Stage 4 Project Readiness and Approval

California Department of Technology, SIMM 19 D.2 (Rev. 3.0.9, 2/28/2022)

4.1   General Information

1. **Agency or State Entity Name: 5225 - Corrections and Rehabilitation, Department of**

   If Agency/State entity not in the list, enter here with the organization code.

   Click or tap here to enter text.

2. **Proposal Name: BIS Migration to S/4 HANA (BIS-2-S4)**

3. **Department of Technology Project Number (0000-000): 5225-180**

4. **S4PRA Version Number: Version 9**

5. **CDT Billing Case Number: CS0052773**

   Don't have a Case Number? Click here to get one.

4.2   Submittal Information

1. **Contact Information**

   Contact Name: Tammy Cason

   Contact Email: tammy.cason@cdcr.ca.gov

   Contact Phone: (916) 628-6216

2. **Submission Type:** Updated Submission

   If Withdraw, select Reason: Choose an item.

   If Other, specify reason here: Click or tap here to enter text.

   Sections Changed if an updated or resubmission (List all the sections that have changed.)

   Click or tap here to enter text.

   Summary of Changes (Summarize updates made.)

   Click or tap here to enter text.

3. Attach **[Project Approval Executive Transmittal](#)** to your email submission.

4. Attach Final **[Procurement Assessment Form](#)** to your email submission.

<B.5-STP-Procurement-Assessment-Form 2.0.docx>

5. **Conditions from Stage 3 Approval** (Enter any conditions from the Stage 3 Solution Analysis approval letter issued by CDT):

    1. The CDCR will amend Independent Verification and Validation (IV&V) contract to correct the Statement of Work (SOW) in accordance with State Administrative Manual (SAM) Section 4940.3 prior to onboarding the System Integrator (SI) team.

4.3   Contract Management

The Contract Manager must be a State Employee and should not be the Project Manager. Please complete the questions below in reference to the **primary solicitation**.

Is the Contract Management Plan complete, approved by the designated Agency/state entity authority, and available for the Department of Technology to review? **Choose**: 'Yes,' 'No,' or 'Not Applicable.' If 'No' or 'Not Applicable,' provide the artifact status in the space provided.

1. **[Contract Management Plan (Approved)](#):** Yes

    Status: <Contract_Management_Plan_BIS2S4 V2 5.31.24.docx>

2. **Has the role of Contract Manager been assigned, and has the Contract Manager reviewed and gained an understanding of the scope, activities, tasks, and deliverables of the contract?** Yes

    If "No," briefly explain below why both have not been accomplished:

    Heidi Lozano

3. **Does the assigned Contract Manager understand the processes for post-award contract activities, including contract amendments, contract work authorizations, terms and conditions, and contract escalation/resolution?** Yes

    If "No," briefly explain below why this has not been accomplished:

4. **Has a post-award kickoff meeting between the Contract Manager and state project team members been scheduled to align state and contractor expectations related to contract, budget, invoicing, requirements review, and contractor incentives?** No

    If "No," briefly explain below why this has not been accomplished:

    Award has not occurred.

5. **Does the Contract Manager understand the Agency/state entity and federal processes, policy, and applicable procedures?** Yes

    If "No," briefly explain below why this has not been accomplished:

6. **Does the Contract Manager have a plan to collect and assess contractor and project performance information on a regular basis (e.g., establish meetings with Project Managers, communication techniques)?** Yes

    If "No," briefly explain below why this has not been accomplished:

4.4   Organizational Readiness

Is the Implementation Management Plan draft complete, approved by the designated Agency/state entity authority, and available for the Department of Technology to review? **Choose**: 'Yes,' 'No,' or 'Not Applicable.' If 'No' or 'Not Applicable,' provide the artifact status in the space provided.

1. **Implementation Management Plan (Draft):** Yes

    Status: <BIS2S4 Implementation_Management_Plan .docx> Draft complete. Selected System Integrator will help to complete the plan.

2. **Does the Agency/state entity currently have a mature release management process with a repeatable and scalable testing methodology that supports all stages of testing (system, integration, security, performance, interfaces, regression, user acceptance, and accessibility)?** Yes

    If "No," briefly describe below the release management process that will be used to manage, plan, schedule, and control a software release through the different phases and environments, including testing and deploying software releases:

    Click or tap here to enter text.

