



Sitting at the Head of the Table: Skills to Lead Your Next ERP Project

Workshop Part 2

1:15 – 2:30 PM
Sunday, July 27, 2025

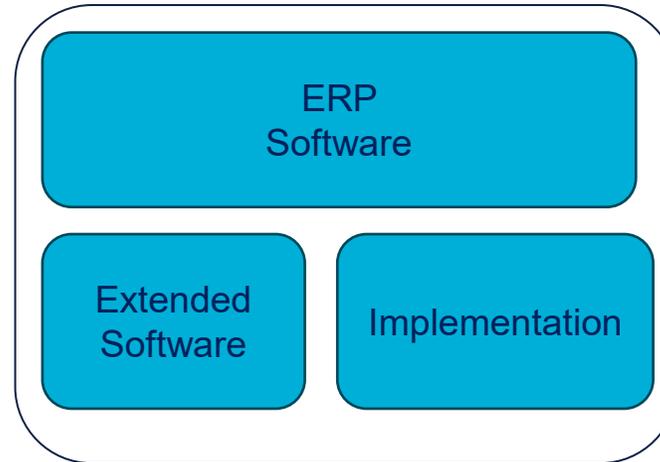
Mike Mucha
GFOA

Cloud ERP Contracts

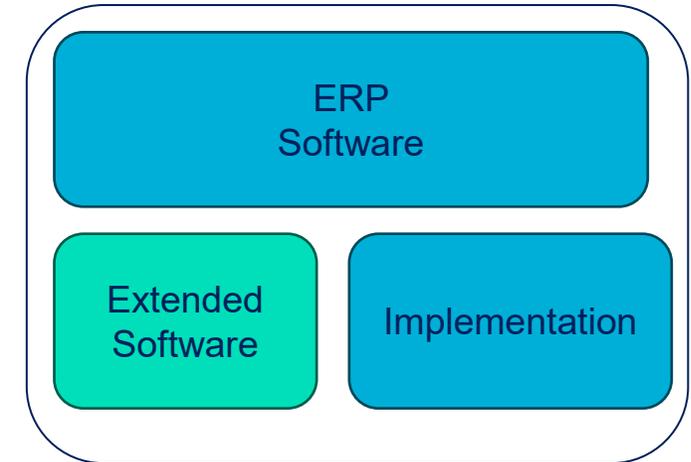
ERP Vendor Structure

- Different vendor business models may require a different approach to contracting
- Governments will often have multiple contracts

