



Midpeninsula Regional  
Open Space District

R-12-56  
Meeting 12-18  
June 13, 2012

## **AGENDA ITEM 6**

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Amend the Contract with Schafer Consulting for Implementation Support of the Integrated Accounting and Financial System

### **GENERAL MANAGER'S RECOMMENDATION**

Authorize the General Manager to amend the professional services contract with Schafer Consulting as follows:

1. Increase the contract amount by \$150,000 from \$165,880 to a not to exceed amount of \$315,880 for consulting services to assist staff with implementation of the Integrated Accounting and Finance System;
2. Extend the contract term to March 31, 2013.

### **SUMMARY**

At its regular Board meeting on February 9, 2011, the Board of Directors (Board) approved a contract with Schafer Consulting for assistance with vendor evaluation, selection, and implementation of an Integrated Accounting and Financial System (R-11-22). The vendor, New World Systems, was selected in August 2011 (R-11-79) and the project commenced in September 2011. When the contract with Schafer Consulting (Schafer) was executed, neither the vendor nor the implementation timeline was known. After selecting New World Systems, a detailed implementation timeline was developed, which exceeded the term of the agreement with Schafer. Additionally, several unexpected changes in District staffing resulted in the need to increase the use of Schafer to fill the staffing resource gaps. Consequently, both the amount and term of the contract need to be adjusted.

### **DISCUSSION**

#### **Background**

On February 9, 2011, the Board approved a contract with Schafer Consulting through September 1, 2012 for \$150,880 with a 10% contingency of \$15,000 for a total contract amount not to exceed \$165,880. Because a vendor had not yet been selected, the timeline of the Integrated Accounting and Finance System (IAFS) was uncertain so it was estimated that vendor selection and contract negotiation would take approximately four months and project implementation

would take approximately one year. Based on these assumptions, the contract term was from March 7, 2011 to September 1, 2012.

Upon Board approval of the contract, Schafer immediately began working with staff to evaluate the three top-rated proposals from the software vendors and assisted staff with developing a needs assessment and then scripts for the vendors to demonstrate their system functionalities. Once New World Systems was selected as the software vendor, Schafer assisted the District with negotiating the contract with them. Vendor selection and contract negotiation took longer than expected and the contract with New World Systems (NWS) was not approved by the Board until August 10, 2011.

Due to District staff's already heavy workload and the amount of time required from staff to implement the IAFS, the decision was made to implement the project in two phases: Core Financials in July 2012 and Human Resources/Payroll (HR/PR) in January 2013. This extended schedule would spread the work out over a longer period of time as well as better accommodate busier parts of the year such as annual and midyear budget development, which are time-consuming activities for staff.

### **Core Financials Implementation**

The first project kickoff meeting with the vendor was on September 16, 2011 and the first NWS site visit to develop the Chart of Accounts occurred in early November 2011 and was followed by three, week-long Immersion Training workshops (January, March, and April 2012) with NWS and Schafer onsite. During the months of April, May, and June, District staff worked closely with both Schafer and NWS to finalize data migration decisions; set-up system processes and user security settings; load current year vendor, contract, and purchase order data; conduct system testing and validation of reports; and prepare for End User Training, which occurs the weeks of June 4 and June 11. The Core Financials are scheduled to Go-Live on Thursday, July 5. The week prior to Go-Live will require significant work by NWS to perform the final data migration from Fundware to the new system followed by extensive system testing and data validation to be performed by Schafer and District staff.

### **Unforeseen Events**

Several unforeseen events occurred which had the potential to jeopardize the Project's timeline and success. Schafer increased its participation in the project to help the District keep the Project on track. However, Schafer's increased hours incurred additional costs, which will require the contract amount to be increased. Below are the key challenges that have contributed to higher than planned usage of Schafer Consulting services.

- 1. Chart of Accounts** – Development of the Chart of Accounts took considerably more time and staff resources from both Schafer and the District than was anticipated due to system glitches encountered along the way, as well as unique reporting functionalities desired by the District (e.g., tracking costs by preserve, rental property tracking, etc.).

In order to resolve these issues, Schafer had to modify the new chart several times, including performing various tests to ensure the new chart would meet the needs of the District.

