



**FINANCE AND BUDGET COMMITTEE  
FEBRUARY 14, 2007**

**SUBJECT: PAYROLL SYSTEM ENHANCEMENTS**

**ACTION: AWARD CONTRACT TO HESS & ASSOCIATES FOR PAYROLL  
SYSTEM SOFTWARE ENHANCEMENTS AND IMPLEMENTATION  
SERVICES**

**RECOMMENDATION:**

Authorize the Chief Executive Officer to award a non-competitive, firm fixed price contract, Contract No. PS92401958, to Hess & Associates to provide Payroll System enhancements and implementation services for a period of 12 months in an amount not to exceed \$240,000, effective April 1, 2007.

**RATIONALE:**

In 1998 to achieve Y2K (Year 2000) compliance, Metro engaged Hess & Associates to co-develop a server-based Payroll System to migrate its payroll processing from the mainframe environment. Since then, Hess & Associates, working with the City of L.A., has developed additional software modules, Electronic Timesheets, Garnishments, and Enhanced Payroll Validation and Reporting Tools, to expand the functionality of the base payroll system. These enhancements have been in use at the City of L.A. for the past year. This award will procure the license for these additional Payroll System software modules and the support services to implement them.

Metro processes an average of 65,000 non-represented employee timesheets annually. In October 2005, Metro initiated a pilot project to introduce the use of Electronic Timesheets. The result of the pilot project showed a significant reduction in the time and labor involved in gathering and recording timesheets. In addition, it provided overall improvements in internal controls, audit trails and reduction of recordkeeping costs.

Metro processes an average of 31,500 garnishment deductions annually. Metro's existing garnishment system cannot process transactions that require multiple disbursements per deduction. Currently as multiple disbursement transactions must be processed manually, they are labor intensive and subject to calculation errors. The enhanced Garnishment module will automate multiple disbursements and provide stronger internal controls

**ALTERNATIVES CONSIDERED:**

The alternative is to not procure the license for the Payroll System software enhancements. This is not recommended as it will preclude Metro's ability to implement these enhancements to realize improvements in process efficiency and internal controls. Due to the size of Metro's employee population, the inability to automate routine timekeeping tasks will prolong the inefficient use of resources.

**FINANCIAL IMPACT:**

The funding of \$180,000 is included in the FY07 budget in cost center 9230, ITS-System Architecture & Integration, under Project 207018, Application Platform Upgrade. As this contract crosses fiscal years, the Chief Administrative Services Officer and the Chief Information Officer will be accountable for budgeting the cost in FY08.

**ATTACHMENT(S):**

- A. Procurement Summary
- A-1. Procurement History
- A-2. List of Subcontractors

Prepared by: Elizabeth Bennett  
Chief Information Officer



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Lonnie Mitchell  
Chief Administrative Services Officer



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Roger Snoble  
Chief Executive Officer

**ATTACHMENT A  
PROCUREMENT SUMMARY**

**PAYROLL SYSTEM ENHANCEMENTS**

1.	Contract Number: PS92401958		
2.	Recommended Vendor: Hess & Associates, Inc.		
3.	Cost/Price Analysis Information:		
	A. Bid/Proposed Price: \$ 240,000	Recommended Price: \$ 240,000	
	B. Details of Significant Variances are in Attachment A-1.D		
4.	Contract Type: Fixed Price		
5.	Procurement Dates:		
	A. Issued: December 15, 2006		
	B. Advertised: Not Applicable		
	C. Pre-proposal Conference: Not Applicable		
	D. Proposals Due: January 8, 2007		
	E. Pre-Qualification Completed: January 19, 2007		
	F. Conflict of Interest Form Submitted to Ethics: January 18, 2007		
6.	Small Business Participation:		
	A. Bid/Proposal Goal: 0%	Date Small Business Evaluation Completed: December 14, 2006	
	B. Small Business Commitment: 0% Details are in Attachment A-2		
7.	Invitation for Bid/Request for Proposal Data:		
	Notifications Sent: Non-Competitive	Bids/Proposals Picked up: Non-Competitive	Bids/Proposals Received: One
8.	Evaluation Information:		
	A. Bidders/Proposers Names: Hess & Associates	<u>Bid/Proposal Amount:</u> \$ 240,000	<u>Best and Final Offer Amount:</u> \$ 240,000
	B. Evaluation Methodology: Non-Competitive Details are in Attachment A-1.		
9.	Protest Information: None		
	A. Protest Period End Date: N/A		
	B. Protest Receipt Date: N/A		
	C. Disposition of Protest Date: N/A		
10.	Contract Administrator: Pat Lane-Goodson	Telephone Number: 922-4639	
11.	Project Manager: Norman Haddock	Telephone Number: 922-4549	

**ATTACHMENT A-1  
PROCUREMENT HISTORY**

**PAYROLL SYSTEM ENHANCEMENTS**

**A. Background on Contractor**

Hess & Associates has more than 20 years experience designing, developing, enhancing and supporting the payroll/personnel system currently in operation at Metro. They have completed at least 15 major modification projects during that time, including cost center conversions, version updates and creation of Electronic Timesheets (E-Time).

Bob Hess, president of Hess & Associates, will serve as project manager and system architect for the effort. In addition to working on several payroll efforts for Metro (E-Time, etc.), Mr. Hess has worked on over 30 large payroll/personnel implementation affecting more than 600,000 employees. These implementations have been in both the public and private sector throughout the United States. Mr. Hess has worked extensively in developing, implementing, enhancing, upgrading, and maintaining payroll/personnel systems. To date, each project and task awarded to Hess & Associates has been completed within the time-frame required, and at the cost agreed upon.

**B. Procurement Background**

This is a non-competitive contract. Hess & Associates initially developed and implemented Metro's current payroll system, and provides the maintenance and support for its products. Hess has recently developed several new upgrades, such as E-Time and Garnishments, which will significantly improve the efficiency of the overall payroll process.

Under this firm-fixed price contract, Hess & Associates will supply new software modules for Metro's existing payroll platform. Tasks for this effort include the acquisition of new modules, integration of the modules into the existing environment, configuring the software to conform to Metro's business rules, and testing and confirming that the new modules operate properly in the updated environment. Hess & Associates are the developer of this payroll system, and are therefore, the only source from which new enhancements can be purchased.

A Determination & Finding was prepared and approved to execute a non-competitive procurement for this requirement. This non-competitive action complies with PUC 130237, "Single Source Exceptions," which permits use of a single source of supply for the sole purpose of duplicating or replacing supplies equipment, or material already in use, without observance of competitive bidding requirements.

The Small Business Unit did not recommend a Small Business Enterprise participation goal for this procurement.

**C. Evaluation of Proposals**

This is a non-competitive contract action and no other proposals were solicited. The Project Manager has reviewed the hours proposed for this task and has deemed them acceptable to meet the requirements of this statement of work.

**D. Cost/Price Analysis Explanation of Variances**

Utilizing similar work scopes of other contractors, the Contract Administrator performed a comparative price/cost analysis for Hess & Associates' proposed rates. Hess & Associates rates were within acceptable competitive range of contractors performing similar tasks on Metro's Computer Programming & Database Services Bench Contract (PS-9210-1088-D). Additionally, Hess & Associates proposed rates are less than the published GSA rates for similar labor categories.

Based on the above, the recommended price has been determined to be fair and reasonable.

ATTACHMENT A-2  
LIST OF SUBCONTRACTORS

PAYROLL SYSTEM ENHANCEMENTS

PRIME CONTRACTOR – Hess & Associates

Small Business Commitment

Other Subcontractors

0%.

Total Commitment      0%