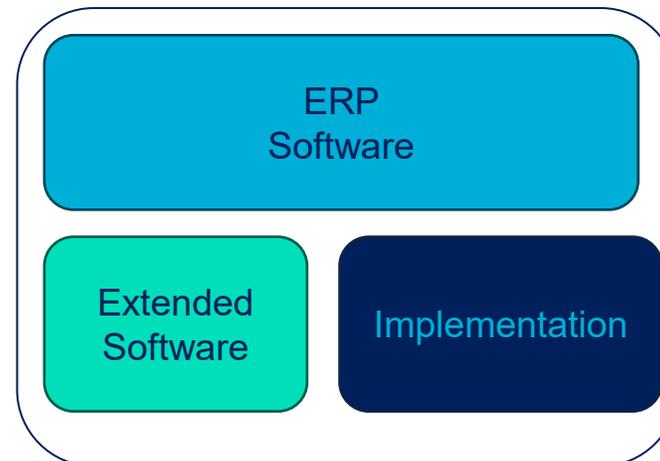
1) All Under One Umbrella



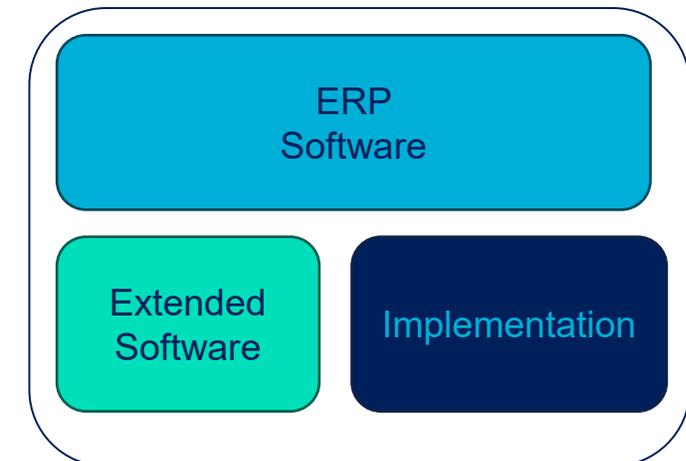
2) Best of Breed



3) Software and Services Split

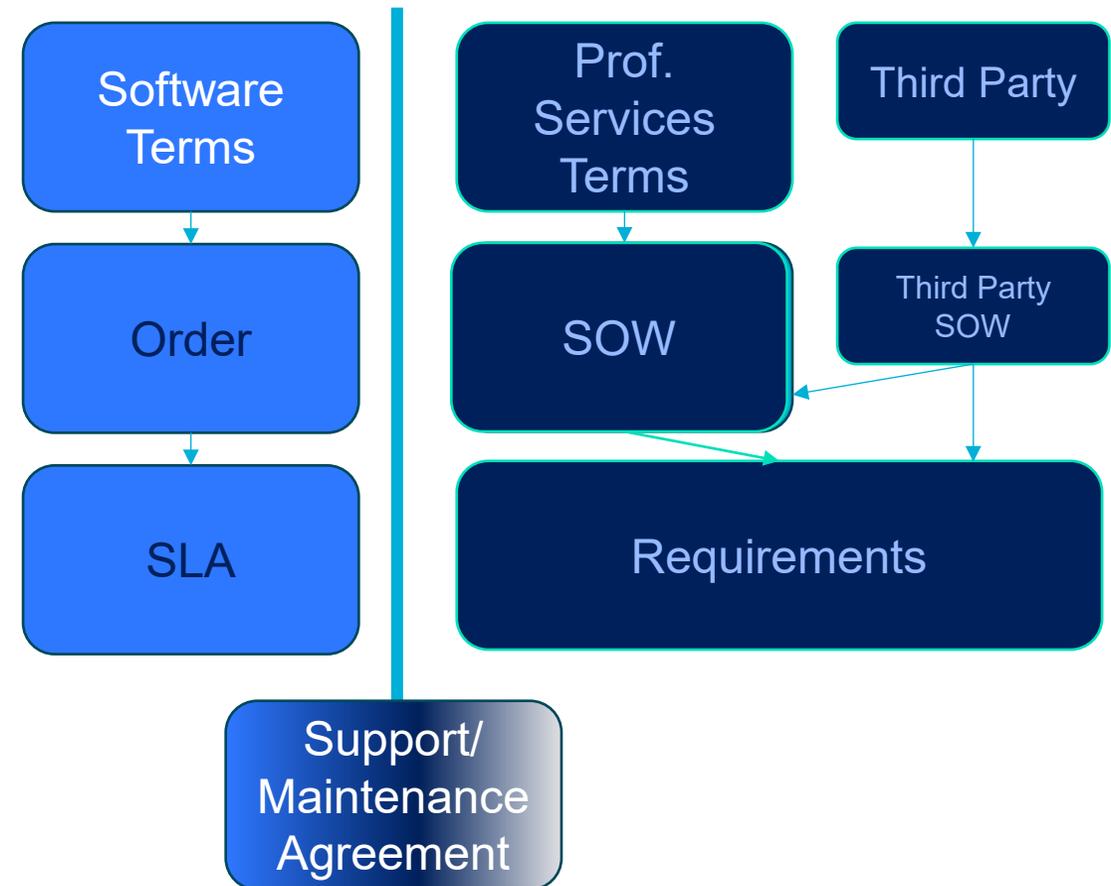


4) Software Reseller



Cloud ERP Contract Components

- **1) Application (software)**
 - Functional fit
 - Business process optimization
 - Reporting
 - Role security
- **2) Infrastructure**
 - Availability
 - Integration
 - Performance
 - Physical and technical security
- **3) Professional Services**
 - Project Management
 - Consulting
 - Data Conversion
 - Development
 - Reporting
 - Training
 - Support

