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**State of New York**

Office of General Services

Procurement Services

**2017 George Cronin Awards for Procurement Excellence**

**Information Technology Manufacturer-Based Umbrella Contracts**

 **Contract:** Information Technology Umbrella Contract – Manufacturer Based (Statewide) Award # 22802

**Implementation Date:** December 10, 2015

**Originators:** New York State Office of General Services (OGS)

**Implemented By:**

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**Executive Summary**

In 2014, after many years of contracting in numerous separate IT product and service areas, the New York State Office of General Services (OGS) Procurement Services (PS) conducted a review of the existing technology contracts. Stakeholder input and advice was an essential part of this review. OGS reached out to vendors, contractors of all sizes, state and local CIO’s, the state data security office, authorized users, Minority/Women-Owned Business Enterprises (MWBE), Small Business Enterprises (SBE) and legal. The conclusions were that existing contracts, although actively used with annual purchase volumes in the $100’s of millions, had some issues of concern including: 1) closed vendor pools for long contract periods, 2) no standard price list or sales report formats, 3) terms and conditions that were inconsistent, inflexible and/or one-way which created an unleveled playing field, 4) had multiple contracts per company making it difficult for vendors and the state to administer, 5) inadequate scopes that did not fully address user needs (e.g., no cloud and other “as a service” offerings or hardware and software implementation, limited professional services, etc.), and 6) acquisition guidelines that didn’t foster competition and were generally misunderstood and/or confusing to users and contractors alike.

The contracts had run their course and needed updating. PS introduced new Umbrella concept to stakeholders through meetings, presentations and Requests for Information (RFI) and Comment periods (see **Attachment #1 CIO Presentation Summary 7-14-17 and Attachment #2 Timeline for Major Umbrella Events 1.15.16.**). After meeting with key stakeholders and through due diligence, Procurement Services created the “new” [IT Umbrella Suite](https://ogs.ny.gov/purchase/snt/lists/gp_73600.asp).

The comprehensive Umbrella Suite includes: 1) Project Based IT services (PBITS); 2) Manufacturer-Based Umbrella (for manufacturers with $1M - software, $5M - hardware, $250K - cloud and/or implementation in government sales over 18 months); and 3) Distributor-Based Umbrella for large distributors who sell a variety of third party hardware and software needed by users, but the volumes don’t yet reach the sales thresholds for holding a Manufacturer-Based Umbrella Contract. The term “umbrella” signifies that a manufacturer’s full catalog of products can be awarded under one contract thus eliminating the need for multiple contracts with the same manufacturer. This Umbrella is our approach to address shortfalls of the previous contracts and assist users in dealing with a complex and often confusing contract category in an expedited manner. The Umbrella contracts **mandate competition** through second tier Request for Quotes (RFQ); **include standardized uniform terms and conditions**; **provide simplified forms for user RFQ’s and contractor responses**; **greatly expands the scope of product/service offerings** (see **Attachment #3 Umbrella Concept Summary and Lot Overview**); provide **a sliding scale of insurance liability** commensurate with cloud project risk (to address vendor concerns about high limits for small risk (see **Attachment #4**); allows **bundled purchases which include Hardware and/or Software in combination with Cloud Services**; **future periodic recruitment** which allows terms and conditions changes for all in accordance with market conditions; and **an “incubator/proving ground”** concept (under Distributor Umbrella) which allows smaller volume companies to build sales through one of the large distributors, and therefore become eligible under future periodic recruitment for their own Manufacturer Umbrella contract.

In 2015, the Manufacturer Umbrella contracts were awarded to 70 manufacturers, who in turn utilize more than 400 authorized resellers (though the responsibility for the contract remains with the contractor). In December 2016, four vendors were awarded Distributor Umbrella contracts to sell third party software and hardware (only products not available from the Manufacturer-Based Umbrella or through any other OGS contract can be sold). This new contract suite offers an array of products and services, some of which had never been available through a NYS OGS centralized contract. To date, we are seeing higher than anticipated purchase volumes and are currently in the middle of the first periodic recruitment of the Manufacturer Umbrella which encompasses improvements based on feedback from contract users and the business community. This contract suite is being offered for Cronin consideration after being in place for over a year. The “one company - one contract” or all products and services under one “umbrella” combined with the periodic recruitment is the innovation we believe can be adopted: 1) with other contract categories (e.g., furniture or vehicles); 2) by other states to assist with contract administration, order processing and project acquisition time savings (to date 13 states have inquired about the contract structure); and 3) to improve service provisioning for many users in a very difficult contracting area. Our goal is to eliminate all separate software and hardware contracts and cover those products and services under the IT Umbrella Suite. The Umbrella Manufacturer portion replaced approximately 184 contracts all with varying terms and conditions. We anticipate other vendors to follow when the periodic recruitment is completed or the existing (non-Umbrella) contracts expire.

