

**BPAC Opinion Paper on the
Brevard Public Schools Amendment to
EDR LLC's Sales and Service Agreement (SSA #13-009-PH)**

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Brevard Parents Action Committee (BPAC)

Executive Summary:

At the 9 April 2013 Brevard County School Board meeting the board approved item F.21 (SSA #13-009-PH) for a contract amendment with their Enterprise Resource Planning (ERP) software vendor. The vendor, Educational Data Resources Limited Liability Company (EDR LLC), was to be awarded an amendment to the amount not to exceed \$8M over five years. Of these funds, it is defined that \$6.2M are new and additional expenses by Brevard Public Schools (BPS) to secure an upgrade to the currently used EDR LLC software from a "Green Screen" technology to a more modern system.

The Brevard Parents Action Committee (BPAC) has completed their opinion of EDR LLC's Sales and Service Agreement amendment. This document serves as the BPAC's report of our opinion. The BPAC strives to make our opinions on facts. We therefore asked a number of questions (shown in bold/boxed text below) of BPS. The BPAC asked BPS district staff to answer these questions since at first appearance the software purchase seems extreme given the current BPS financial situation: a published shortfall of approximately \$30M per year in capital funds. This shortfall has recently required extreme cost cutting measures such as the closing of exemplary schools (2 elementary, one middle school) with anticipated future school closings, program cuts, elimination of corridor busing, charging parents fees for numerous items, and significant employee cuts.

The BPAC's opinion on this software purchase is that BPS should:

- **Retract the 9 April amendment that extends the EDR LLC Sales and Service Agreement.**
 - Rationale: The current BPS financial environment.
- **In the meantime have district staff generate requirements and prepare to go through a competitive bid process to procure an ERP system.**
 - Rationale: Competition will allow BPS staff to learn about other options, latest in technology, and whether there are other vendors with better capabilities with better products at a better price. It will also compel EDR LLC to sharpen their pencils and come forward with their best offer. In other words, it ensures BPS gets the BEST VALUE solution.
- **BPS should assess whether EDR LLC's maintenance support is required to keep the current software package working. Perhaps BPS staff, who by the district's own statements, are now trained in the existing software package can assume that responsibility. If EDR LLC's expertise is still required, then apply a portion of the \$6.2M in funding to extend maintenance of the product for a number of years until a transition to a better solution is financially feasible.**
 - Rationale: Obviously BPS needs the ERP system to continue functioning. Staff's own statements indicate there is nothing wrong with the old system. BPAC understands keeping the current system may not be as convenient as the alternative; but let's keep it until times are better.
- **Any remaining funds should go towards moving the cut line on the 60+ list of cuts/efficiencies or towards teacher salaries.**
 - Rationale: Prioritizing the ERP software upgrade before taking care of some of the other items BPS is considering cutting reflects misguided priorities. Apply those funds to items that have direct educational impacts on student performance.

The Brevard Parent's Action Committee is providing this information to BPS Superintendent, Dr. Brian Bingeli, and the Brevard County School Board for their consideration.

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The following pages contain the BPAC questions regarding this topic, BPS responses, and the BPAC's observations. As above, direct quotes from sources are shown in "*blue italicized text within quotation marks*".

There is one attachment to this document that describes the BPAC's understanding of the relationship and history between BPS and the various ERP software vendors that support BPS: CrossPointe and Educational Data Resources.

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Provide information about the current software package(s) that BPS wishes to replace. More specifically, what is wrong with the current SW? In other words, by continuing to use the current SW, how is it negatively impacting BPS? How will the new version save BPS funds? How much will it save on a yearly basis? How much will it save over the expected lifespan of the new software?

BPS Answer: *"You [BPAC] started by asking what is wrong with our current SW package. It's not that there's really anything wrong – for example we've never missed a payroll - It's just that the package is OLD and has limited capabilities compared to newer products. Brevard has had a long standing partnership with this vendor and purchased our current software for \$1m with the conversion occurring almost 10 years ago in 2004. The old "green screen" technology limits staff at all levels of the organization and creates inefficiencies in job performance. Will efficiencies be gained – Absolutely! However the bigger issue is that, while it's hard to quantify, currently we know that data at all levels of the organization will be much more assessable. Areas such as report writing and data accessibility will be greatly enhanced and certainly provide an ROI. To give you one specific example we will once again be able to have a future file to use in labor forecasting. We have not had one of these since we migrated from the mainframe system in 1997. One more important element is the fact that since the system is OLD it will cease to be maintained as the company quickly migrates to its new refreshed web-based product.*

