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State of Utah

Department of Administrative Services
Division of Purchasing & General Services

2017 George Cronin
Awards for Procurement Excellence

ValuePoint Cloud Solutions Procurement

Executive Summary

The NASPO ValuePoint cloud services procurement, led by Jennifer Salts and Christopher Hughes,[1] mapped the way for states and other governments who are moving away from an on-premise, hosted information technology infrastructure to one where access to software, infrastructure, and other sophisticated platforms are accessible with browsers. This way of acquiring IT resources turns the traditional method of acquisition on its head. On the one hand, states are less concerned with ownership of the system. On the other, cloud raises a host of other issues such as control of data and security to name just two. The Cloud Solutions master agreements provide a range of solution types for Software as a Service (SaaS), Infrastructure as a Service (IaaS), and Platform as a Service (PaaS). But more importantly, the master agreement frames a disciplined environment to assess the capabilities of the various contractors. This executive summary highlights how this innovative cooperative procurement conducted from December 2015 to September 2016 satisfies the Cronin Award criteria.

Innovation

- First-ever procurement involving integration of a ValuePoint sourcing team and advisory council consisting of representatives from 10 state information technology offices and the National Association of State Chief Information Officers.
- Used *Center for Digital Government* model cloud terms and conditions.
- Leveraged expertise of the Provincial Government of British Canada in adopting *Cloud Security Alliance* tools for identifying security capabilities.
- RFP includes a two-year competitive technology refresh to add evolving technologies.

Transferability

- The touchstone of a cooperative procurement is: all states can use the contracts and adapt the participating addenda to their requirements.
- The RFP, amendments, specifications, contractor master agreements, and state participating addenda are all publicly available on the NASPO ValuePoint website at www.naspovaluepoint.org.

Service Improvement

- The structure of these master agreements helps educate users on the essential security, data, and technical issues that need to be addressed using well-accepted standards.
- The RFP not only provides access to a wide menu of cloud-based services, but also cloud-related consulting needed to build a new application or move an existing one into the cloud.
- Technology refresh provisions and an announced biennial refresh solicitation for new vendors permit the solutions to keep up with a dynamic industry.

Cost Savings/Efficiencies

- Avoids inefficiency of states' replicating a 296 pp. RFP and 109 p. addendum (547 Q&As).
- Judging from the rapid growth in numbers of participating addenda and comments from national IT leaders, this cooperative procurement will result in substantial cost savings.

This procurement was transformational. The State of Utah is proud to nominate Utah's ValuePoint Cloud Solutions procurement for the 2017 George Cronin Award for Procurement Excellence.

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[1] The State of Utah acknowledges the invaluable contributions of the early team leaders—Jeff Mottishaw, Utah Division of Purchasing & General Services, and Paul Stembler, NASPO ValuePoint—who got the project on the right track. Solomon Kingston, also in the Division, is doing the heavy lifting negotiating the master agreements with the awardees, following in the footsteps of his colleague, Stuart Hall.

Innovation

The IT Procurement Environment. Ask a public sector chief information officer to name her pain points and chances are she will mention IT procurement. In 2015, in a survey conducted by the National Association of State Chief Information Officers (NASCIO), 47% of state CIOs said they were dissatisfied with the current system of IT procurement. Utah's ValuePoint Cloud Solutions procurement helps satisfy concerns of those users.

Effective Use of Interlocking Teams. Chris Hughes and Jennifer Salts effectively led execution of the ValuePoint model that already is heavily dependent on teams. What was more challenging here—and more effective—were the linked teams facilitated by NASPO ValuePoint. Shannon Berry, a NASPO ValuePoint cooperative development coordinator, helped manage the coordination of activities needed with sourcing team members from across the nation. Dugan Petty, a prior president of both NASPO and NASCIO, brought together an advisory council of state CIOs and IT professionals, underscoring the importance of engaging the IT community. As Douglas Richins, NASPO ValuePoint's Chief Executive Officer says, "The success of this groundbreaking procurement is in large measure due to the excellent leadership by the State of Utah, the dedication of a very talented group of state procurement and IT professionals on the sourcing team, and collaboration with state CIOs."