3. **Does the project team have a clear understanding of the areas of business (identified in Stage 1) that will be impacted by the project?** Yes

    If "No," briefly explain below how the Agency/state entity plans to educate the project team to ensure all members have a clear understanding of the impacted business areas by the project:

    Click or tap here to enter text.

4. **Does the Agency/state entity have processes and methodologies in place to support Organizational Change Management (OCM) activities identified in Stage 2, Section 2.9 Organizational Change Management?** Yes

    If "No," briefly describe below how the Agency/state entity will perform OCM activities for this proposal:

5. **Does the Agency/state entity have dedicated knowledge transfer resources assigned to business process improvement or business process reengineering activities resulting from the new solution?** Yes

    If "Yes," specify the areas of business process improvement:

Business process improvements will occur in processes directly impacted by migration such as Finance, Asset Management, Environment, Health and Safety, Procurement, Contract Management.

If "No," briefly explain below how the Agency/state entity will perform business process improvement or business process reengineering activities resulting from the new solution:

Click or tap here to enter text.

6. **Attach** Updated Project Organization Chart to your email submission.

4.5   Project Readiness

1. **Select the system development methodology you plan to use to design and develop the new system: Hybrid**

   Provide a brief description of your methodology and reason for selecting it below:

   The Predictive approach will be used during the target landscape system build out, and data migration. Adaptive approach will be used during code remediation and business process transformation. We are choosing this hybrid approach because it aligns with best practices for S/4HANA migrations. The approach using SAP best practice is called SAP Activate.

   Describe below the Agency/state entity's past project experience using the system development methodology selected. If this methodology has never been used before, describe the training and staff development that will be provided to prepare staff to utilize this methodology.

   Administrative Solutions (AS) currently uses both Predictive and Adaptive approaches for its projects. AS staff use Agile methodologies for development and waterfall for server upgrades and migrations. Staff are comfortable with either approach and employ hybrid approaches regularly.

2. **Has the Agency/state entity engaged the Office of Technology Services (OTech) for capacity planning and the development of the solution delivery timeline? No**

   If "No," and data center capacity planning and alignment services are needed, explain below the reason OTech has not been engaged and what is the alternative plan:

   Capacity planning for the migration is provided by SAP. SAP has migration tools that review the size of the current system and calculate the sized of the target system based on the review. Capacity planning for the S/4HANA target system has already been completed. We will run the tool again before building out the target system to include any delta growth between the initial sizing and current legacy size.

3. **Have resource commitments been obtained for all those identified in the Resource Management Plan? Yes**

   If "No," explain below why commitments have not been obtained and the plan to mitigate this risk:

Click or tap here to enter text.

4. **Does the Resource Management Plan ensure resources are sufficiently committed to perform project activities if they are <u>also</u> committed to other responsibilities?** Yes

    If "No," explain below how sufficient resource levels will be maintained for all project activities:

    Click or tap here to enter text.

5. **Have all identified project leads received at a minimum basic project management training?** Yes

    If "No," explain how the Agency/state entity will educate the project team leads on project management basics:

    Click or tap here to enter text.

4.6   Business Objective Valuation

1. **Attach** the Requirements/Backlog Baseline and/or Deliverables Baseline to your email submission.

    BIS2S4 Deliverables Baseline

2. **Insert your Objectives (ID, Objective, Metric, Baseline, and Target Result) from Stage 1 Section 1.7, along with changes and reason for changes, and assign a percent score value to each. The total of all scores should be 100%.**

    Executive Summary of the Business Problem or Opportunity:

    There are three primary drivers for the migration. In order of severity/benefit:

    1. System support for the current on version of SAP will end in 2027. Systems must move to the new in modern memory system (S4 HANA) before that date and the migration is planned to take three years. This is not a CDCR issue, SAP users worldwide will need to do the same migration. A more familiar analogy might be needing to upgrade a Windows, Android, or Apple operating systems on a home computer or phone. At the same time, you might upgrade your hardware to be compatible with or take advantage of features in the software. Migration is not mandated, but if you don't, your device/system will soon be obsolete and prone to security breaches, leaving you unable to conduct business.

