Enterprise Software Initiative (ESI)

Enterprise Agreements for COTS Systems Integration

Presented to

Acquisition Advisory Panel

June 14, 2005

ENTERPRISE SOFTWARE INITIATIVE

DEPARTMENT OF DEFENSE

ESI BACKGROUND

ENTERPRISE SOFTWARE INITIATIVE
DEPARTMENT OF DEFENSE

What is ESI

1998 to Present

- Joint project formed in 1998 by DoD CIO
- To establish a DoD-wide process for software acquisition and management
- Mission is Software Asset Management
- Leverage the purchasing power of the DoD

Results

- 50 Blanket Purchase Agreements with more than 25 Software Firms
- In first six years, ESI helped avoid more than $2 Billion in negotiated discounts off GSA schedule prices

ESI Scope Broadened to Services

- ESI Reach was extended to technology services and hardware in 2002
- COTS Systems Integration selected for initial Enterprise Agreements for Services

ESI AWARDS

- Systems Integration BPAs: Finalist in 2004 IRMCO Award
- Finalist for 2004 and 2005 eGov Awards
- Finalist for 2003 DoD CIO Awd.

ESI and SmartBUY

- Started June 2003
- OMB Initiative for Federal-Wide Licensing
- SmartBUY Implementation in DoD is through ESI
- Initial DoD Policy for SmartBUY Implementation issued Sep 03
- ESI working with GSA SmartBUY team to coordinate requirements for acquisitions beyond DoD
- Winner 2005 Federal CIO Council Leadership Award

DoD ESI Organization

- Do D CIO sponsorship. Senior-level oversight by ESI Steering Group and DoD CIO Executive Board
- Uses DoD Component Executive Agents to manage product categories
- Do D Component Executive Agents appoint a Software Product Manager (SPM) to:
  - Consolidate requirements
  - Develop Business Case
  - Negotiate best-value deals for software in ESI Product Categories
  - Make extensive use of GSA Federal Supply Schedule BPAs
  - Administer resulting Enterprise Software Agreements
- ESI Working Group composed of members from the Major DoD Components
- Co ntracting responsibility for ESI assigned to offices with specialized expertise

DoD ESI In Regulations

- Defense Federal Acquisition Regulations Section 208 Final Rule Published October 25, 2002
  - Gives ESI Regulatory Status
  - Regulation Establishes Policy and Procedures for Acquisition of Commercial Software and Software Maintenance When Acquired –
    - As part of a system or system upgrade, where practicable
    - Under a service contract
    - Under a contract or agreement administered by another agency
    - Under a Federal Supply Schedule contract or blanket purchase agreement
    - By a contractor that is authorized to order from a Government supply source

COTS Systems Integration Services

Why & How

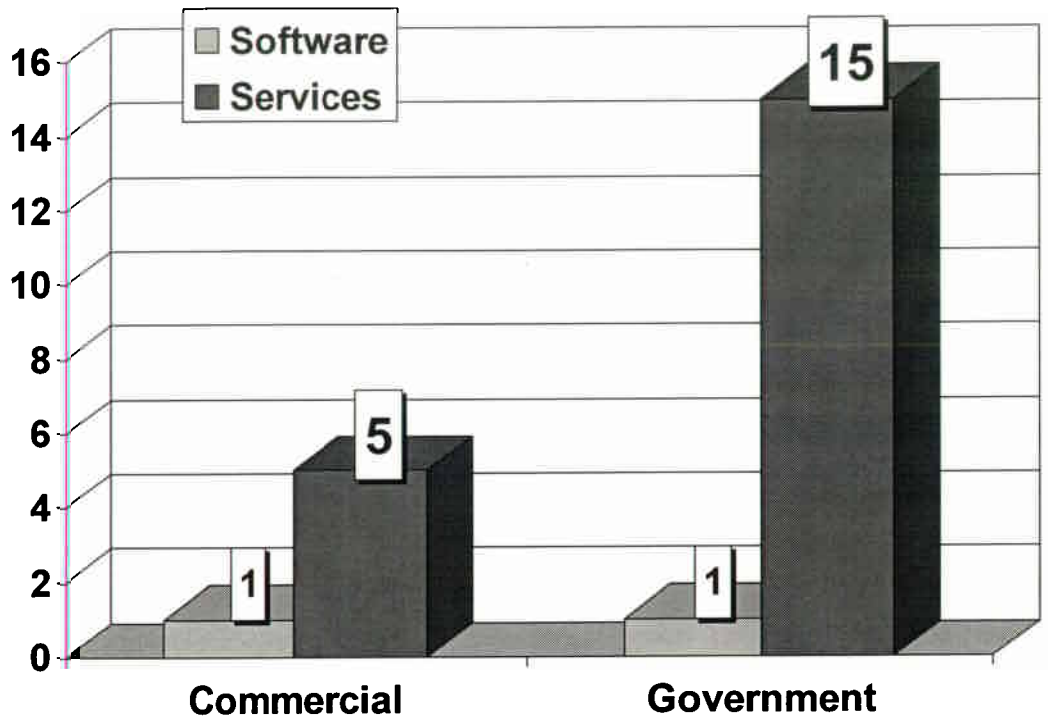
APPROACH

- Market Research and Strategy Coordinated with Logistics Systems Management within DUSD AT&L
  - Program Implementation Group (PIG) Collaboration
  - Real-world users involved throughout the process (commercial and government organizations)
- Confirmed by Gartner, Forrester, Acquisition Solutions Inc.