Think about it this way – Ask yourself how you would function in today's world if you didn't have the functionality of the internet (drop down menus, multiple screens open at the same time, etc.) to assist you in your workplace and you had to live day in day out with the old "green screen" technology on your computer. How efficient, effective, and timely would you be?"¹

BPAC Observation: Admittedly, the software upgrade will likely provide conveniences and efficiencies to BPS staff. However, by their admission, there's not really anything wrong with the current software. For the software upgrade to provide a return on investment (ROI), the current "Green Screen" technology would have to provide BPS with a savings in labor that is greater than the amount being expended on the upgrade. Over the next five years, BPS will spend between \$6.2M and \$8M on this software package. It is unclear whether this amount includes the cost of any hardware that may have to be procured by BPS to support this transition. For the purposes of this discussion, through a simplistic calculation we can determine an estimated break-even point where the software purchase can be justified.

In this example, we use the average salary for an Assistant Superintendent (\$115,221/yr) as a reference salary². This equates to roughly \$58/hr when divided by 2,000 hours of yearly labor which is typical in industry for these calculations. Note that using the Assistant Superintendent average salary provides a very extreme example. In all likelihood BPS employees using the EDR LLC software are at a significantly lower salary. For the \$6.2M (minimum) to be expended on EDR LLC's software, the district would have to spend an additional 107,619.3 labor hours before recouping this investment. This equates to 53.8 staff members for one year, an average of nearly 11 persons per year for the five years of the EDR LLC contract. For the \$8M (maximum) that can be expended on EDR LLC's software, the district would have to spend an additional 138,863.6 labor hours before recouping this investment. This equates to 69.4 staff members for one year, an average of nearly 14 persons per year for the five years of the EDR LLC's Sales and Service Agreement.

¹ Email from J Preston (BPS) to J Cadiz (BPAC) received 5/29/2013

² Salary data derived from Florida District Staff Salaries of Selected Positions, 2011-12

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It may not be simple for BPS to quantify the efficiencies to be gained; however, the BPAC feels it is very doubtful that the newer EDR LLC product will enhance efficiency by more than 107,000 staff hours of labor over the next five years.

What costs are associated with continuing to use the current software?

BPS Answer: None.

BPAC Observation: What is known is that BPS spends \$350,000 per year on annual maintenance of the current software from EDR LLC. The new agreement will require a commitment of \$560,000 in annual maintenance costs. Also, in 2002 BPS paid \$1M to CrossPointe for this software. BPS is now paying between 6 and 8 times the cost of the original software purchase.

Was there a cost/benefit analysis conducted?

If so, this should be made available to the public.

BPS Answer: BPS collected information from various districts on their implementation and upgrade costs for their ERP software (mostly SAP, an ERP software application used widely by large entities). The districts included: Broward, Dade, Marion, Orange, Duval, and others.

Broward: Ms. Preston contacted Ben Leong, their Broward's Chief Financial Officer, on 5 April 2013 via email. Ms. Preston asked for approximate costs of the SAP. Broward spent \$45M in initial licensing and implementation costs. Broward pays \$960k/year in maintenance fees.

Dade: Examined their audit report from KPMG. Also using SAP at great expense.

Duval: Agenda item from 2005 that requests \$1M on top of a 2002 expense of \$9.5M to complete the upgrade to their ERP software implementation. Contract was a Time & Material type arrangement.

Polk: News article from 2003 references their district spending \$10M for business software and needing to spend more to make it work properly.

St. Johns: News article from 2003 references cost of \$4.6M in 2001 on an Oracle version of ERP software implementation. It references spending hundreds of thousands more for additional staff to deal with Oracle issues.

BPAC Observation: BPS has not conducted a cost/benefit analysis to determine whether the EDR LLC software upgrade is a sound investment decision. There appears to be no research done on alternative products to that of EDR LLC. In lieu of a true cost/benefit analysis, BPS has largely relied on the experience of a handful of other districts that have had negative experiences with ERP software implementation, primarily with the SAP product. Lacking any cost/benefit analysis, a market survey would have been beneficial. There is no apparent effort made by BPS to contact other potential suppliers to determine if there is a better solution available. Information collected over the years focused only on negative reports, which are justifiably widely publicized. There is no apparent effort made by BPS to find positive experiences by school districts using other products. Based on information provided, BPS made a single contact outside of their district to Miami-Dade a handful of days prior to the software purchase appearing on the School Board's agenda for vote. Our opinion is that this is woefully inadequate to justify an \$8M agenda item expenditure.