    CDCR has three options to address this problem:

    > A. Move to SAP S4 HANA – This is the recommended alternative, leveraging a significant
    > amount of content from the current system.
    > B. Attempt to preserve service on the existing platform – There are third party vendors who will
    > offer support, but over time, the technology gap between systems will grow so wide that migration may not be possible.

C. Move to a new ERP provider – This option would cost more, be more time consuming, and represents a high risk requiring significantly more change management.

The State's Fi$Cal system does not represent a feasible alternative because it only contains a small portion of the functionality contained in BIS.

2. BIS was never funded for Disaster Recovery (DR) but should have it as it is a mission critical system for CDCR/CCHCS. DR creates a backup system in another location to resume services if the primary system or location is compromised. DR would be included in the new S4 HANA systems, estimated at the same or lower annual operational cost we pay now. There is an opportunity to use this migration project and solve the DR issue at the same time.

3. S4 HANA is a better system. Just as in in the home computer or phone analogy above, systems get: easier to use, faster processing time, more mobile, and user intuitive as they mature. S4 HANA is SAP's evolution of what CDCR operates on now. Some examples:

- Performance and Agility: S4 HANA runs only in memory. Memory runs at 80% of the speed of light. Transaction processing and reporting will be significantly faster, reports that currently take a couple minutes to run would generate in a few seconds. Everything will be faster; time driven business activities like real-time planning, execution, reporting, and analytics based on live data, as well as prompt period closing and forecasting will all improve. Days will become minutes and minutes will become seconds.

- Increased productivity by giving the business real time integration and high visibility of integrated data or reports. S4 HANA analytics will allow business staff to create, run and modify reports instantly. They won't have to wait until month end or quarter end to combine multiple reports or wait for wait for development requests to get the data they need. This will allow the Department to make better data driven decisions more easily in real time and can lead to increased cost savings and improved operational efficiency.

- Easier to use, easier to learn, easier on the go; the Fiori Apps (mobile use apps) make most of the transactions easy and user friendly, the apps can be installed on phones, tablets and run from browsers. Mangers can approve invoices, POs, access requests and view real time reports all from their phone.

- Business process simplification: S4 HANA data architecture uses a new feature called Universal Journal, which combines multiple data structures into a singular database table. This results in less user steps in order to perform the same business function.

Why Now?

The funding for the migration to the S4 HANA platform is needed in 2023-24 for multiple reasons.

- It is generally not a good idea to plan to the exact deadline date for complex system migrations as issues will certainly arise. Migration to the S4 HANA platform sooner than later will also allow time to navigate any issues that may arise during migration and resolve those issues before the impending deadline.

- The longer CDCR waits to migrate the higher the cost for migration will be and the higher the risk of securing available vendor resources. As SAP customers begin the migration to the S4 HANA platform there will be an increase in the demand for migration within the next few years. Demand for quality skills will also increase as many customers begin implementation. This will increase the cost of implementation as well as reduce the number of quality resources available. As time passes CDCR will not have the quality support needed to make the migration and the possibility for complications increases as quality resources and time left to migrate decrease. With that in mind, beginning implementation as soon as possible avoids the consequences of high demand and short supply.

- The longer we wait, the more data and customizations are created in the current version/platform, which will then cost more time and money to move to S4 HANA.

- If HANA is the manner in which we will get Disaster Recovery, the longer we wait, the longer we are at risk.

- The longer we wait, the longer we will not realize the other S4 HANA benefits listed in this proposal.

Objective ID: 1. EoL End of Life

Objective: Upgrade from legacy SAP system to modern SAP system

Change and Reason for Change from Stage 1: No change from Stage 1

Metric: Upgrade from ECC 6.0 to S4 HANA 2.0

Baseline: ECC 6.0

Target Result: S4 HANA 2.0

Valuation: 40

Objective ID: 2. BIS system disaster recovery

Objective: The legacy BIS SAP system does not have disaster recovery

Change and Reason for Change from Stage 1: No change from Stage 1

Metric: Disaster recovery service included in the target host systems

Baseline: Legacy system without disaster recovery

Target Result: SAP S4 HANA target host systems with disaster recovery

Valuation: 20

Objective ID: 3. Business Process Simplification

Objective:35% of the business processes will be simplified when migrated to S4 HANA. The business process will have less steps because SAP S4 HANA is exponentially faster because it runs in memory. The business processes will be re-architected for a better user experience with less steps by leveraging the speed from the upgraded technology.