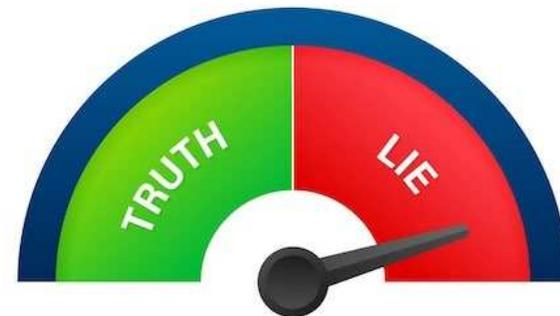


What makes ERP contracts unique?

- Responsibility is shared
 - Government staff has a key role to play in the project
 - Vendor's performance requires the government staff to perform
 - Multiple vendors who rely on the government to coordinate
 - Vendors can have very different definitions of risk and success
 - Government will have many different stakeholders – all with a role in contract negotiations

- The playing field is not equal. Governments have so much more to lose and very little leverage
- Sales presentations can be misleading, but contracts are very clear.

- **On time and on budget** is a distraction and a lie
 - Scope
 - Results
 - Experience



Standard vendor implementation model avoids accountability

Vendor “Standard” Scope

- Scope defined by module or level of effort
 - Or restrictive to portions of module
- Much of scope pushed back to client for execution
- “Extra” help for extra pay

Vendor “Standard” Cost

- Initial price is not the full price
- Pay for challenges or wrong assumptions
- Pay for effort (not for outcomes)
- **Budget constraints result in sacrificing outcomes and features**



Role of Procurement in Contract Negotiations

Contract Goals

- Accountability
 - Clear expectations
 - Scope
 - Roles
 - Outcomes
- Limit risk / liability
 - Conflict resolution
- Price

