired 10,000 Oracle licenses, some of which they could probably have used.

One further issue of relevance is the significant difference in price between the Oracle and IBM products. The Toronto Police Service, in its evaluation of both products, were unanimous in selecting IBM which had a significant price advantage. While the price advantage on the surface

appeared to be significant, there were additional operational costs in relation to the migration from Oracle to the IBM DB2 system which would have reduced this differential.

While the decision to not proceed with a tender process at the City may have been appropriate, there is no documentation supporting this decision. In addition, Council was not informed of the circumstances relating to this decision.

The recommendations contained in this report will ensure that there is an appropriate level of coordination, communication and co-operation between the City and its Agencies, Boards and Commissions in relation to the acquisition of all computer software, including site licenses and hardware. The benefits of such an approach will be a standardization of corporate software and hardware acquisitions, as well as the potential to leverage collective purchasing power.

Contact:

Jeffrey Griffiths, City Auditor, Tel: (416) 392-8461, Fax: (416) 392-3754
E-Mail: Jeff.GRIFFITHS@city.toronto.on.ca

Jeffrey Griffiths
City Auditor

dl/cg

C:\DATA\Audit\2002\Reports\Corporate Services\I & T\Oracle Database Additional Info FINAL Mar 8 2002.doc