

RICHARD S. ARROW, C.P.A.  
Auditor-Controller  
(415) 499-6154

ERNEST CULVER, C.P.A.  
Assistant Auditor-Controller

FAX (415) 499-3785

AUDITOR-CONTROLLER



April 17, 2007

Marin County Board of Supervisors  
3501 Civic Center Drive  
San Rafael, CA 94903

**SUBJECT:** Authorize Board President to Amend and Execute Agreements  
Concerning the MERIT System Implementation

Dear Supervisors:

**RECOMMENDATION:** Authorize the reallocation of funds and authorize Board President, subject to further County Counsel review, to amend and execute the following agreements:

1. Approve contract amendment with Deloitte Consulting LLP increasing the contract amount by \$2,587,456 to support MERIT project implementation and post-implementation efforts.
2. Approve a contract with SAP, Inc. in the amount of \$370,000 for assistance with SAP funds control and inventory management.
3. Approve a contract with Oxford Global Resources, Inc. in the amount of \$268,320 for assistance with SAP funds management (budget) functionality and support for the County's year-end financial closing processes.

**BACKGROUND**

Since 2005, the County has been replacing its financial and administrative systems as the systems were becoming obsolete. The County purchased the SAP software system which included installing the equivalent of approximately 15 software systems over two phases – financial management (Phase I) and human resources (Phase II).

The County implemented its new financial management system and human resource systems on July 1 and December 31, respectively. Due to the complexity and magnitude of these two phases, while currently operational, implementation issues within the system have arisen that require further technical support to resolve. Given this, we are requesting your approval of the following actions for support of the system as outlined below. Recommended funding for these actions would come from several sources identified below.

## **PROPOSED AMENDMENTS AND AGREEMENTS**

1. The County hired Deloitte Consulting LLP to assist in SAP implementation. As originally planned, Deloitte staff was to remain with the project through completion. With the difficulties encountered through implementation, Deloitte remained with the project beyond the anticipated date of final completion. Further, due to ongoing functional challenges with MERIT implementation, Deloitte will need to continue with the project through June 30, 2007. The total Deloitte contract amendment will be \$2,587,456.
2. Due to the highly technical nature of funds control and inventory modules of SAP, the MERIT team selected experts from SAP, Inc. to provide direct support to the MERIT financial team with changes in these modules. This request will cost \$370,000 and should be completed by June 30, 2007.
3. The proposed agreement with Oxford Global Resources, Inc. will assist with the functions related to funds management (e.g., budget). The timing of this \$268,320 contract coincides with closing the County year-end finances. While your Board has recently approved a new position to support this process on an ongoing basis, the County will not be able to fill this position in time to accomplish the FY 2006-07 year-end close. Moreover, since this is the first year that SAP will be used to support financial management and accounting processes, an expert in both SAP and government accounting is needed to ensure that the software properly performs.

## **FISCAL IMPACT**

The net fiscal impact to the project budget are recommended to be offset by a number of sources:

- The County set aside \$2 million for a potential Phase III implementation for e-government/ geographic systems. Given the County's current need to resolve existing systems issues, staff recommends the use of these funds to help offset the costs of the proposed amendments and contracts detailed above.

County staff will evaluate the option of going forward with a Phase III implementation in FY 2008-09 once the current system has stabilized and funding has been identified.

- There is also approximately \$375,000 remaining unspent in the original project budget.
- The remaining balance of approximately \$850,000 will be funded from higher-than-expected revenues identified through the mid-year A&E process, including indirect cost reimbursements of MERIT project costs.

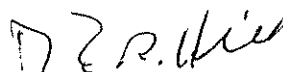
The project team will continue to closely monitor progress on the project and these agreements and identify any means of cost savings that could offset these costs.

Please let us know if you have any questions or concerns.

Sincerely,



Richard S. Arrow  
Auditor Controller



David R. Hill  
Director, IST

SAP requisition number: 1000001994

RSA: rb