



Information Technology Managed Service Provider (IT MSP) for Hourly and Project Based IT Services

State of Oregon

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EXECUTIVE SUMMARY

Advancements in technology continue to grow at a rapid pace, while the need to modernize and replace or maintain and support aging legacy systems present increasing challenges. Nationwide, state government continually struggles with managing reduced funding and limited internal IT resources to retool and upgrade information systems hardware and software to support business needs. The State of Oregon is no exception. State and local government entities in Oregon require quick access to diverse, quality IT services at a reasonable cost to meet mission-critical business and technology needs. The IT Managed Service Provider (IT MSP) Price Agreement (PA) has become a reliable contracting vehicle through which state and local government organizations in Oregon can routinely and swiftly acquire a variety of reasonably-priced, quality IT services.

The IT MSP PA provides State and local governments, i.e., Authorized Purchasing Agencies; with an opportunity to obtain affordable IT temporary hourly-based professional services and short-term deliverables-based project services through an expedited procurement method. In 2005, the Oregon Department of Administrative Services State Procurement Office (DAS SPO) developed a Request for Proposal (RFP) on behalf of the Oregon IT community that successfully generated an Information Technology Managed Service Provider (IT MSP) Price Agreement (PA). The IT MSP PA uses an innovative and abbreviated procurement process through an online web-based system to reduce the time it takes to procure temporary IT professional services at a reduced cost.

Under the IT MSP PA, a single contractor (the MSP) serves as the constant prime contractor for each purchasing agency work order contract (WOC) executed under the PA. The MSP manages a pool of qualified IT subcontractors through its web-based automated system that include minority and women-owned businesses and emerging small companies. As needed, purchasing agencies can submit WOC requests into the system to obtain hourly-based temporary IT services (tasks at a fixed hourly rate and in a pre-defined number of hours), or project-based temporary IT services with defined statements of work, milestones, and deliverables to satisfy their business needs. In response to requests, the MSP identifies multiple qualified subcontractors from its managed pool whom it deems capable of performing the needed work. The requesting purchasing agencies then approve of a particular subcontractor to perform the desired work. As work is completed and invoiced, purchasing agencies are able to log into the system and approve deliverables and invoices for payment. In addition, the IT MSP uses a "People-Ticker" tool that continually monitors the hourly rates of different IT classifications to ensure the standardized rates in the IT MSP PA remain current.

In collaboration with Oregon's IT community, DAS SPO has continued to improve its processes around the use of the IT MSP PA over the last four years, and is currently in the process of re-soliciting for this service area. What began as an area for potential cost savings has also created a fast and flexible way to access diverse, quality IT services for the benefit of vital project work; and exposed numerous companies to State contracting opportunities for which they might not otherwise successfully compete.

DESCRIPTION

Problem Statement: Through the Oregon Smart Buy Initiative in 2005, DAS SPO found that state agencies were independently obtaining temporary IT professional services through time-consuming, resource-intensive Requests for Proposal procurement processes for each project. Procurements appeared to take 6 to 9 months to complete and were not meeting IT-related business needs in a timely manner. In addition, state agencies were procuring identical types of IT professional services at radically different hourly rates ranging from an estimated \$50/hr to \$250/hr. Agency Chief Information Officers and IT managers expressed concerns about their ability to obtain needed IT professional services in a timely and affordable manner and asked for DAS SPO to put more cost effective and efficient contracts in place. Based upon these findings, DAS SPO initiated an alternative procurement method that would offer state agencies a contracting tool that they could use to obtain temporary IT professional services in a timely manner and at a reduced cost.

Barriers, Challenges, Opportunities: One challenge to this alternative procurement method was that no other State had ever successfully implemented a Managed Service Provider program to deliver both hourly-based and project-based temporary IT professional services. Additionally, DAS SPO would have to build an abbreviated procurement process to provide state and local government with access to these IT services in a timely manner, while still ensuring competition among competing firms, including small and minority-owned businesses.

Issue or problem Context: In 2004, the State of Oregon (“the State”) initiated a cost savings and strategic sourcing initiative called the “Oregon Smart Buy” program. After extensive review of the State’s spend data across agencies, the Oregon Smart Buy project team determined that one area for achieving cost savings was in the procurement of Information Technology (IT) professional services. DAS SPO’s objectives in applying strategic sourcing methodologies to this service area were to realize cost savings across state and local governments through combined spend and standardization of hourly rates for specific IT classifications and to streamline the end-to-end process, while still ensuring competition.

Assessment and Decision Process: DAS SPO took the following considerations into account before moving forward with this initiative:

- Do nothing (Inaction)
- Create a standard contract template for IT development services
- Create multiple statewide price agreements for each IT professional service with multiple contractors
- Create a single award Price Agreement with a Managed Service Provider to obtain temporary IT professional services.

