



Entry for the
2009 NASPO Cronin Award Nomination

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



State of Oregon

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Achieving Results Together

Executive Summary

Advancements in technology continue to grow at a rapid pace, while at the same time, aging legacy systems need to be maintained. States continually struggle with managing reduced funding and limited internal IT resources to retool and upgrade equipment and software to support their business needs. The State of Oregon is no exception when it comes to these business needs, in a timely manner and at a reasonable cost, to meet the increasing demands for technology to meet ever changing circumstances.

In 2005, the Oregon Department of Administrative Services State Procurement Office (DAS SPO) developed a Request for Proposal (RFP) and awarded an Information Technology Managed Service Provider (IT MSP) Price Agreement (PA). Under the IIT MSP PA, the prime contractor (the MSP) manages a pool of IT subconsultants through the Talent Acquisition Management Solution its online web-based automated system. Authorized Purchasing Agencies (APAs), which include both State and local governments, can submit requisitions into the system to obtain not only hourly based temporary IT services (tasks at a fixed hourly rate and in a pre-defined number of hours), but also project based temporary IT services with defined statements of work, milestones, and deliverables to accomplish their business need.

Strategic sourcing methods influenced the creation IT MSP PA, which provides IT professional services at a reduced cost by utilizing a rate card with standardized rates. The 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 can be kept current. However, what began as an area for potential cost savings has yielded other significant benefits by providing a fast and flexible way to satisfy APA business needs.

The IT MSP PA uses an innovative and abbreviated procurement process using the MSP's online system to reduce the time it takes to procure temporary IT professional services. Once an APA makes a request through the online system, the MSP identifies multiple qualified subcontractors from its managed pool whom it deems capable of performing the needed work. The requesting APAs then approve of a particular subcontractor to perform the desired work. This streamlined procurement process has led to reduced processing times when compared to the previous method of procurement via formal RFP. Additional time and resources are saved as the MSP handles duties that traditionally belonged to the APAs. For example, as work is completed and invoiced, APAs are able to log in to the system and approve deliverables and invoices for payment. These features have made the IT MSP PA a valuable tool in the State's procurement system.

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. DAS SPO's initiative in this service area has resulted in a significant reduction in the procurement processing time to obtain temporary IT professional services to meet the State's business needs and has improved its ability to obtain skilled IT professionals at a reasonable and consistent cost. The result has been an easy access, consolidated system that saves time and reduces cost while increasing IT contractor variety.

Innovation

The IT MSP PA is innovative in several ways. Perhaps its most innovative feature is MSP's online system for managing temporary IT professional services ordered by the APAs which fulfills many of the requirements formerly handled by the APAs themselves. The MSP bears the responsibility for maintaining the online system. Additionally, the online system 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 online system's satisfaction of these requirements saves APA valuable time when IT professional services are needed quickly.

The MSP's innovative online system also contains tracking and reporting features that assist APAs in monitoring sub-consultant resources working on an hourly basis. The State of Oregon limits the number of hours an hourly based temporary employee can work at the state to 1039 hours per calendar year. Each sub-consultant, when submitting their candidates, must account for all hours their candidate has worked at the state prior to each engagement. These hours are input into the online system, and a running total is accumulated as the resource inputs their time logged each week. At different intervals (500 hours, 800 hours, 1000, etc.) the resource's manager is notified of the accumulation of hours, and the estimate (based off of the current project) of remaining hours the temporary employee is eligible for. 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 had to each type of opportunity. Other measurements can be made from those submissions, including how many of the subcontractor's proposals were either rejected or forwarded to the APA'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.

Finally, the IT MSP PA's is flexible enough to meet a variety of APA business needs. The IT MSP PA is uniquely capable of issuing both hourly and project based work order contracts (WOCs). Hourly based contracts under the IT MSP PA fulfill APA needs while observing the State's 1039 hour limitation. Project based WOCs have a statement of work, milestones, and a set of deliverables designed to fulfill specific APA IT project requirements. The IT MSP PA's versatility stems from the use of the same set of rates for both types of WOCs, and the separate terms and conditions for each WOC type. These innovations provide APAs with a fast, convenient and flexible alternative contracting process to meet their temporary IT project and service needs.

Transferability

Oregon's IT MSP program has operated successfully for over 4 years and could easily be adapted for use in other states. Several other states have some type of program to fill hourly based IT work. These States could broaden the scope of these programs to include project based work. The IT MSP PA is most easily transferrable in this type of circumstance where a small modification to an already existing system can yield a big benefit.