- 2. District Staffing Changes** - In January 2012, the project suffered a great loss when the District's Project Manager resigned. Shortly thereafter, the Accountant also left the District. These two positions were critical members of the four-person Project Core Team (comprised

of Administrative Services Manager, Project Manager, Senior Management Analyst, and Accountant). The Project Manager was spending approximately 80% of her time managing the IAFS Project, an amount that could not be absorbed by other positions, and the Accountant was intended to be the subject matter expert on the accounting software system. This loss of 50% of the Core Team had the potential to derail the entire project timeline.

The District decided to hire a temporary Project Manager through the end of the Project. The position was vacant for seven weeks until someone was hired and, during that period, the Administrative Services Manager and Schafer split the Project Manager responsibilities until a new Project Manager was on board. Once the position was filled, Schafer trained the incumbent on the day to day project management activities and tools.

Since the Accountant position has been vacant since January 20, 2012, Schafer has taken responsibility for many of the activities the Accountant would have performed in order to keep the project on track, in particular, those activities requiring technical accounting knowledge. With the Accountant position vacant, the District's in-house technical knowledge has been limited and Schafer has helped fill that gap.

- 3. District Staff Capacity** – The District's Action Plan contains a large number projects that require significant staff resources. During the past year, the District's staff vacancy rate has ranged between 7% and 10% which has had a substantial impact on its ability to complete projects. The addition of the Strategic Plan further stretched staff capacity. Consequently, Schafer has been used to supplement District staff to accomplish a number of critical project activities, including: accounting responsibilities, assist with entering contracts and purchase orders into the New World, create End User Training material, cleanup/finalize project listings for each department, setup rental lease terms in New World, review/refine user security and process manager setup, projects & accounts payable conversion, and test scripts development and testing.

### **Upcoming Activities**

As discussed above, the Core Financials are scheduled to go live on July 5, 2012, and will require significant support from Schafer for data conversion and testing. Following implementation of the financial modules, the HR/PR implementation will begin on July 30, 2012 and Schafer will continue to support the District through its implementation.

As of May 1, 2012, the contract with Schafer has a remaining balance of \$14,000. Schafer projects it will require 922 additional hours for Core Financials go live and the HR/PR implementation which will cost approximately \$138,000. The addition of travel and expenses, estimated at \$16,000, less the \$14,000 available balance, totals \$140,000. Inclusion of a \$10,000 (7%) contingency brings the proposed amendment to \$150,000.

### **FISCAL IMPACT**

A total of \$76,800 was budgeted for Schafer Consulting in the FY2012-13 Capital Expenditures (CapEx) Budget. Approval of this amendment will increase the CapEx, net of grants and exclusions, by \$150,000 to \$3,480,760 which is well below the CapEx guideline of \$6.43 million.

**BOARD COMMITTEE REVIEW**

This report was discussed by the Administration and Budget Committee on June 5, 2012.

**PUBLIC NOTICE**

Notice has been provided as required by the Brown Act. No additional notice is required.

**CEQA COMPLIANCE**

The proposed action is not a project under the California Environmental Quality Act (CEQA) and no environmental review is required.

**NEXT STEP**

Upon Board authorization, the General Manager will amend the contract with Schafer Consulting to extend the term, revise the scope, and increase the contract amount for implementation of the Integrated Accounting and Finance System.

Attachment

1. Consultant Services Scope of Work

Responsible Department Manager:   
Kate Drayson, Administrative Services Manager

Prepared by:  
Kate Drayson, Administrative Services Manager

Contact person:  
Same as above

**ATTACHMENT A:**  
**SCOPE OF WORK**  
**INDEPENDENT PROJECT OVERSIGHT AND STAFF AUGMENTATION**

**Task 1 – Project Management Services**

Schafer Consulting will assist with ongoing project management and guidance to the District's Project Manager.