Change and Reason for Change from Stage 1: No change from Stage 1

Metric: Business process transformation report will identify candidate business process.

Baseline: Legacy process identified by the SAP S4 HANA Readiness Report

Target Result: 10% reduction in operations for Finance and supply chain.

Valuation: 10

Objective ID: 4. Reduce average contract cycle time

Objective: Reduce average contract cycle time by 20% by the end of the first-year post implementation. SAP Ariba automates many manual tasks associated with contract management and sourcing, leading to increased efficiency and reduced cycle times. SAP Ariba provides a centralized platform for managing contracts and sourcing activities, allowing companies to streamline and consolidate their procurement processes.

Change and Reason for Change from Stage 1: Did not include objectives for Phase Two SAP Ariba during Stage 1.

Metric: Reduce average contract cycle time by 20% by the end of the first-year post implementation.

Baseline: Current baseline average contract cycle time is 9 months

Target Result: 20% reduction in average contract cycle time to 7.2 months post SAP Ariba implementation after completion of first year.

Valuation: 10

Objective ID: **5. Reduce costs associated with contract compliance rate.**

Objective: Objective: Reduces costs associated with contract compliance rate by 20% within the first year. The platform helps ensure compliance with corporate policies, industry regulations, and contractual agreements, reducing the risk of non-compliance penalties and legal disputes.

Change and Reason for Change from Stage 1: Did not include objectives for Phase Two SAP Ariba during Stage 1.

Metric: Reduces costs associated with contract compliance rate by 20% within the first year.

Baseline: TBD

Target Result: 20% reduction in cost associated with contract compliance rates post SAP Ariba implementation after completion of first year.

Valuation: 10

Objective ID: **6. Achieve cost savings through improved supplier management and negotiation capabilities within the first year**.

Objective: Achieve 2% cost savings through improved supplier management and negotiation capabilities within the first year. By optimizing sourcing strategies, negotiating better contract

terms, and consolidating contracts throughout the enterprise, companies can achieve significant cost savings with SAP Ariba Contracts and Sourcing.

Change and Reason for Change from Stage 1: Did not include objectives for Phase Two SAP Ariba during Stage 1.

Metric: Achieve cost savings through improved supplier management and negotiation capabilities within the first year.

Baseline: Contract spend for FY22-23 was 947M

Target Result: 2% cost savings in contract spend post SAP Ariba implementation after completion of first year. Reduce contract spend by 19M.

Valuation: 10

TIP: Copy and paste or click the + in the lower right corner of the above seven fields to add multiple objectives.

4.7 Schedule Baseline

1. **Schedule Summary**

   Project Execution Start Dates

   Proposed Project Start Date (from most recently approved schedule/roadmap): 6/28/2024

   Baseline Project Start Date: 6/28/2024

   Variance: 0

   Project End Dates

   Proposed Project Finish Date (from most recently approved schedule/roadmap): 11/30/2026

   Baseline Project Finish Date: 9/25/2026

   Variance: 2 months

2. **Reason(s) for Variances**

   Provide reasons for any date variances: The proposed project plan by the selected systems integrator is 2 months sooner than the initial pre-solicitation estimate.

3. **Master Schedule and Key Milestones**

   Attach Master Schedule with highlighted Key Milestones to your email submission.

<BIS2S4 Phase 1 – Project Plan.mpp>   <BIS2S4 Phase 2 – Project Plan.mpp>

4.8 Cost Baseline

Is the Cost Management Plan complete, approved by the designated Agency/state entity authority, and available for the Department of Technology to review? **Choose**: 'Yes,' 'No,' or 'Not Applicable.' If 'No' or 'Not Applicable,' provide the artifact status in the space provided.