Other States have similar programs to handle IT hourly services, but do not use an MSP to facilitate their program, or do not have an online system that processes WOC requests and invoicing. Under the IT MSP PA, the MSP is compensated on a vendor paid commission, so the State does not bear the cost of constructing or maintaining the MSP or their online system. The IT MSP PA is easily transferrable to states without an existing IT MSP program because of this compensation method. All that would be required would be for a state to construct an RFP for an IT MSP PA to start reaping the benefits of this program.

Service Improvement

The impact of the IT MSP PA's benefits on IT projects has been significant. The variety of the MSP subcontractor pool and the streamlined procurement process has reduced the time needed for APAs to complete a project. APAs report that these time savings have led to increased IT project capacity. When something breaks in an IT development project, the IT MSP PA is an expedient option that can quickly engage a professional with the expertise to fix the problem.

Standardized rates allow the engagement of these professionals with specific program development expertise at a reduced rate compared to the rates of major software providers. As the State of Oregon's IT training budgets were reduced, the IT MSP PA's subcontractors with expertise train APA staff on software upgrades and transfer much needed knowledge. Additionally, the MSP's diverse pool of subcontractors has exposed several APAs to new subcontractors that they otherwise would not have known or been able to afford.

Service Improvements involving reduced procurement processing times were realized soon after the IT MSP PA was implemented. In May 2006, a presentation was given by DAS-SPO and the MSP at the Chief Information Officer Council meeting, The presentation focused on the IT MSP program's progress within the State, the number of approved subcontractors participating in the program, the number of WOC's processed, and processing time for both the hourly based and project based WOC's as compared to the current procurement timelines. A summary and comparison of these processing times can be found in Table 1.0 in Attachment A.

APAs across the State have benefitted from the IT MSP PA when obtaining Hourly or Project based temporary IT professional services. The IT MSP PA is a program that has never been tried before since it rolls both Hourly and deliverables-based Project IT

temporary professional services into one procurement process, using one MSP, one pool of 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.

Cost Reduction

Through strategic sourcing research, DAS SPO found that state agencies were independently obtaining temporary IT professional services through time-consuming, resource intensive Requests for Proposal (RFP) procurement processes for each project. DAS SPO has used the strategic sourcing methodologies to create the IT MSP PA and in doing so has achieved its objectives to realize cost savings through combined spend, standardization of hourly rates for specific IT classifications, and streamlining the procurement process, while ensuring competition.

The IT MSP PA reduces cost in multiple ways. Some of its cost reduction comes indirectly in the form of “soft dollar savings”. For example, MSP’s administration and maintenance of this system saves the State and APAs the time and expense of creating and maintaining an online requisition system for temporary IT professional services. Additional time is saved as tasks previously handled by APAs individually are shifted to the prime contractor. Opportunity postings, interview scheduling, and invoicing are a few of these tasks managed by the prime contractor. However, the final decision on which subcontractor to use remains with the APA. These features demonstrate how IT MSP PA reduces costs by saving APAs time during time in the procurement process.

Another example of APA time and cost saving is the ITMSP PA’s streamlined procurement process. Before the IT MSP PA procurements appeared to take 6 to 9 months to complete and business needs were not being met in a timely manner for short-term IT project needs. As Table 1.0 illustrates, compared to a formal RFP process for IT services, the IT MSP PA saves a great deal of time for each APA’s procurement staff thanks to an abbreviated procurement process and the convenience of the MSP’s online system.

Other types of cost reduction in the IT MSP PA are readily apparent. State agencies were procuring identical types of IT professional services at radically different hourly rates ranging from an estimated \$50/hr to \$250/hr. The rate card attached to the IT MSP PA standardizes and governs the compensation for both types of temporary IT Professional Services WOCs. The rate card contains specific job descriptions tied to Not To Exceed hourly rates which can be used for either project or hourly based WOCs. These rate card rates have reduced the cost for temporary IT projects by approximately 25%.

The IT MSP PA provides APAs with a fast, flexible and affordable alternative to the formal RFP process. The IT MSP PA is a unique and valuable tool to the State of Oregon; it saves time, reduces cost, and it can easily be transferred to other states as several other more limited IT MSP programs already exist. The IT MSP PA’s versatility, speed, transferability, and potential for cost savings make it an excellent model of innovative procurement.

Attachment A

Table 1.0
Comparison of IT MSP PA Outcome Measurements Over Time

<u>Time Period</u>	<u>Average Processing Time</u>	<u>IT MSP Totals for Hourly Based WOCs</u>	<u>IT MSP Totals for Project Based WOCs</u>
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