- Participate as a member of the Project Steering Committee
- Assist with the fulfillment of user needs and software vendor contract requirements
- Provide status updates and alerting the District's Project Manager of potential areas of concern or areas where additional attention is required. Reflect areas in the Risk Log
- Participate in status meetings - Schafer's proposed Project Manager will participate in regular status meetings (along with other meetings), as requested by the District, and provide periodic written status reports to the District's Project Manager. Periodic reports will also be prepared for the Board of Directors. As a part of our regular status meetings, Schafer will also:
  - ✓ Recommend acceptance or rejection of vendor deliverables.
  - ✓ Assist the District's Project Manager to make necessary decisions regarding configuration and process changes.
  - ✓ Notify the District's Project Manager of potential areas of concern or areas where additional attention is required.
  - ✓ Prepare agendas for project status meetings, as needed, that highlight plans and major issues.
- Assist with the maintenance and update all project tools and templates, including issues list, risk log, change management log, decision log, test log, etc.
- Manage documentation efforts – during the course of the implementation, many issues need to be documented, such as status reports, minutes from meetings, what decisions were made and the reason behind each decision, etc. Often times, the documentation also becomes future desktop procedures.
- Provide post implementation support - At the successful completion of transition to live production, Schafer Consulting will work closely with the software vendor to ensure we collectively provide sufficient support during the post implementation phase. The approach will provide the follow-through mechanics necessary to ensure that the system performs successfully and that all business and technical issues are resolved.
- Assist the District with the recruitment and training of the new Project Manager.

**Task 2 – Assistance with the Chart of Accounts**

Schafer Consulting will participate on all chart of accounts discussions to ensure the best structure is developed to accommodate the tracking and reporting of revenues, expenditures, assets, projects, and grants. In addition, Schafer Consulting will map the old chart to the new chart for data conversion purposes.

**Task 3 – Provide Change Management**

The District's Integrated Accounting and Finance System (IAFS) project will involve implementing business systems that will impact all of the employees of the District at some level. This will require proactive planning and management of adoption and acceptance of the changes to help ensure success.

Schafer Consulting will assist the District in assessing the various changes its business will experience from the implementation of the new system, and then develop plans to help the affected personnel to successfully navigate the changes required to adopt the use of the District's new systems and processes. As a part of this project, change management strategies will be used to promote the infusion of the new system into the District's workplace. Schafer will assist the District's Project Manager, the Steering Committee, and the General Manager with concepts and strategies to overcome users' resistance to change, which include:

- Study the structure and needs of the users and the causes of potential resistance among them;
- Manage with the situation by using the appropriate strategies and techniques in order to introduce the system successfully; and
- Evaluate the status of change management efforts.
- Participate in the internal project team meetings to ensure that all team members understand the decisions and to document their concerns. When issues/problems are raised, prepare presentation materials to demonstrate how the system will meet their needs.

#### **Task 4 – Manage Risks and Provide Quality Control**

A systematic approach to risk management in projects is fundamental for superior performance. Schafer Consulting will help the District in applying and implementing risk management principles, in addition to establishing change management processes to manage cultural change and user resistance. There are a number of factors that affect an implementation's level of risk, including the number and complexity of legacy systems being replaced, the number of interfaces to other systems, the amount of historical data to convert, the aggressiveness of the project timeline, and the number of users that will be affected by the project. As a part of this project, Schafer will take the necessary measures to reduce the business risk of the District's migration. Some of these include:

- Sufficient Training – Ensure that the District's users obtain sufficient training on the new system. The better trained the users are, the fewer problems the District will encounter.
- Legacy System Planning – Properly plan and budget the transition from the legacy systems to the new IAFS system in order to prevent significant problems at cutover.
- Thorough Testing – Conduct unit and integration testing to thoroughly test the new solution with real data and real user profiles before going live. Extensive testing will also be performed for data conversions and data interfaces.
- Provide Plenty of User Support – As a part of Schafer's project management efforts, it will assist the District with planning in advance for the increased volume of support calls during go-live and will ensure that clearly defined escalation procedures are in place for the system and related issues that the District support staff is not able to handle.
- Develop a Contingency Plan – Ensure that a plan is in place to address worst-case scenarios, such as if the system goes down and if there are manual processes that can be reverted to if needed.

Schafer will ensure that the District's implementation plan, budget, and staffing all consider the measures that must be addressed in order to mitigate risks and ensure a smooth project implementation. Schafer's considerable experience implementing ERP systems enables its project managers and consultants to recognize the risk consequences of various acquisition decisions, and will bring these to the District's attention. Schafer's project management approach includes employing industry-standard techniques for managing risks and issues. The team will make recommendations to eliminate uncertainties and lower the probability of adverse consequences.

