

# **Amendment to Purchase Order Number 6052202 with Deloitte Incorporated for the Provision of System Integrator Services for the Financial System Transformation Program**

**Date:** October 1, 2024

**To:** General Government Committee

**From:** Chief Financial Officer and Treasurer; Deputy City Manager, Corporate Services and Chief Procurement Officer, Purchasing and Materials Management

**Wards:** All

## **SUMMARY**

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The purpose of the report is to seek authority from the General Government Committee to negotiate and amend Purchase Order number 6052202 with Deloitte Incorporated for the provision of System Integrator Services for the Financial System Transformation Program (the Program) - in order to continue to provide implementation services to support the City's Fall 2025 launch and year end process in 2026, without any impact on the total project cost. The current contract expires December 20, 2024.

The Program is required as the current version of the City's core financial software is approaching end of life in 2027. In the current state, there are numerous systems with financial information that exist outside of the core financial platform. Extensive manual and paper-based steps are required in most aspects of financial processes and reporting.

The new SAP version of the core financial platform provides the City with the opportunity to review and implement more up-to-date industry leading practices by transforming the City's accounting system, which was first implemented in 1999.

This is a large and complex corporate wide business and technology modernization transformational project, focusing on changes to the City's General Ledger, operating accounting processes, capital accounting processes and numerous integration points to other procurement, payroll, asset, and banking processes. Over 2900+ City divisional stakeholders, representing over 40 divisions and one Agency, will be impacted by the transformation of commonly used financial processes.

So far, the Program has completed the redesign of financial business processes and 80% of the preliminary initial testing phase. Part of this work includes collaborating with all City divisions and the Toronto Police Service to socialize the business transformation and assess organizational change impacts.

Organizational change impacts are being actively managed through engagement of all divisions, supported by a 95+ Change Ambassador Network to raise awareness and educate their divisions of the upcoming transformation.

The negotiations and the impending Purchase Order Amendment are intended to support the next phases of the Financial System Transformation Program from 2025 to May 2026, and complete the following key deliverables, all within the current approved budget:

1. Implement the revised Public Sector Accounting Standards
2. Integration Testing of the end-to-end business process system
3. User Acceptance Testing phase
4. Train end users across the City and the Toronto Police Service
5. Upload the City's Interim and Final 2026 Capital and Operating Budgets
6. Conversion, migration and cleansing of data records to migrate from the current SAP system to the new S/4 system
7. Implementation of the Ariba Service Purchase Order process integrated to S/4
8. Hypercare to address critical issues identified by City users which are triaged and rectified in a timely manner to minimize business disruption of City services, as well as adoption of new business processes, including enhancements to the system, where required. This will also include expertise to deliver the new Financial Statements by July 2026.

The total value of the Purchase Order Amendment being requested is up to \$12,100,000 net of all taxes and charges (\$12,312,960 net of Harmonized Sales Tax recoveries), revising the current Purchase Order value from \$51,645,200 net of all taxes and charges (\$52,554,156 net of Harmonized Sales Tax recoveries) to up to \$63,745,200 net of all taxes and charges (\$64,867,116 net of Harmonized Sales Tax recoveries). Funding is available within the approved budget for the Financial System Transformation Program included in the 2024-2033 Approved Capital Budget and Plan for the Office of the Controller.

The \$12.1 million includes \$2 million in contingency to support any unforeseen issues that may arise and could impact the Go-Live. Request to use the contingency will adhere to the project governance approval process which requires Executive Leadership sign-off.

In early 2024, a project review was undertaken to better understand the challenges in achieving project milestones. As an outcome, the project established a stronger governance structure and oversight, improved divisional collaboration, a revised project timeline and realigned the project team resources for efficient delivery of the next phases. The \$12.10 million request for this purchase order amendment is almost entirely offset by savings identified through the project realignment.

General Government Committee approval is required in accordance with Municipal Code Chapter 195, Purchasing, where the current request exceeds the Chief Procurement Officer's authority of the cumulative five-year commitment limit for each vendor under Article 7, Section 195-7.3(D) of the Purchasing By-law or exceeds the threshold of \$500,000 net of Harmonized Sales Tax allowed under staff authority as per the Toronto Municipal Code Chapter 71, Financial Control, Section 71-11.1.