1. [**Cost Management Plan (Approved)**](): Yes

   Status: <Cost_Management_Plan_BIS2S4.docx>

2. **Cost Summary**

   Total Planning Cost (One-Time)

   Estimated Proposed Cost (from most recently approved FAW): $9,687,305

   Baseline Cost: $1,623,353

   Variance: $8,063,952

   Total Project Cost (One-Time)

   Estimated Proposed Cost (from most recently approved FAW): $24,095,048

   Baseline Cost: $51,082,972

   Variance: $26,987,924

   Total Future Operations IT Staff and OE&E Cost (Continuing)

   Estimated Proposed Cost (from most recently approved FAW): $17,781,359

   Baseline Cost: $15,583,082

   Variance: ($2,198,277)

   Total Cost

   Estimated Proposed Cost (from most recently approved FAW): $51,563,712

   Baseline Cost: $68,289,406

   Variance: $16,725,694

   Annual Future Operations IT Costs (Annual M&O)

   Estimated Proposed Cost (from most recently approved FAW): $16,945,987

   Baseline Cost: $12,378,189

   Variance: ($4,567,798)

   TIP: Baseline costs should match the submitted Financial Analysis Worksheet for Stage 4.

3. **Reason(s) for Variances**

   Provide reasons for any cost variances:

Alt I - Future Ops	Stage 2 FAW	Stage 4 FAW	Difference	Narrative
Total Existing/ Redirected Staff	$2,267,429	$7,478,082	$5,210,653	Error was made in 2 FAW; Corrected in Stage 4
Consulting Professional Services	$6,589,566	$2,500,000	($4,089,566)	Reduce by $2M in Stage 4
CDT Database Platform Services	$2,500,000	$0	($2,500,000)	Roles into HANA hosting and licensing in Stage 4
Consolidated Data Centers	$3,905,028	$0	($3,905,028)	Roles into HANA hosting and licensing in Stage 4
Information Technology	$2,519,336	$0	($2,519,336)	Roles into HANA hosting and licensing in Stage 4
HANA & Licensing	$0	$5,605,000	$5,605,000	On-going hosting & Licensing costs (this is a reduction of current fees of $9.5M)

Consulting and Professional	Stage 4 (Ver 13)	Stage 2 (Ver 4)	Variance	Variance Explanation
CDT Project Oversight	$ 717,191.00	$ 963,664.00	$ (246,473.00)	Due to project start and completion date delays the CDT rates decreased.
OS-Platform Managed Services CDT	$ -	$ 1,758,333.00	$ (1,758,333.00)	These costs are included in Hana Hosting and Licensing costs in Stage 4
HANA DB Mang Services		$ 1,275,000.00	$ (1,275,000.00)	These costs are included in Hana Hosting and Licensing costs in Stage 4
SAP Hana Migration Fees	$ 27,730,890.00	$ 11,556,925.00	$ 16,173,965.00	The intricacies involved in our SAP environment were more defined in the SOW by readiness reports and technical details that were provided. As a result, the system integrator has had to allocate more resources and expertise to address these complexities, leading to an increase in costs. Additionally, there have been several developments since the completion of our initial market research. We have implemented a number of customizations and interfaces to better align with our unique business processes and requirements. These enhancements, while necessary for the optimization and seamless integration of our systems, have further contributed to the escalation in costs. The customizations required more specialized skills and additional contract hours. During our competitive procurement process, three vendors were considered. Two were disqualified for failing to meet our requirements, leaving us with the most qualified vendor. This vendor, although the most expensive option, provided a comprehensive bid that demonstrated a deep understanding of the complexities introduced by our custom development within our current system. Their proposal also recognized the necessity of managing most of the migration tasks independently, as our staff will continue supporting the existing system during the migration. The second-place and third place vendors, while less costly, lacked a clear understanding of the project's scope and relied too heavily on our internal team for executing key migration tasks, which could jeopardize both the migration and ongoing operations. For perspective on the magnitude of the S4/HANA Migration project, there are 4,000 customizations and each will need to be evaluated and migrated to S4/HANA. $2,519,458 Unanticipated Costs are included in the total. When working on a highly complex project, there can be unforeseen factors; such as, requirements that were not initially evident. Including unanticipated costs in the contract allows for flexibility and risk management without project delays. This was identified and recommended after PAL Process Stage 2.
IV&V (Independent Auditor)	$ 851,506.00	$ 725,000.00	$ 126,506.00	Actual costs came in higher than estimated.
Hosting	$ -	$ 4,151,557.00	$ (4,151,557.00)	These costs was are included in Hana Hosting and Licensing costs in Stage 4
Hosting DR	$ -	$ 375,000.00	$ (375,000.00)	These costs was are included in Hana Hosting and Licensing costs in Stage 4
HANA Hosting and Licensing	$ 14,823,443.00	$ -	$ 14,823,443.00	This represents 3 years of hosting and licensing . During market research, we had not determined where our environment would be hosted. We were able to find a lower cost and higher value with the selected vendor. Hosting our environment with RISE will save the Department approximately $4M beginning 2027-28 and on-going.
S4 HANA SW Maintenance	$ -	$ 1,958,931.00	$ (1,958,931.00)	These costs was are included in Hana Hosting and Licensing costs in Stage 4
S4 Purchase	$ -	$ 700,000.00	$ (700,000.00)	These costs was are included in Hana Hosting and Licensing costs in Stage 4
HANA DB Purchase	$ -	$ 2,500,000.00	$ (2,500,000.00)	These costs was are included in Hana Hosting and Licensing costs in Stage 4