## Task 5 – Help Revise and Optimize the District’s Business Processes

Often times, the software vendor recommends processes that may not be aligned with their client’s requirements and needs or they may assign consultants with very little government accounting knowledge. In such situations, it is critical that decisions made by the vendor are validated against documented needs assessment reports. For this reason, Schafer Consulting will provide the following services to ensure that the business processes of the District are optimized:

- Provide documented confirmation of configuration and process decisions made (related to software), including status, results, and next steps. Schafer Consulting will work closely with the functional experts from the District and the software vendor to make design and configuration decisions for each module. Many of the decisions will be made during the core design sessions when the functional options of the new system are fully explored. Based on the availability of the different features and the requirements already established during Requirements Definition, the best options would be incorporated.

Schafer Consulting will also assist in the development of a new account code structure ensuring that it meets all external and internal reporting requirements. The structure must be flexible enough to grow with the District as it offers more services.

- Lead the Process Improvement effort, while providing business process evaluation and "best practices" recommendation services when configuring the vendor's software

The implementation effort also presents an excellent opportunity to introduce substantial business process improvements and enhanced customer services. Significant improvements can be generated by deploying complimentary technologies including electronic workflow, robust report writers, self-service products, and dashboard functionalities. Furthermore, upgrading the technology platform to support the new system will provide opportunities to reduce paperwork, streamline workflow within the District, enhance access to information, improve responsiveness to customers, provide improved audit trails, and strengthen security.

- Identify potential benefits or drawbacks, including long-term effects, of selecting one process over another

## Task 6 – Test the Software

Testing is generally performed in conjunction with the software vendor. Schafer Consulting will work closely with the District and the software vendor to design test scripts to include not only frequently processed transactions, but also unusual and complex ones. The purpose of the process testing is to ensure that the setup decisions made during the application design phase generate expected results.

Parallel testing may also be conducted to ensure that the new system generates identical results as the legacy system. Schafer Consulting will manage and provide support of the testing process and promptly work with the vendor to make any necessary revisions to the software development files based on the results.

The acceptance test is usually conducted just prior to going “live”. Schafer Consulting will ensure that provisions for acceptance testing are incorporated into the software contract as well as the project timeline. The provisions should address actions to be taken by the District in the event of any delays in the commencement of the test.

- Establish test cases, procedures and data for each software module – please see above for detail.
- Parallel running of existing and new systems – parallel testing is only necessary for payroll processes. Schafer Consulting will coordinate with District and vendor to ensure the results are accurate and that District employees will be paid accurately.

- Move test environment to production – the new software will be installed in two separate servers; a test environment and a live (or production) environment. During implementation, most of the design, testing, and training will be performed in the test environment. As soon as the set up decisions are validated in test, we need to move the data from test to production. This will happen on a regular basis and must be tightly coordinated; otherwise, good data may be wiped out.
- Ensure new software and hardware meet the District’s performance requirements.
- Test specific functional requirements for each module to ensure the District’s business processes will work in the new environment. Examples of the more time consuming tasks include setting up and testing of vendor insurance requirements in New World, and the testing of General Ledger and vendor data conversion results.

### **Task 7 – Staff Augmentation**

As a project management and implementation services provider, Schafer Consulting will become an extension of the District’s project team. Going into implementation, many clients expect that the software vendor(s) will guide them step by step through the implementation process from beginning to end, but that is not always the reality of these projects. Most vendors contribute the minimum hours necessary in order to prepare the system and the client staff for going live on the new system. It is up to the client to ensure that substantial resources and knowledge sets are allocated in order to meet all the other demands of the project. Although the District has allocated resources and other subject matter experts to the project, a number of project member “drop out” may be experienced by the District as some of the assigned subject matter experts may come to realize that they cannot put off their regular workload in order to participate in the implementation project. In addition, unexpected events may occur that consume the valuable time of District resources. As a result, the weight of the project is placed in the hands of a few key team members who end up being overworked and who cannot feasibly meet all of the project’s deadlines. For these reasons, it would be wise for the District to have a partner in meeting the demands of the implementation phase and to provide a strong foundation between the vendor and the District. Some of the work we performed under this category includes:

- Take on additional responsibilities due to vacant Accountant position
- Assist with entering contracts and purchase orders
- Create end user training material (process scripts, hands-on assignments, PowerPoint presentations)
- Cleanup/finalize project listings for each department
- Setup rental lease terms in New World (for Real Property)
- Review/refine user security and process manager setup
- Projects conversion & AP conversion