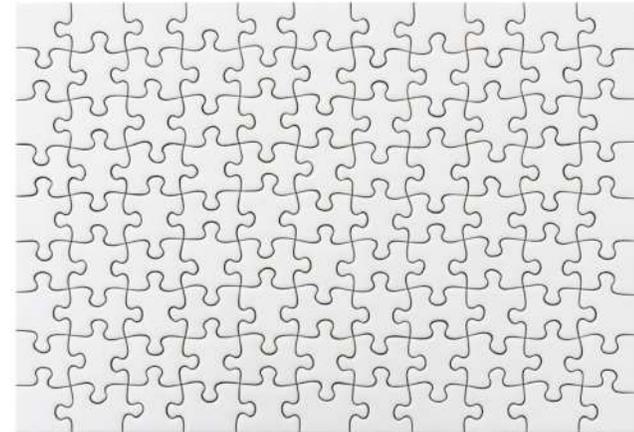


Accountability

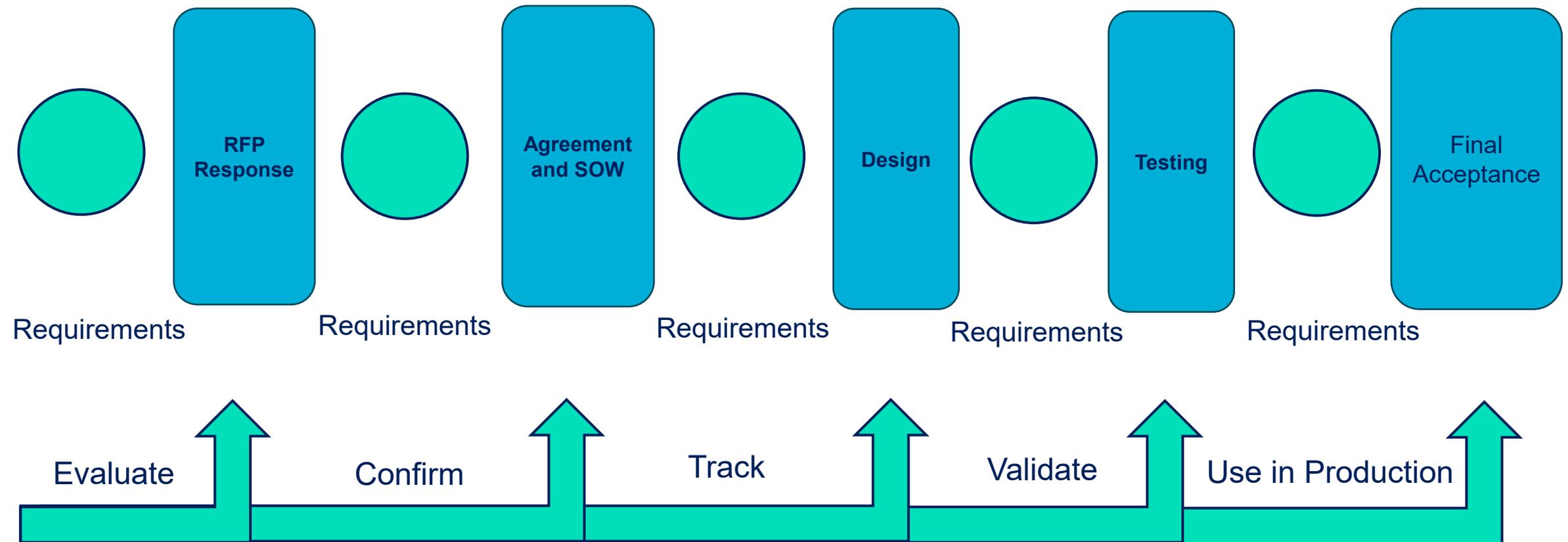
Defining Scope by Outcomes

What are you buying?

- Software
- Interfaces / reports / data conversion
- Project management
- Consulting services
- Training
- Improved processes
- Better access to financial information
- Accomplishment of project goals

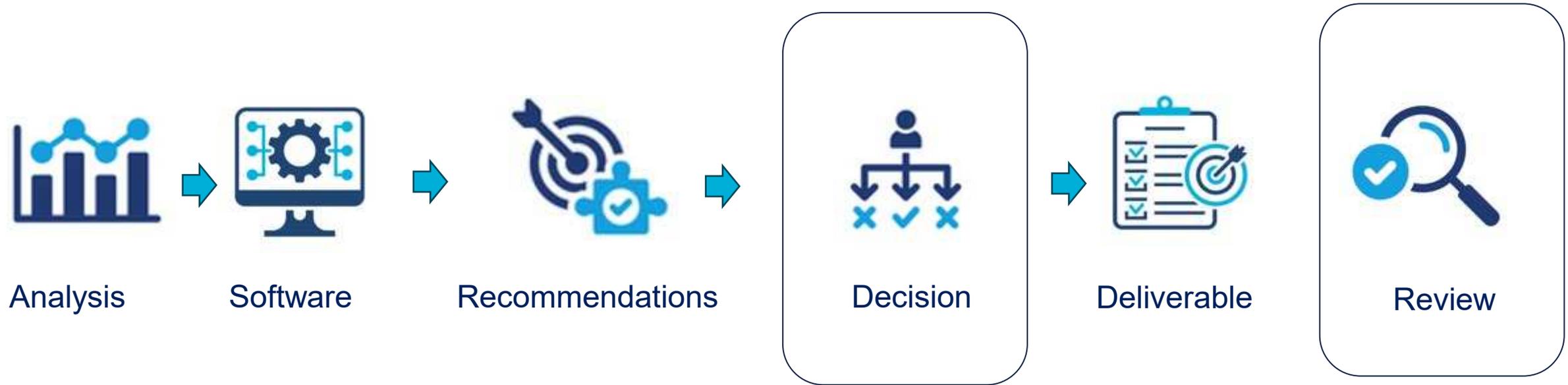


Quality Assurance and Accountability



Setting Clear Expectations for Services

Deliverables play a key role in quality assurance



Acceptance

- Deliverable Acceptance
 - Vendor completes deliverable
 - Review period (5 days is standard)
 - Feedback and revisions
- Go-Live Acceptance
 - User acceptance testing
 - Are we ready to go-live?
- Final Acceptance
 - Testing for period after go-live (30-45 days)
 - Ensure project completion
 - Issue list all resolved
- **No Deemed Acceptance**