4. Budget Change Proposal (BCP) Summary

Budget Request ID: 5225-075-BCP-2023-GB

Budget Request Year (0000-00): 2023-24

Requested Amount (specific to the project): $25,200,000.

Status: Supported

Budget Bill Language (if supported): The California Department of Corrections and Rehabilitation (CDCR) requests $8.1 million General Fund in 2023-24, $9.3 million in 2024-25,

and $7.8 million in 2025-26 to migrate CDCR's System Applications and Products (SAP) software to SAP's new system offering, S/4 HANA.

TIP: Copy and paste or click the + button in the lower right corner to add BCPs as needed (e.g., Planning and Project related).

5. **Financial Analysis Worksheets (Baseline)**

    Attach Final FAWs to your email submission.

4.9   Primary Solicitation Results

1. **Attach** the approved Evaluation and Selection Report for the primary solicitation to your email submission.

2. **Attach** the proposed contract resulting from the primary solicitation to your email submission.

3. **Was one of the viable solutions in Stage 2 selected for final contract award?** Yes

    If "No", please describe:

    Click or tap here to enter text.

4. **Selected Vendor Name: Deloitte**

5. **Contract Number: C5611309**

    a. Contract Start Date: 7/1/2024
    b. Contract End Date: 6/30/2028

6. **Total Contract Cost (without optional years): $27,714,038.00**

    a. Optional Years (Number of Months): 0

7. **Total Cost of Optional Years: 0**

8. **Total Contract Cost (with optional years): $27,714,038.00**

Are the following Project Management Plan Drafts approved by the designated Agency/state entity authority and available for the Department of Technology to review? **Choose**: 'Yes,' 'No,' or 'Not Applicable.' If 'No' or 'Not Applicable,' provide the artifact status in the space provided. These plans may be completed with the selected primary vendor.

1. **Configuration Management Plan (Draft):** Yes

    Status: <BIS2S4 Configuration Management Plan.docx>

2. **Data Management Plan (Draft):** Yes

    Status: <CDCR Proposed Data Conversion Approach - 113019 Rev 1.psf>

3. **Maintenance and Operations Transition Management Plan (Draft):** Yes

    Status: <BIS2S4 Maintenance_and_Operations_Transition_Management_Plan.docx>

4.10 Risk Register

Attach Risk Register to your email submission. <Risk_Register_BIS2S4 V2.060324.xlxs>

End of Stage 4 Project Readiness and Approval Document.

Please ensure ADA compliance before submitting this document to CDT.

When ready, submit Stage 4 and all attachments in an email to ProjectOversight@state.ca.gov.

TIP: Use the Gate 4 Project Readiness and Approval Evaluation Scorecard (SIMM Section 19-D) as an internal tool to ensure a quality submission.

Department of Technology Use Only

Original "New Submission" Date: 6/25/2024

Form Received Date: 6/25/2024

Form Accepted Date: 6/25/2024

Form Status: In Analysis

Form Status Date: 6/25/2024

Form Disposition: Choose an item.

Form Disposition Date: Click or tap to enter a date.