**Innovation**

One of the biggest hurdles in the IT area is the complexity faced by contract users when trying to purchase what is needed, combined with the need for speed to market. Contract users often make purchases outside existing contracts due to limitations of scope, insufficient terms and conditions, availability of contractors (especially new or emerging companies) and the need for expedited procurement. The complexity is compounded when users must issue multiple orders for the same system (servers, software, implementation services and other items which are usually on different contracts). The beauty of this contract is the ability for users to expeditiously acquire the software/hardware/implementation and cloud services under a single order from an established statewide centralized contract. This benefit along with the periodic recruitment provides a framework for all IT product and service types to be included under one “umbrella”. Though there is required competition via a simplified RFQ process, once competed the one contract per company allows single orders for various products which also equates to administrative savings for both contract users and vendors.

Our review of other public awards has turned up several exceptional contracts for cloud, software, services, hardware (e.g., servers/PC’s/storage etc.), but we have not found a contract for the full scope under one award. This immediate benefit is that the “Umbrella” modular approach can cover a wide range of technology products and services and continue to benefit from having to only administer and manage one contract per company.

**Transferability**

Even though this umbrella contract was implemented by NYS Procurement Services for IT products and service, the contract’s framework can certainly be used by others in any number of contract categories that have varied product and service subcategories. Furniture and vehicles are just two examples. Though this effort did take cooperation between several stakeholders (e.g., central procurement team and OGS Legal, the business and contract user communities, Cybersecurity/Office of Information Technology Services agency and others), that is not uncommon for sourcing projects and is certainly expected when making substantial changes. The templates included with the solicitation and the award provide potential bidders a myriad of examples and explanations about what products and services go in which Lot, standard templates for technical and financial portions of RFQ’s (simple and complex) and contractor RFQ responses. The forms and templates are available for use by others, and while they do contain some specific terms unique to how NYS handles indemnification and limitations of liability, they can be modified to meet individual states’ needs. To date, the IT team has received 13 requests from other states for information related to this initiative.

**Service Improvement**

Overall service to our customers has improved through periodic recruitment, the inclusion of all product and services types, and the enhanced, consistent terms and conditions. Periodic recruitment (or the act of opening the solicitation process at some future date to address more contractors) is not new to New York. Periodic recruitment coupled with the umbrella framework concept is. It allows NYS to add new and emerging technologies and companies quickly, make terms and conditions changes necessitated by user and industry needs, include new categories (e.g., a few years ago “as a service” models did not exist), and have these changes made to the existing suite without having to create another contract. We are preparing for inevitable technology changes and have attempted to address future needs under the existing contract framework. By adding cloud services and terms we are improving service offerings for users who have been asking for them for many years. The IT category is constantly changing with company mergers/acquisitions, emerging technologies, new startups, and companies that can now meet required sales volume qualification. To address these issues, we included periodic recruitment and after one year have advertised the next round of periodic recruitment for the Manufacturers Umbrella with the potential to add many more vendors who previously did not qualify, did not see the previous advertisement, or would not agree to the terms and conditions. Additional improvements include a user requested optional request for quotes (RFQ) that target MWBE and SDVOB vendors (up to a maximum statutory $200K discretionary level), agency polling documents to gauge contractor intent to quote, and changes to the terms and conditions done after discussion with the business community (base agreements with existing contractors will be amended by letter agreement at a later date to include the enhanced terms and conditions) (see **Attachments #5 and #7**). By adding uniform cloud specific terms and conditions (that match NYS Technical Policy) covering Data Breach and Privacy/Cyber Liability, Technology Errors and Omissions, Crime Insurance and a low, moderate and high-level risk dollar limits for cloud services to the already existing Workers compensation and general insurance requirements, users don’t have to worry about negotiating it themselves or, in many cases, wonder what is required of them by the state and fed mandates. Ultimately, the goal is to expand the selection of vendors and products in all categories to encourage more competition and deliver more value to purchasers. We know that when not using the centralized contracts, users are mandated to advertise and request their own quotes, by having the products and services on the contracts. Through an RFQ process – users are seeking competition under a standard contract with a process that includes the required terms and conditions and an RFQ turn-around in a period as short as 5 days.

The contract’s APPENDIX F - PRIMARY SECURITY AND PRIVACY MANDATES provides in one place an overview of the myriad of state and federal data security and privacy mandates users should be aware of (see **Attachment #6)**.