REJECTED

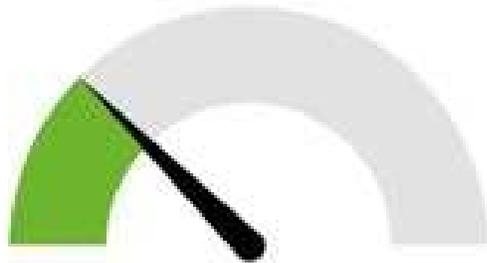
APPROVED

Identifying and Mitigating Risk

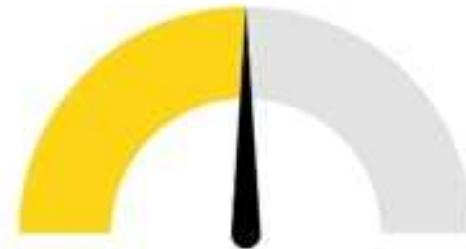
Focus on Key Risks for ERP Projects



Software Fit



Vendor Risk



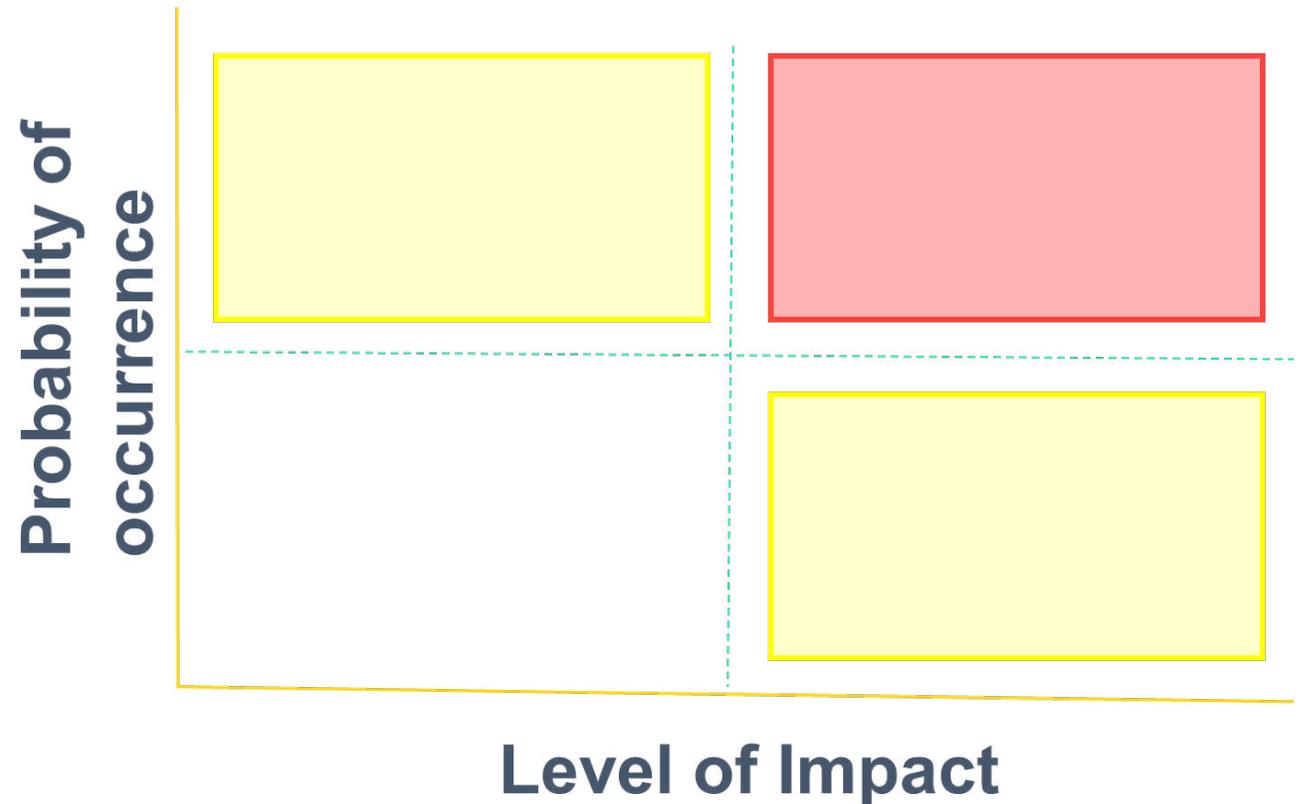
Price



Goals Achieved

Evaluating Risk

- How much will it hurt?
- How much control do we really have?
 - What is expectation of control?
 - How much interaction / dependency?



Anticipate Issues

- Schedule
 - Vendor Delay
 - Government Delay
- Scope
 - Additional Scope
- Quality of Work
- Quality of Consultants
- Communication / Clear Expectations



Risk Mitigation



Risk	Mitigation Strategy
Schedule	<ul style="list-style-type: none"> • Clear schedule and milestone days • Tasks clearly identified • Clear expectation if dates are not met
Scope	<ul style="list-style-type: none"> • Requirements • Defined R-I-C-E components
Quality of Work	<ul style="list-style-type: none"> • Deliverable Expectation Documents • Acceptance Language • Warranty
Quality of Consultants	<ul style="list-style-type: none"> • Key personnel language • Interview staff prior to project
Conflicts	<ul style="list-style-type: none"> • Conflict resolution process
Communications	<ul style="list-style-type: none"> • Clear governance structure • Clear issue escalation process

Beware of unfair transfer of risk

- Vendor Limitation of liability
- Vendor Disclaimer of warranty
- Assumptions on:
 - Scope
 - Level of effort
 - Unexpected issues
 - Level of staffing
- Vendor suspension of service
- Change Orders and Additional Price



Price

Fixed Fee Pricing

Fixed Price for Fixed Scope

Software:

- Fixed price for defined service period

Professional Services

- Fixed price for achievement of milestones