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In addition, It is not valid to justify the EDR LLC software upgrade by comparing between EDR LLC software and SAP. This approach is comparing an industrial grade suite (SAP used to help run most Fortune 500 companies) to an ISV (Independent Software Vendor) used by BPS. The BPAC believes an ISV is the appropriate selection for BPS; however, EDR LLC is only one of multiple vendors that can provide this capability.

An alternative solution could be developed around the Microsoft Dynamics Customer Relationship Management (CRM) platform. This solution can be extensible, scalable, with plenty of Application Developers (if you want them in-house) or consultants (if outsourcing is your game) around with .NET experience to do any customizations needed. This system has the potential to cost much less than a SAP or EDR LLC solution. Associated with this approach is a CRM solution targeted towards Education <http://www.microsoft.com/en-us/dynamics/crm-education.aspx>. Admittedly a CRM solution would not likely replace all of the existing functionality of the EDR LLC product out of the box but it is suitable to be extended to accomplish the requirements.

In light of an increase of \$200k/yr (from \$350k to \$550k) maintenance support costs it is difficult to see the cost benefit. Can BPS explain this? It would be logical to expect an improved SW package to decrease maintenance costs.

BPS Answer: *"Possibly the most important element here is that in this agreement future upgrades to the product will be included (as in the past) in the annual maintenance fee, not in addition to. This is certainly not the norm in the industry; in fact, upgrades typically run in the 7 figures every 1½ - 3 years. This is one way software companies are able to disguise the true cost of the annual maintenance fee. Keep in mind that in the past we've never paid for any upgrades to the product modules even though they have occurred frequently. In fact as part of our ongoing partnership the upgrades occur pretty much continuously, in some cases monthly or at a minimum I'd say of 4-5 per year.*

In addition, companies with similar products do not provide the source code with their purchase price. This has proven to be an extremely valuable asset since 2004 and has allowed us to customize the product to Brevard's specifications on an as needed basis. This is yet another way that companies typically find a way to charge extra for making those customizations. As we move forward having the source code on this new product will continue to serve the district in untold ways.

Also included in the overall annual maintenance fee is all the required training, including EDR training our folks on the new programming language.

*The inclusion of all of these items in the annual maintenance fee is the norm that Brevard has become accustomed to."*³

BPAC Observation: On the surface, the maintenance services provided by EDR LLC appear to be a highlight of their offer. There appears to be significant value in the maintenance services that are provided. In this area, the BPAC has a number of follow-on questions:

- Has BPS inquired with alternative vendors to determine whether other vendors are willing to provide a similar maintenance agreement?
- If source code is provided, does the EDR LLC license agreement provide BPS with rights to use and/or modify the software for their purposes?
- Does BPS have the right to hire other vendors to update and modify the EDR LLC software?

³ Email from J Preston (BPS) to J Cadiz (BPAC) received 5/29/2013

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- Does BPS have a complete software engineering environment for this software?
- How many person-hours per year are expended by BPS district staff in modifying and maintaining the EDR LLC software?
- How many hours of training support does EDR LLC provide per year now? How many hours of training support will EDR LLC be expected to provide with the new system? Is there any training covered by this agreement after July 1st, 2015? What are the hours specific to training the programmers on the “new language”?

Provide the public with documentation used to justify the rationale for the board's decision to waive the competitive bid process based on Florida Administrative Code - 6A-1.012 (14). For such a large dollar purchase, the public would expect some form of back-up data that justifies this decision.

BPS Answer: None.

BPAC Observation: BPS is fully within their rights per Florida Administrative code to issue a non-competitive award to EDR LLC. However, it does not appear that BPS district staff performed their due diligence in determining if there were other potential suppliers that could meet our needs with a better value solution.