Procurement Services has also created various guides and templates to assist users with the RFQ process. These include: a How to Use Guide, Basic & Complex RFQ Templates, and Basic & Complex RFQ Financial Response templates. <https://www.ogs.state.ny.us/purchase/snt/awardnotes/7360022802TemplatePage.pdf>

A review of Appendix B (the standard terms and conditions for OGS contracts) identifies a number of business friendly and user requested enhancements (see **Attachment #5**).

We altered the Contract Modification Procedure (contract award [Appendix C](https://ogs.ny.gov/purchase/snt/awardnotes/7360022802AppendicesPage.pdf)) that assists contractors in making various changes and updates. (See link on page 4)

OGS Procurement also understands the complexity of this contract area and the significant changes to authorized user and contractor communities. We have therefore conducted more than 40 trainings since the 2016 contract inception, most on-site but also web-based trainings (see **Attachment #8 Training IT Umbrella April 2017 and Attachment #9 Training and Presentation Log**). We have also created video trainings for the Umbrella and Insurance: IT Umbrella:  <https://govbuy.ogs.ny.gov/it-umbrella-manufacturer-and-distributor-contracts-how-buy-it-products>; Insurance Requirements:  <https://govbuy.ogs.ny.gov/contract-insurance-requirements>

**Cost Reduction**

**Hard Dollar Cost Reductions**

Below is estimated cost reduction based on a baseline completed by the IT procurement team (see **Attachment #10. May 24, 2016 Umbrella Cost Savings Baseline and Methodology)**. **Umbrella Sales Report Tracker** spreadsheet image **(see Attachment #11)** provides background details on the methodology used to calculate and verify the savings. Dollar savings are trending higher given higher than estimated purchase volumes. The original baseline calculated a 22.4% savings on an annual purchase volume of $198,257,444 (or $44.409.667). The calendar year 2016 actual purchase volumes (with some reports not yet received) trend about 14.09% higher to **$226,200,030 (which equals savings of $50,668,806)**.

**Soft Cost Reductions** (Cost Avoidance)

One contract per company (which allows single orders for various service types versus separate contracts and multiple orders for the same engagement) also equates to administrative savings. While difficult to measure work reduction, the following charts show 70 Total Manufacturer contractors which would previously have meant 184 contracts (each lot would have been a different contract). That is 90 fewer (a 61.95% reduction) in number of contracts to manage. It also means administrative savings to the contractor and the OGS Procurement teams (for those who had hardware, software and implementation this means two less to administer). All four categories purchased under one order also means the total number of transactions entered by the purchaser entered in the State Financial System is fewer. The total number of contracts replaced is even greater given the fact that previous hardware contracts included separate contracts for storage, enterprise systems and desktops.

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| **Umbrella Manufacturer #22802** | **Total Contractors** – 70  | **Total Resellers** – 370  |
|  | **Lot 1 – Software** – 47 Contractors | **Lot 1 Software** – 274 Resellers |
|  | **Lot 2 – Hardware** – 36 Contractors | **Lot 2 Hardware** – 304 Resellers |
|  | **Lot 3 – Cloud** – 30 Contractors | **Lot 3 Cloud** – 77 Resellers |
|  | **Lot 4 – Implementation** – 41 Contractors | **Lot 4 – Implementation** – 238 Resellers |

The award documents are found here: <https://www.ogs.ny.gov/purchase/snt/lists/gp_73600.asp>

Referenced Attachments

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| Attachment #1 CIO Presentation Summary 7-14-14  | Attachment #7. IT Umbrella Periodic Recruitment Pre-bid Network Presentation (ppt) |
| Attachment #2 Timeline for Major Umbrella Events 1.15.16 | Attachment #8 Training IT UmbrellaApril2017.pdf |
| Attachment #3 Umbrella Concept Summary and Lot Overview | Attachment #9 Training and Presentation Log |
| Attachment #4. Umbrella Cloud Insurance Coverage | Attachment #10. May 24, 2016 Umbrella Cost Savings Baseline and Methodology (ppt) |
| Attachment #5. User and Business Community Requested Changes | Attachment #11. Umbrella Sales Report Tracker Spreadsheet |
| Attachment #6. APPENDIX F - PRIMARY SECURITY AND PRIVACY MANDATES |  |

 ***“I wanted to drop you this note to let you know that the professionalism and efficiency with which the Manufacturers Umbrella Contract was managed by the State was nothing short of incredible. Having spent the last 15 years working in and around State and Local Government entities in the Tri-State area, I have been exposed to many large, complex, and lengthy RFP processes. When one considers the sheer scope of the Umbrella Contract as well as the number of OEM’s responding with proposals, it is truly amazing that 22802 was completed so quickly. Thanks to you and your team for serving the State of New York so well by consolidating your procurement vehicles with such alacrity.”***

***--Umbrella Manufacturer Contract Holder***