- Scope defined by outcomes, tasks complete, requirements, and software functionality
- Any non-fixed pricing should be clearly identified and have clear process for use
 - Development “bucket of hours”
- All pricing should have clear scope and acceptance criteria
- **No changes orders unless the scope changes**

Pricing Issues

- \$0 at contract signing (*that is not a progress milestone*)*
- Milestone should reflect value add (*no front loading*)
- Don't pre-pay for services
- Don't double pay for services
 - Resolution of issues and post-live support
- Payments for acceptance of deliverables
 - Not passage of time (months are not milestones)
 - Project management should not be defined by month (define by full project)
- Final Acceptance should represent at least 10% of project value
 - Go-live is not Acceptance

** Professional services should be focused on milestone. Subscription service payments start at contract execution*

Contract Negotiation Strategy

How to define a “good” deal

- What is your goal during negotiations?
- Where are you most at risk?
 - How are you at risk?
- What currently is not fair or conditions you can't meet?
- Where can you improve the contract?

Understanding Your Situation

- Your vendor has likely worked on hundreds of projects
- Your vendor has a specialized staff for negotiating contracts
- Your vendor knows that you haven't done this in a while
- Your vendor knows that you want to get started as soon as possible
- Your vendor is no longer in “sales mode”

What is most important?

Vendor

- Avoiding long delays
- Starting on time
- Flexibility for the project
- Getting paid
 - Matching revenue to costs
- No extra costs
- Reference for future work