**RECOMMENDATIONS**

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The Chief Financial Officer and Treasurer and Chief Procurement Officer recommend that:

1. The General Government Committee, in accordance with Section 71-11.1.C of the City of Toronto Municipal Code Chapter 71 (Financial Control By-Law), grant authority to negotiate and amend Purchase Order 6052202 with Deloitte Incorporated for the provision of System Integrator Services for Financial System Transformation Program up to \$12,100,000 net of all taxes and charges (\$12,312,960 net of Harmonized Sales Tax recoveries), from \$51,645,200 net of all applicable taxes and charges (\$52,554,156 net of Harmonized Sales Tax recoveries) to a total amount of up to \$63,745,200 net of all applicable taxes and charges (\$64,867,116 net of Harmonizes Sales Tax recoveries).

**FINANCIAL IMPACT**

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The total Purchase Order Amendment request in this report will increase the total value of the Purchase Order, subject to negotiations, by up to \$12,100,000 net of all taxes and charges (\$12,312,960 net of Harmonized Sales Tax recoveries).

Funding is available within the approved budget for the Financial System Transformation Program included in the 2024-2033 Approved Capital Budget and Plan for the Office of the Controller.

Table 1: Financial Impact Summary of Recommended Purchase Order Amendment

Year	Cost Centre	G/L Account	Amount (net of HST Recoveries)
2024	CFS050-01	4079	\$12,312,960
Total			\$12,312,960

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the information in the financial impact.

## DECISION HISTORY

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The General Government and Licensing Committee, at its meeting on December 6, 2023, adopted Item GG8.5, Award of Negotiated Request for Proposal Call No. 3405-20-0131 (Ariba Document Number 2481086143) to Deloitte Incorporated for the Provision of System Integrator Services for the Financial Systems Transformation Program can be viewed at:

<https://www.toronto.ca/legdocs/mmis/2023/gg/bgrd/backgroundfile-241154.pdf>

The General Government and Licensing Committee, at its meeting on March 29, 2021, adopted Item GL21.24, Award of Negotiated Request for Proposal Call No. 3405-20-0131 (Ariba Document Number 2481086143) to Deloitte Incorporated for the Provision of System Integrator Services for the Financial Systems Transformation Program for a total potential contract value of \$43,645,200 net of all taxes (\$44,413,356 net of HST recoveries).

The General Government and Licensing Committee adopted agenda Item 2021.GL21.24 to advise on the final results of a NRFP process and enter into a contract with Deloitte, Incorporated:

<https://www.toronto.ca/legdocs/mmis/2021/gl/bgrd/backgroundfile-164984.pdf>

## COMMENTS

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Through the Financial System Transformation Program, the City of Toronto is modernizing its core financial system and related business processes, as the City's current SAP software will reach end of life and no longer be supported by the software vendor after December 31, 2027.

This implementation includes standardizing and streamlining finance processes, modernizing the finance service operating model, and updating the underlying financial platform to ensure consistent access to timely financial information across divisions and the Toronto Police Service.

In the first half of 2024, a project review was required to analyze the challenges in achieving milestones. A realignment exercise resulted in changes to the solution design, project governance and engagement with divisions through organizational change management. Project resource requirements were also reviewed for internal and external contract resources and realigned to meet project timelines, resulting in \$7.24 million in savings. Through negotiations, the Systems Integrator provided \$3.86 million in implementation services at no cost to the project. The \$12.10 million request for this purchase order amendment, which includes \$2 million in contingency, is almost entirely offset by \$11.10 million in savings realized from the project realignment exercise. The request to negotiate and amend the Purchase Order with Deloitte Incorporated for the provision of System Integrator Services for Financial System Transformation is

intended to support the continued implementation of the Financial System Transformation Program to May 2026.

It is expected that the amendment will enable the project team and impacted stakeholders to continue to deliver the remaining phases of the transformation to achieve a successful deployment and adoption of the new business processes and system. This will enable the City to complete a major modernization of its financial system for enhanced integration, reporting, cybersecurity compliance and compatibility with current software and systems within the current funding envelope.

## **CONTACT**

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## **SIGNATURE**

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Stephen Conforti  
Chief Financial Officer & Treasurer  
Finance and Treasury Services

David Jollimore  
Deputy City Manager  
Corporate Services

Geneviève Sharkey  
Chief Procurement Officer  
Purchasing and Materials Management

## **ATTACHMENTS**

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