How the solution was selected: Inaction was never a serious consideration because state and local governments were not able to meet their temporary IT professional services needs in a timely manner at a reasonable cost. Creating a standard contract template for IT development services would help standardize terms and conditions but would not

substantially reduce processing time or alleviate the vast disparity in cost for identical services. Crafting multiple statewide price agreements would result in increased contract administration costs and would not address the issue of cost disparity among different suppliers.

What is the solution, and Major solution elements: Initiating an alternative procurement method that would result in the award of one managed service provider allowed the state the greatest flexibility to ensuring competition, standardization of hourly rates, and streamlining of the IT staff augmentation and IT project resource deployment process. Additional time is saved as tasks previously handled by purchasing agencies individually are shifted to the MSP. Opportunity postings, interview scheduling, and invoicing are a few of these tasks now managed by the MSP and processed in an automated fashion through an MSP provided web-based system. However, the final decision on which subcontractor to use remains with the purchasing agency. Additionally, the IT MSP PA's consolidation of temporary IT professional services allows the state to minimize its risk exposure to just one prime contractor as opposed to multiple contractors across state and local governments.

How project was defined, managed and controlled: In June of 2005, the Oregon Smart Buy project team formed a steering committee that included a representative cross-section of eight purchasing agencies, tasked to identify and assist in initiating a pilot program to procure temporary IT professional services from one Managed Service Provider. The outcome of the pilot program quickly proved its value and relevance through a more streamlined procurement process and cost savings to state agencies. In May of 2006, DAS SPO and the awarded MSP delivered a presentation to the State's Chief Information Officer Council highlighting the following pilot project successes:

- A 66-member IT subcontractor pool managed by a single MSP
- A contract able to provide for temporary Hourly-based, and Project -based IT Professional services
- Reduced Processing times (see Table 1.0 at the end of the document)
- Standardized Rates

Length of time in Operation: The IT MSP PA has since become available to other state agencies, and eventually opened up for use by local governments in September 2008. Over the four-year life of the IT MSP PA, the program has proven its value and significance in addressing the problems and issues identified in 2005. State and local governments have come to rely on the IT MSP PA to procure their temporary IT professional service needs.

SIGNIFICANCE

In General: The IT MSP PA grants several advantages to all purchasing agencies that choose to utilize it as a contracting vehicle. Authorized purchasing agencies include state agencies, local government organizations, and selected independent entities that participate through the Oregon Cooperative Purchasing Program (ORCPP). Each of these entities can benefit from the reduced amount of time it takes to engage temporary IT professional services. Purchasing agencies also enjoy standardized rates and the flexibility

of engaging temporary IT professionals for hourly or project-based services across a wide range and variety of IT skill sets.

MSP program labor categories include, but are not limited to: programming, systems development, data management, technical specialties, project management, business analysis, quality assurance, and networking. Additionally, purchasing agencies save the time it takes to construct a traditional solicitation for desired IT services, and enjoy convenient access temporary IT services through the MSP's online requisition system. This online system allows purchasing agencies to track the number of hours each individual has worked, and provides a centralized billing system. The MSP's administration and maintenance of this system also saves the State the time and expense of creating and maintaining an online requisition system for temporary IT professional services. This new way of accessing qualified IT resources not only aggregates volume to drive down costs but also provides convenient access for IT organizations through an online system.

Businesses as customer, businesses as taxpayers: The MSP bears the responsibility for maintaining the online system, which satisfies notice and other State of Oregon requirements regarding Qualified Rehabilitation Facilities (QRFs) and Minority, Women, and Emerging Small Business (MWESB) entities. A QRF is a non-profit organization that puts Oregonians with disabilities to work, and MWESB entities are businesses certified by the Governor's Advocate Office. Statute mandates that both QRFs and MWESBs must be notified of State contracting opportunities.

The MSP's innovative online system contains tracking and reporting features that assist purchasing agencies in monitoring subcontractor resources working on an hourly basis. The State of Oregon limits the number of hours an hourly-based subcontractor can work to 1039 hours per calendar year. Each subcontractor, when submitting their candidates, must account for all hours their candidates have worked at the state prior to each engagement. The online system tracks these hours and accumulates a running total as subcontractor resources input their time logged each week. The online system releases to resource managers periodic status reports of hourly accumulations (500, 800, 1000, etc.). These notices allow for resource planning on current or future projects. Additionally, the online system provides information to measure the performance of the subcontractor pool. For example, the system can compile reports that measure how many submissions a particular subcontractor generated to each type of opportunity. Other metrics available from the online database include how many of the subcontractor's proposals were either rejected or forwarded to the purchasing agency's managers for review, how many were chosen to interview, and how many were chosen for positions. This information assists in understanding which vendors are actively participating in the IT MSP PA program, and the quality of consultants they are providing.