Government

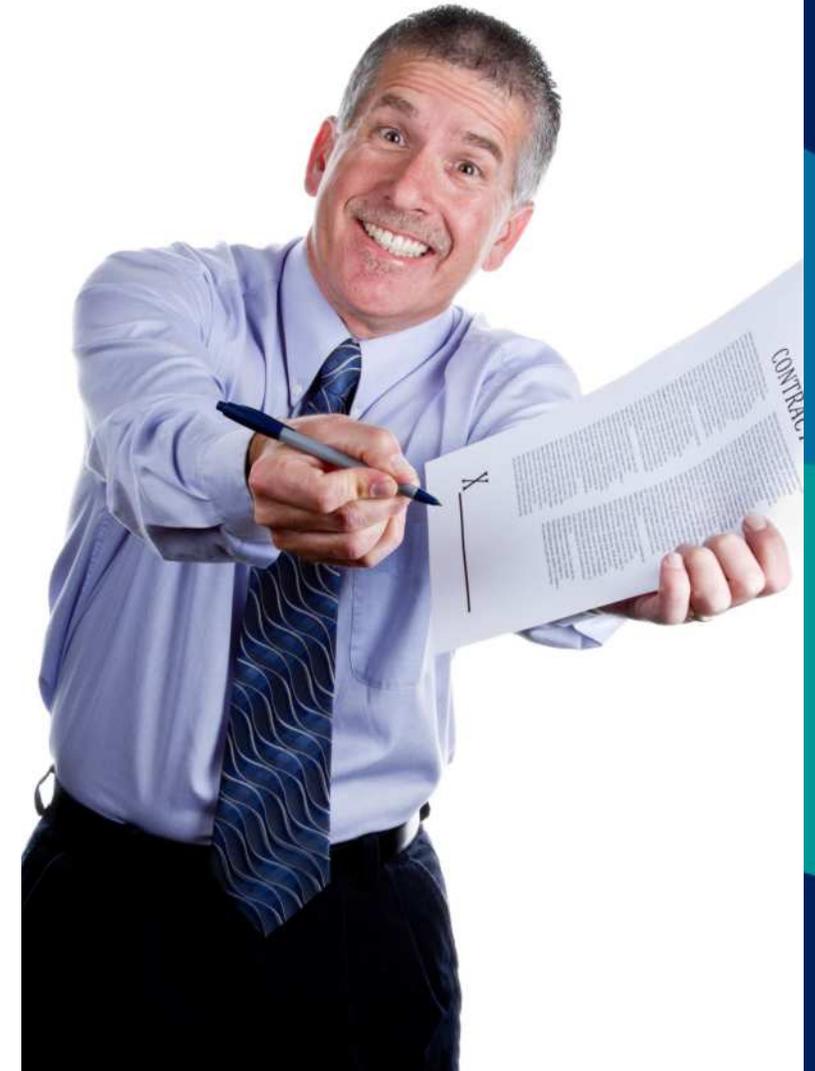
- Get what you pay for
- Clear roles and responsibilities
 - Project management
 - Configuration
 - Development
 - Training
- Expected schedule
- Making sure the system works
- Sustaining the culture and team

Avoid pressure tactics

“This is industry standard”

“No one has ever pushed back on this before”

“Don’t worry, we don’t enforce this”



Negotiation Issues

Leveling the Playing Field

Need to set clear expectations

- **Requirements**
- Include **requirements**
- Avoid conflicts with **requirements**
- Track **requirements**
- **Quality and Scope**
- Don't accept incomplete work
- No "deemed" acceptance
- Set clear expectations
- Avoid limiting assumptions

- **Planning and Expectation Setting**
- Set realistic timelines
- Insist on consistent staffing
- **Clear and Fair Rules**
- Define the role of the SOW
- Make the SOW reciprocal



License Definitions

- **Scenario:**
 - You license procurement module for use with 12 named users.
- **Problem:**
 - What does the procurement module do?
 - Is contract management in a separate module?
 - P-cards?
 - Do department users need a license to enter requisitions?

License Compliance Risk

Scenario: You license the software with pricing based on your organization having X full-time employees

Problem: How does the contract define “Full-Time Employee”?

- “Full-Time Employee” is an employee of Customer regularly scheduled for more than twenty hours per week
- *Hosted Employee*: is defined as
 - all of your full-time, part-time, temporary employees, and
 - all of your agents, contractors and consultants who have access to, use of, or are tracked by, the programs. The quantity of the licenses required is determined by the number of Hosted Employees and not the actual number of users.
 - In addition, if you elect to outsource any business function(s) to another company, the following must be counted for purposes of determining the number of Hosted Employees: all of the other company's full-time employees, part-time employees, temporary employees, agents, contractors and consultants that (i) are providing the outsourcing services and (ii) have access to, use of, or are tracked by, the programs.