In our research the BPAC found a presentation dated October 2012 from the Lake County School (LCS) district⁴ that found itself in a similar situation as BPS. LCS was using an older ERP system provided by Crosspointe.⁵ LCS received proposals from CrossPointe/EDR Inc and another vendor by the name of Skyward Inc. It should also be noted that in slide 8 of the LCS presentation it states “Crosspointe Inc. Purchased EDR, Inc. – [in] 2000”. According to the LCS presentation, Skyward offers similar products as CrossPointe/EDR Inc and at the time served 23 school districts in Florida. The presentation echoed some of the same concerns that BPS has now: concerns about the change to a new system and the correct conversion of data. The resulting recommendation found in the presentation was to “contract with Skyward, Inc. to provide the entire school management system as the ERP system for Lake County Schools.” It was determined that the Skyward proposal would save LCS \$1,523,154 in funds as compared to the CrossPointe/EDR Inc offer.

It is this type of assessment, but with a broader scope, the BPAC feels BPS must undertake. To the BPAC, it is a logical step prior to committing to this type of expenditure.

⁴ ERP Proposal, Lake County Schools, Prepared by Carol MacLeod, CFO and Dr. Creed Wheeler, Executive Director of Information Technology, dated Oct 2, 2012.

⁵ It is unclear at the time this document was written whether EDR Inc. and EDR LLC are related companies. For the purposes of this document, BPAC assumes they are separate entities.

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Provide information that defines the product that is being purchased or developed. If new development, is there a software specification or software requirements document for this procurement? How will this software be tested? Will the vendor develop, and will BPS approve an acceptance procedures document? What data rights are provided to BPS?

BPS Answer: Ms. Preston provided a letter⁶ from EDR LLC, dated 5/29/2013, that provides a top-level overview of EDR LLC's processes and quality assurance practices. In addition, she provided her personal assurance that BPS fully tests everything before implementing.

BPAC Observation: Based on the EDR LLC letter, it appears that EDR LLC follows standard industry practices for software development and software QA. BPAC has no opinion on EDR LLC and their performance for BPS in providing ERP software and services. However, the following is not clear:

- For procurements such as these, does BPS require a supplier to maintain specific certifications? For example in defense industry it is not uncommon for the government to require a software vendor to maintain a SEI CMMI certification to Level 3 or higher.
- There is no evidence that BPS has a clear definition of what will be provided by EDR LLC. Without a detailed requirements document or software/system specification, how will BPS know whether EDR LLC has provided what BPS expects? There is a product listing⁷ that identifies the various software modules (HR/Payroll, Employee Portal, Finance, Vendor Portal, Supply Chain, EIP, Workflow Engine and Project Tasks). However, there is little to no definition of the detailed capabilities each of these modules will provide.
- There is no definition of what BPS will do to test the software once implemented. It is unclear whether BPS will have approval authority of Test Plans and Test Procedures. Lacking requirements definition, there will be no traceability between a defined capability that is being procured and the testing that will prove that the capability has been implemented as expected.
- There is no definition of which party will provide hardware systems, assuming they're necessary, to support the software upgrade.

Lacking the above listed items leaves the district with little recourse if EDR LLC does not perform as expected. By their admission, BPS understands that an ERP software system is complex. The appearance is that BPS is relying on "good faith" and emphasizes a continued good relationship with EDR LLC. Relying on this is not advised and risky at a time when finances are tough for BPS. In business one never knows when conditions change and evolve a simple understanding of terms into a complicated and contentious situation. Brevard County taxpayers and students deserve better accountability.

⁶ EDR letter to Ms. Olson (BPS) from Leo Cunha, EDR Chief Systems Architect, dated 5/29/2013.

⁷ BPS Amendment to non-competitive sales and service agreement (SSA #13-009-PH) presented at the 9 April 2013 School Board meeting.

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Conclusion:

BPAC's opinion is that BPS should not proceed with this software upgrade at the current time. Three items are important to consider before a purchase such as this should be pursued.

- **First, the school district needs to consider alternative suppliers to ensure a best value solution for our school district.**
- **Second, a cost/benefit analysis needs to be conducted to determine if allocating \$6.2M to replace a system that works is beneficial to BPS.**
- **Third, given the district's claimed difficult financial situation the software purchase is unnecessary. BPS has a 1-to-N list of budget cuts and efficiencies that it uses to determine their budgeting priorities. Many of these items that do not survive the cut line affect programs and positions at the school level that directly affect the quality of education of our children. Items that BPS expects to cut are surely higher priority than the convenience of a new ERP software package. Dr. Bingelli is frequently quoted beckoning support so funds can be made available to pay for replacement of aging buses in our fleet, or saving strings or arts programs. He can do these things by taking our recommendations to heart.**

In closing, it should be known that BPS is considering placing a sales tax measure on the Nov 2014 ballot. Expenditures such as these will be seriously questioned by the voting public when BPS comes hat-in-hand asking for added tax revenue.

