TORONTO

STAFF REPORT
ACTION REQUIRED

Progress Update on the e-Procurement Project

Date:	August 7, 2013
To:	Government Management Committee
From:	Director, Purchasing and Materials Management Chief Information Officer
Wards:	All
Reference Number:	P:\2013\Internal Services\pmmd\gm13006pmmd (AFS 17900)

SUMMARY

The purpose of this report is to advise the Government Management Committee on the progress of the initiatives that the Director, Purchasing Materials Management and Chief Information Officer are taking to leverage technology in the procurement process.

This report provides an update on the e-Procurement Project. The project team is currently procuring consulting services to perform further scoping and planning which will form the basis for a detailed implementation plan (budget and schedule).

RECOMMENDATIONS

The Director, Purchasing and Materials Management and the Chief Information Officer recommends that:

1.   Government Management Committee receive this report for information.

Financial Impact

There is no financial impact from this report. The approved e-Procurement capital project budget of $1.955 million and 2013 cash flow of $1.411 million is available to cover costs associated with the e-Procurement scoping and planning. At the end of June 30, 2013, $298,844 has been spent on the project. Due to the unexpected lack of responses from the most recent RFP issued, the project's current cash flows will not be fully determined until bids are received from the re-issued RFP, anticipated by year end. The scoping and planning phase is scheduled for completion in the second quarter of 2014 as PMMD anticipates a vendor start date of January 2014 to 2nd Quarter 2014. The expected

deliverables will provide the project team with sufficient information to develop a budget and schedule for implementing e-Procurement in the City as part of the 2015 Capital Budget process.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting held on January 21st 2013, City Council, in its consideration of item GM19.9 "Online Contractor Database and Service" requested the Director, Purchasing and Materials Management and Chief Information Officer, to report back to the Government Management Committee on the steps staff are taking to improve the procurement process.

The following is the link to City Council Decision Document:
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.GM19.9

COMMENTS

In 2007, Purchasing and Materials Management Division (PMMD) undertook an e-Procurement Feasibility Study. PMMD hired Partnering & Procurement Inc. (PPI) to evaluate the City's current use of e-Procurement services / tools and develop an approach to improve the use of e-Procurement by recommending options that would be viable within the City's current business processes and technology infrastructure.

e-Procurement is a collective term for a range of technologies that can be used to automate the internal and external processes associated with sourcing, ordering, commissioning, receipting and making payments for the whole spectrum of an organization's procurement activities. The range of technologies includes, but is not limited to, elements such as competitive call document advertising and distribution, electronic bid receipt, contract evaluation and award, ordering and payment of goods and services, vendor registration and management, and contract/ service management.

The Feasibility Study recommended that the following e-Procurement opportunities be explored:
- expand the use of SAP to enhance electronic ordering and overall supplier management,
- explore the use of portal technology to allow bidders to interact with PMMD by downloading procurement calls from PMMD online and to allow bidders to submit responses to procurement calls online,
- allow vendors to submit invoices electronically online,
- evolve end-to-end procurement-through-payment processes, and,
- develop a policy framework to support the new business processes that result from these opportunities.

The expected benefits from the e-Procurement project include:
- improved productivity from the automation of the source-to-pay process,
- improved transparency,
- enhanced warehouse services through online ordering/inventory tracking,
- improved contract lifecycle management, and,
- improved vendor performance management.

Consequently, PMMD set up an implementation team and in consultation with all key stakeholders, determined the need for further planning and scoping that would guide the development of e-Procurement through a phased approach, increasing the efficiency, and enhancing the effectiveness of the City's purchasing process.

In 2011, the e-Procurement project was formally initiated and work commenced on developing enterprise architecture documents needed to further guide the process through the scoping and planning phase. The PMMD Business Architecture Report was completed and approved by the Enterprise Architecture Review Committee in December 2012. Enterprise Architecture refers to a framework to manage and align business processes, services, IT systems, people, operations and projects within the City's overall eCity strategy. The PMMD Business Architecture Report identifies PMMD's clients, programs, services, outcomes, business processes, performance measures and traces the relationships among them in business models. This allows for identifying business transformation opportunities, alignment and integration of business processes, and the specification of business information and process automation requirements.

On completion of the initial review and approval of the Business Architecture Report by PMMD in July 2012, work commenced on a Request for Proposal (RFP) to procure consulting services for the planning and scoping phase of the project. The expected deliverables were a detailed business case on the e-Procurement project to support further budget submissions, a functional fit-gap analysis to assess whether the City's existing technology (SAP Procurement for Public Sector) can meet all the requirements of e-Procurement and an implementation plan. The RFP closed in March 2013 and no formal bids were received. As a result, industry consultations were conducted in April, 2013 to understand the reason for why the RFP was unsuccessful.

Subsequent to industry consultations conducted in April 2013, the project team is revising the RFP for release in the third quarter of 2013 to procure the required consulting services for the planning and scoping phase of the project. The key finding from the industry consultations was limited Canadian industry experience with implementing SAP Procurement for Public Sector (PPS). The revised RFP will relax the requirements relating to SAP Procurement for Public Sector (PPS) and the City will leverage its existing product support relationship with SAP Canada to validate the RFP deliverables. The scoping and planning phase is scheduled for completion in the second quarter of 2014. The expected deliverables will provide the project team with sufficient information to develop a budget and schedule for implementing e-Procurement in the City to begin in 2015.

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SIGNATURE

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