Use of *Center for Digital Government* Model Cloud Terms and Condiitions. The sourcing team used the 2014 *Center for Digital Government* (CDG) model cloud terms and conditions—a collaboration between industry and government—as a baseline for the RFP terms and conditions. There are widely varying approaches among states to data breaches involving Personally Identifiable Information (PII) and their information security classification frameworks and risk tolerance. Utah and ValuePoint effectively leveraged this government-industry collaboration. The integration of the *Center for Digital Government*'s consensus-developed terms and conditions mitigated the effect of a recurring irritant: inefficiencies driven by negotiation of liability allocation provisions like limitation of liability.

Across-the-Borders Collaboration. The team also capitalized on an across-the-borders collaboration with a team from British Columbia, Canada. Utah's cloud solutions leadership team regularly conferenced with the BC team who was working on a similar cloud service cooperative procurement and addressing a widespread problem: how to establish effective contracts in this new and emerging market. Cloud BC shared their planned use of the *Cloud Security Alliance*'s tools for British Columbia governments to perform their due diligence on cloud provider applications before selecting a provider. It is the core framework used by Utah in the ValuePoint master agreement to highlight the important differentiators in the various solutions.

Transferability

The ValuePoint Model Promotes Transferability. By using the ValuePoint procurement model, multiple states contributed to framing the procurement and IT requirements. States had the notice necessary to satisfy their own statutory requirements for participating. As is NASPO ValuePoint's practice, the draft RFP was circulated among all 50 states for comment and decisions about participation. The 35 states who announced their intent to participate are the largest number in an initial RFP in the 25-year history of NASPO's cooperatives.

In the past four months, the number of states executing participating addenda grew from 3 to 16, validating Utah's use of the ValuePoint model to make the solutions broadly available to states.

Transparent Availability of RFP and Contract Documents. The NASPO ValuePoint website (www.naspovaluepoint.org) provides all the documents necessary for states who want to conduct due diligence, order or conduct a similar solicitation. The website has the RFP (including industry

questions and answers), evaluation methodology and scores, contract award announcements by category, contractor master agreements, security and data control assessment tools, security and data control webinars, and the supplier webinar.

Service Improvement

Wide Range of Cloud-Based Solutions. The master agreements provide states, territories, and their authorized political subdivisions a menu of high-quality cloud service models and consulting services needed to help plan, move and manage a new or an existing application onto a cloud-based platform. The movement to cloud will ultimately increase technology departments' overall efficiency, reduce costs, improve operational scalability, provide business continuity, increase collaboration efficiencies, and allow for expanded flexibility in work practices and system improvements. Using the master agreements, a participating state can select from the cloud solutions based on their review of the information submitted in the offeror's proposal.

 As Chris Hughes explains it, the awards provide "a broad range of services: from cloud-based phone systems; unified communications; enterprise resource planning (ERP) modules; desktop as a service; programs to combat fraud, waste and abuse; data analytics; a full range of GIS services; health claims and management; security as a service; application development in PaaS and cloud hosting services; combining IaaS with a range of managed services and system integration to deliver secure and reliable computing and storage infrastructure."

Sharing the Learning About Cloud. With a knowledgeable staff in both procurement and information technology, Utah did their research and quickly came up to speed on cloud law, cloud controls requirements and potential evaluation factors.   NASPO ValuePoint helped enlist a sourcing team with representatives from Colorado, New Jersey, Tennessee, Utah, Vermont, and Wisconsin. The work done by this team helped solve the mystery of cloud procurement for states.

This procurement encountered an emerging market that required the expertise of the IT community. The Information Communications Technology Advisory Council (ICTAC) spearheaded by Dugan Petty added critical vision to that of the State of Utah and the sourcing team. For example, the RFP scope was sharpened: a marketplace for Software as a Service (SaaS), Platform as a Service (PaaS), and Infrastructure as a Service (IaaS), as well as cloud-related consulting services. The RFP also adopted the council's recommendation to keep the contract fresh with a technology refresh cycle that allows Utah to resolicit and add cloud solution providers every 2 years.