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Attachment 1 - CrossPointe and EDR LLC Vendor Background

The following is known about BPS' relationship with software vendors that have provided ERP software and software services to BPS for over a decade now. According to BPS public documents:

"On July 16, 2002, the School Board approved an agreement with Crosspointe for the provision of an application environment, finance, human resources, and student information systems."⁸

"On April 11, 2012 Crosspointe notified the Purchasing Department of their name and FEIN number change to Educational Data Resources, LLC, and that the 2012-2013 invoices would reflect this name change."⁹

"Chairman Dr. Murray stated that she had a request for Mr. Butto to address Item F-21 on g) SSA #13-009-PH – Educational Data Resources, LLC – Amendment. Mr. Butto explained the ten-year history the district had with the current vendor which was used for financial and student system."¹⁰

A letter written by CrossPointe (Inayat Walli, COO) to BPS (Cheryl Olson) dated 11 April 2012 is provided below as Attachment 2. The CrossPointe letter states that *"CrossPointe will become Educational Data Resources"* and goes on to state that EDR *"established in 1979 is the same company you've come to know and trust."* In addition it states that EDR is *"grateful for the opportunity to serve Brevard County as a customer since 1997."*

Based on this information, BPS and CrossPointe give the public the impression that Crosspointe and EDR LLC are one and the same company; that the company has simply renamed itself. Further investigation reveals this may not be the case.

When BPAC went about attempting to find out the facts of the EDR LLC and CrossPointe relationship, a BPAC parent member received a strongly worded letter from EDR LLC's attorney that stated *"EDR is a stand-alone entity. Although it acquired assets from CrossPointe, it is not related to CrossPointe"¹¹.* The letter goes on to state that *"the School Board's agenda suggested that the relationship with EDR was a name change, that was not accurate."* So, according to EDR LLC's attorney it appears that BPS has been doing business with two individual companies for the ERP software/service. A reasonable person may ask: If BPS awards a contract to Company A is it valid for BPS to have Company B perform the work under Company A's Sales and Service Agreement?

There has been great confusion regarding the relationship between CrossPointe and EDR LLC. Public records show multiple links between the two companies, although EDR personnel and their attorneys are adamant that they are two independent companies. The BPAC found this odd given the statements detailed above and BPS public documents referenced herein." BPS should clarify the conflicting information about their ERP software vendor(s).

⁸ BPS Amendment to non-competitive sales and service agreement (SSA #13-009-PH) presented at the 9 April 2013 School Board meeting.

⁹ Non-competitive sales and service agreement (SSA #13-009-PH) presented at the 14 August 2012 School Board meeting

¹⁰ Meeting minutes for 04-09-2013 Regular School Board Meeting

¹¹ Letter sent by M. Crosbie (EDR LLC Attorney) to J. Cadiz (BPAC) on 6/28/13.

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Attachment 2 – CrossPointe Letter to BPS regarding their name change to Educational Data Resources (EDR)



April 11, 2012

Attn: Cheryl L. Olson
School Board of Brevard County
2700 Judge Fran Jamieson
Viera, FL 32940-6699

Dear Ms. Olson:

In the coming weeks, CrossPointe will become Educational Data Resources, your trusted partner in providing reliable software applications that help you manage your school district.

Along with our name change, we will be sending a communication that highlights our new branding and logo. You will begin seeing this appear in all of our correspondence including emails, letters and invoices.

Over the past two years, we have made considerable investments in new web technologies which include significant upgrades to our development infrastructure, as well as, hiring web and software programmers. All of this was achieved without any increase in maintenance pricing to your district.

We will be preparing your 2012-2013 invoice soon which will include maintenance for the following applications (currently part of the CrossPointe Schools OnLine suite).

- Application Environment
- Finance
- Human Resources
- Student System

EDR — our founding name established in 1979 is the same company you've come to know and trust. We are grateful for the opportunity to serve Brevard County as a customer since 1997. Thank you for continuing to be a part of the EDR family.

Sincerely,

Inayat Walli
Chief Operating Officer
CrossPointe, LLC
iwalli@crosspointeinc.com

cc: Sandy Crews
Judy Preston