Services Sectors -- Hourly and Project-based temporary IT professional services: Another innovation is the IT MSP PA's ability to meet both hourly-based and project-based requests. The IT MSP PA is so far the only contract of its kind that is capable of issuing both hourly and project-based WOCs. Hourly-based contracts under the IT MSP PA fulfill

purchasing agency needs while observing the State's 1039-hour limitation. By contrast, project-based WOCs have a statement of work, milestones, and a set of deliverables designed to fulfill specific purchasing agency's IT project requirements. Both types of WOCs are tied together with a common compensation method. The rate card attached to the IT MSP PA governs the compensation for both types of temporary IT Professional Services WOCs. The rate card contains specific job descriptions tied to Not-to-Exceed (NTE) hourly rates. The IT MSP PA's innovative process has produced cost savings and has helped the State reduce the cost for temporary IT projects by approximately 25%.

Policy, Strategy and Goal Alignment: MSP program advantages have led to a flexible, enterprise-wide option when IT professional services are needed quickly for development projects. The IT MSP PA uses many of the same strategic sourcing methods of the Governor's Smart Buy program, since the contract consolidated and streamlined the way purchasing agencies engage these professionals. The IT MSP PA has standardized the contracting language used to engage temporary IT professionals, rates, and reporting methods for hourly-based services. The IT MSP has also shortened review processes, and strengthened the responses to purchasing agency requests for services. These advantages are significant and have proven the IT MSP PA's utility to CIOs around the state.

BENEFIT OF THE PROJECT

Description of the impact of the project; Who is affected in a constructive, positive way: The impact of the IT MSP PA on IT projects has been significant. The versatility of the MSP subcontractor pool and the streamlined procurement process have reduced the time needed for purchasing agencies to complete a project. These time savings have led to increased IT project capacity for purchasing agencies. When something breaks in an IT development project, the IT MSP PA is an expedient alternative to engage an IT professional with the expertise to fix the problem. Thanks to a standardized rate card periodically refreshed to reflect the cost of specific IT expertise in the Pacific Northwest market space, critical delivery of quality IT services is fast and affordable from proven IT MSP subcontractors. For example, as the State's IT training budgets have decreased, the IT MSP PA's subcontractors have been able to train purchasing agency staff on software upgrades and otherwise transfer much needed knowledge. The statewide nature of the IT MSP PA has exposed several purchasing agencies to a variety of subcontractors that they otherwise would not have known about or might not have been able to afford without the standardized rates found in the IT MSP PA's rate card. The metrics of this success are evident through the number of approved subcontractors participating in the program; the number of WOC's processed under the program, and reduced processing time for both the hourly-based and project-based WOC's compared to traditional procurement timelines.

How this project aligns with NASCIO's 2009 Priorities: The IT MSP PA is an excellent example of the NASCIO Priorities in action. The IT MSP PA has centralized and consolidated temporary IT services procurement. Instead of multiple purchasing agencies contracting for the same services at different rates, the IT MSP offers a single source and a single set of rates. The standardized rates assist in budget cost and control. Purchasing

agencies also save time and expense associated with traditional competitive procurements by using the IT MSP's streamlined procurement process. The MSP's online requisition system keeps electronic records of the WOCs processed through the program, increasing transparency and improving the data available to the state. The IT MSP PA's alignment with these priorities has contributed to the benefits the program provides to its state and local government users.

Descriptions of the Outcomes from this Project -- Transformation of Government:

Purchasing agencies across State and local government have benefited from the access the IT MSP PA provides to hourly and project-based temporary IT professional services. Oregon's IT MSP PA is a pioneer program rolling hourly and project-based IT temporary professional services into one procurement process using a single MSP, one pool of IT subcontractors, and one set of standardized rates. The result has been a fast and flexible way to engage IT professionals in projects where expertise is needed quickly to keep the project timely. After four years and counting the IT MSP PA remains one of the most valuable tools in the State's IT project community, with no signs of slowing down, as it continues to support the State's IT development projects.

Table 1.0
Comparison of IT MSP PA Outcome Measurements Over Time

Time Period	Average Processing Time	IT MSP Totals: Hourly-Based WOCs	IT MSP Totals: Project-Based WOCs
2005 Pre-IT MSP PA	Intermediate Procurements under \$150K: 30-45 days Formal RFPs over \$150K : 120 days	None	None
2005-2006 Presentation to the Chief Information Officers	IT MSP PA for Hourly WOCs: 21.6 days IT MSP PA for Project WOCs: 17.3 Days	72 hourly based WOCs through 22 different suppliers	36 project based WOCs 20 different suppliers
IT MSP PA totals December 2005 to May 2009	IT MSP PA for Hourly WOCs: 15 days IT MSP PA for Project WOCs: 27 Days	454 hourly based WOCs 39 different suppliers	300 project based WOCs 51 different suppliers