A Focus on Security and Data. The RFP focused on national data security standards. The RFP required each offeror to complete the *Cloud Security Alliance*'s (CSA) Consensus Assessment Initiative Questionnaire (CAIQ) and used its Cloud Controls Matrix and Security Trust and Assurance Registry. This helps government entities assess security and data controls in cloud applications and gives them the ability to verify whether their security and data controls requirements are met. The contract requires the cloud service provider to maintain their minimum level of certification throughout the life of the contract and to recertify compliance at the time of the two-year refresh. Daniele Catteddu, Chief Technology Officer for the *Cloud Security Alliance*, put it this way, "The approach the State of Utah took to the address cloud security is exactly the one that CSA envisioned our tools were created for. The State of Utah is adopting a very effective way to ensure that the appropriate security controls are in place for the needs of the states."

Finding a Way to Address Liability for Data Breach. The concerns about potential liability surrounding data breach were addressed using the *Center for Digital Government*'s model limitation of liability approach. Maximum limits for response liability are tied to the scale of use in each state, an approach based on a study by the Poneman Institute about average per capita costs to remediate date breaches. This approach has been broadly accepted by contractors.

Biennial Technology Refresh. The RFP provides for technology refreshment by current vendors, but it also contemplates a biennial competitive technology refresh. Over the next five years, IT leaders anticipate greater change in the technology environment as a result of evolving digital technologies and business models. The teams knew that this dynamically changing market and the contracts under it would be potentially outmoded or more new solutions available that states might need. So a refresh cycle was built in. It gives the states the chance to move to new technologies and cloud based solutions not dreamed about today. As important, it keeps incumbent contractor solutions fresh and competitive.

Consider this quote from Nelson Moe, CIO for the Commonwealth of Virginia, "These contracts will help governments become more agile in their deployment of technology solutions. And because the cloud providers will be refreshed every two years, the cloud solutions will remain up-to-date."

Agility in IT procurement? This procurement has changed perceptions.

Cost Reduction

Saving Other States Time. Just the states' avoidance of costs associated with replicating the RFP is substantial. The 296-pp. RFP was followed by a 109-pp. addendum answering 547 supplier questions. Proposals were received from 58 suppliers. Had this procurement not been done cooperatively, the investment of resources needed by states to individually procure needed cloud solutions would be sizeable and likely would result in substantial budget impacts.

Time to Market. When a state's business case demonstrates savings resulting from cloud based solutions, absent the Cloud Solutions master agreement, the time to get it implemented can result in lost cost-savings opportunities. A robust and technologically fresh market place of cloud solutions will generate significant cost savings when states are able to rapidly deploy secure and cost-effective cloud computing solutions.

Value and Cost Savings. On top of all that, all 38 suppliers discounted their commercial rates. Initially the Utah team considered developing use cases to evaluate firm pricing against, but with the breath of the offering awards would have unbalanced price offerings by deeply discounting the use cases and potentially leaving the cost of solutions not described in a use case at a high price. Instead, Utah and the sourcing team evaluated pricing discounts from all thirty-eight suppliers by awarding points based on the depth of the discount offered. The competition now and at the refresh cycles will help drive-up discounts. States with discrete projects with known scope and volume can easily conduct a quick secondary down select process between master award holders, if they believe even deeper discounts may be achieved and drive even greater cost savings.

NASPO ValuePoint has coordinated on 17 press releases that illuminate the value of the project to the contractors. IT users agree. Michael DeAngelo, Washington State Deputy CIO, says, "This new cloud solutions marketplace represents a major leap forward in enabling governments to partner with cloud providers to more effectively deliver services to citizens." Elayne Starkey, Delaware's Chief Information Security Officer, agrees, "These contracts meet a critical need within the government sector by providing a mechanism to leverage cloud solutions and ensure that potential cloud vendors meet data security and protection requirements."   And Michael Hussey, Chief Information Officer for the State of Utah, adds, "The NASPO ValuePoint Cloud Solutions contract gives us a glimpse into the future of cooperative agreements. This new procurement paradigm will allow states to quickly respond to the demand for cloud solutions knowing the offerings are secure, cost effective, and meet the high standards expected by the states."