Risk of Change Order

- The fees and expenses included in the Agreement **are estimates only**. The actual fees and expenses will be set forth on vendor's invoices to Client. Vendor will determine its fees by actual time spent (including time spent at Vendor's offices providing various project management tasks, testing and other services), based upon our hourly rates specified in the Statement of Work. These rates are subject to change during the course of our engagement.
- If Client requests that Vendor work after 7:00 p.m. Eastern time or on weekends or holidays, resulting hours will be billed at 1.5 times the hourly rate.
- In the event that a Consultant performing Services pursuant to this agreement is promoted and such Consultant's job classification changes, the standard hourly rate charged to Client for that consultant will be adjusted accordingly.

Risk of Non-Performance

- Vendor warrants, for Customer's benefit only, that the Licensed Standard Software will perform as specified **in its user manuals based on the then-current release of the Licensed Standard Software**. Vendor **does not warrant that the features or functions of the Licensed Software will meet Customer's requirements** or in any combination or use Customer selects.
- **The proposed software is not subject to acceptance testing procedures.** Because vendor licenses its software in general release forms, licenses do not bear the risks generally associated with custom developed software. We recommend that our clients become knowledgeable about our software by attending product demonstrations and checking references prior to licensing.

Risk of Unclear SLAs

Or SLA's that define common sense

- **Actual Attainment:** The percentage of time the Software is available during a calendar month, calculated as follows: **(Service Availability – Downtime) ÷ Service Availability.**
- **Downtime:** Those minutes during Service Availability, as defined below, when **all users** cannot launch, login, search or save primary data in the Software. Downtime does not include those instances in which only a Defect is present.
- **Service Availability:** The total number of minutes in a calendar month that the Software is capable of receiving, processing, and responding to requests, **excluding Planned Downtime, Client Error Incidents, denial of service attacks and Force Majeure.**
- **Planned Downtime:** Downtime that occurs during a Standard **or Emergency Maintenance window.**
- **Emergency Maintenance Window:** (1) maintenance that is required to patch a critical security vulnerability; (2) maintenance that is required to prevent an imminent outage of Service Availability; or (3) maintenance that is mutually agreed upon in writing by Vendor and the Client.

Targeted Attainment	Actual Attainment	Client Relief
100%	98-99%	Remedial action will be taken.
100%	95-97%	4% credit of fee for affected calendar quarter will be posted to next billing cycle
100%	<95%	5% credit of fee for affected calendar quarter will be posted to next billing cycle

The percentage of time the Software is available during a calendar quarter, with percentages rounded to the nearest whole number.

Risk of Vendor Redefining Scope

- Vendors include a limiting set of assumptions that may conflict with agreed upon requirements or project goals
- Assumptions limit effort for the vendor
- Examples like this redefine scope and invalidate any response to requirements or RFP definitions of scope
 - Provide limit that impairs ability to fully use the software

Scope		
Procurement	In Scope (Y/N)	Scope
Supplier Catalogs	Y	Up to 3
Contract Types	Y	Up to 10
Purchase Order Layout	Y	Up to 1
Procurement Commitment Accounting	Y	
Procurement Credit Cards	Y	Up to 1 Program
Ship to Locations	Y	Up to 10
Requisition Sourcing Rules	Y	Up to 3
Rule-Based Business Process	N	
Suppliers	Y	Up to 1000 (excludes any with non US address)
Supplier Groups	Y	Up to 5
Supplier Categories	Y	Up to 5
Payment Terms	Y	Up to 10
Payment Handling Instructions	Y	Up to 3
Supplier Accounts Match Rule Set	Y	1 Set with up to 5 rules
Supplier Portal	Y	
Expense Credit Cards	N	
Travel Cards	N	

Summary



Procurement has a unique perspective to identify and evaluate risk

Mike Mucha

Deputy Executive Director
GFOA
mmucha@gfoa.org



Always insist on fixed fee payments based on milestone



Identify one-sided terms that unfairly push risk to the government



Additional Resources

www.gfoa.org/NIGP2025