OBJECTIVES

- Pre-negotiated, best value agreements for systems integration services
- Enable the acquisition of Systems Integration services more quickly, more effectively, and less costly.
- Enable projects to have greater likelihood of success / reducing risk by using best contracting practices and educating buyers
- Develop / adopt a standardized contract structure based on proven methodologies for COTS implementation

Software to Services Ratios



Why So Much More?

- Regulatory requirements
- Too much customization
- Resistance to change
- Redundant purchase of same product or service
- Poor requirements / poor scope management
- Larger scale of users adds complexity

Source: OMB

Why

Government Duties

EXAMPLES

- Provide a Project Manager who will …
- Provide staff resources who …
- Provide office space, telecommunications, …
- Provide documentation of business processes …
- Document data and database file structure …
- Perform data and file cleanup on legacy systems …
- Stage legacy system data for conversion …
- Provide all hardware, software …
- Conduct User Acceptance test …

AVOID USE OF ASSUMPTIONS

- Common cause for confusion, failure, delay and avoidable change orders

ESI Contracting Process

GSA

Systems Integrators with GSA Federal Supply Schedule

FAR Part 12

Done May 2004

Competition 1: Enterprise Wide

Market Research → RFQ → Eval → Award

Blanket Purchase Agreement for COTS Implementations

- A. Tasks and Deliverables Pricing
- B. Labor Discounts
- C. Performance Approaches

Section 803 requirements satisfied by BPA competition

- Opened to all GSA IT schedule holders
- Published RFQ on GSA e-Buy

Competition 2: Program Specific

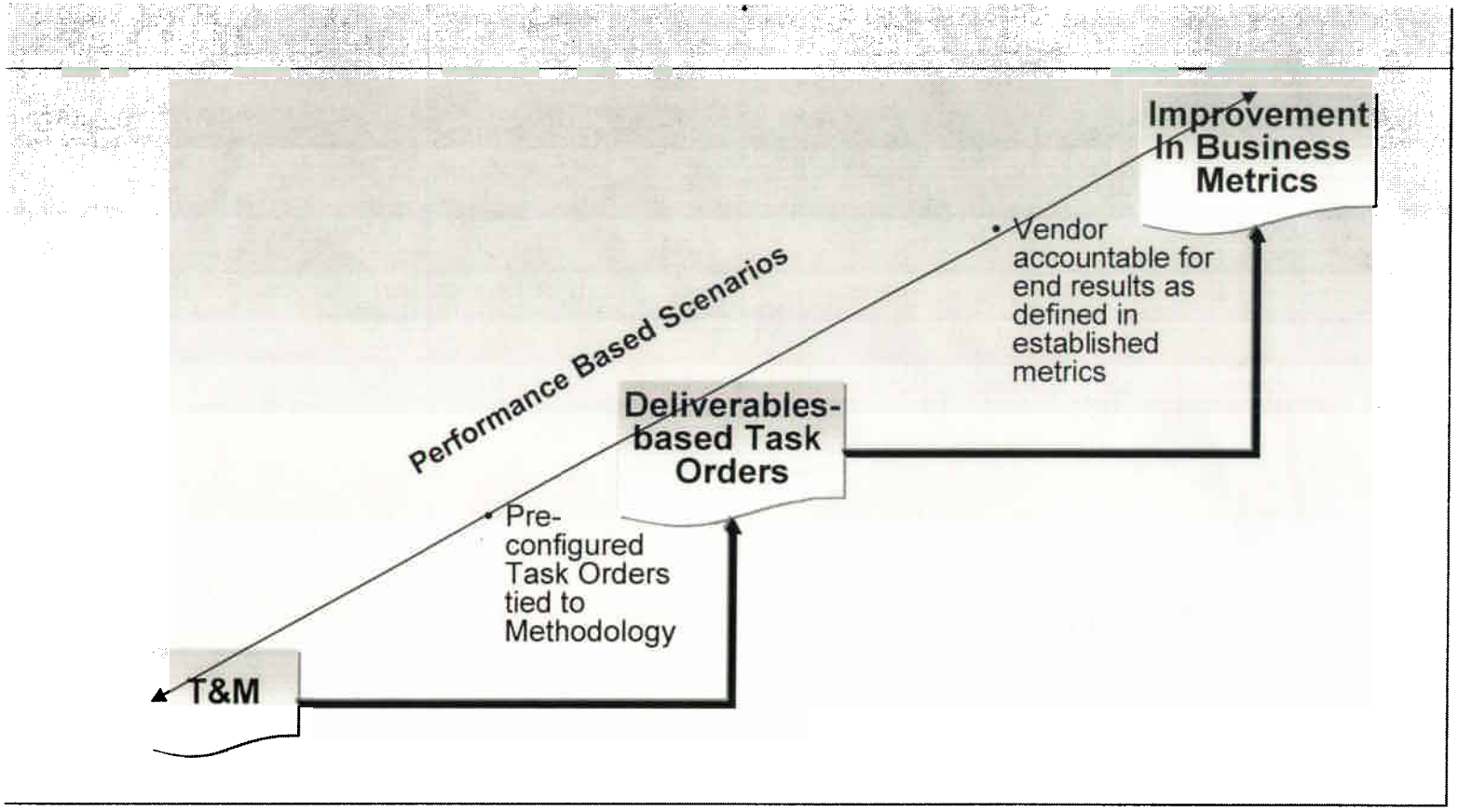
Acq. Strat. → RFQ / SOO → Eval

Task Order for a Program's COTS Implementation

Competition limited to five pre-qualified BPA holders

How

Typical Pricing Structures



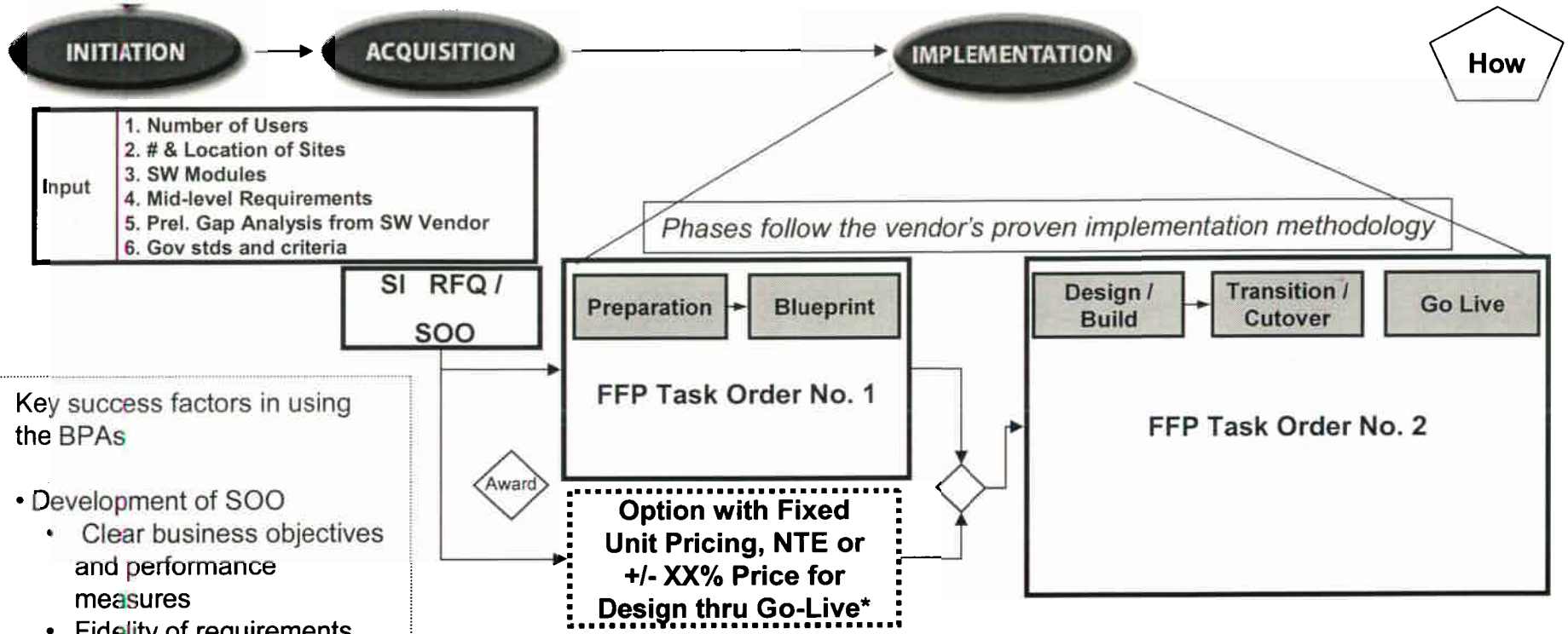
Solution definition is unclear

Need and solution are clear

Buyer has metrics set & can quantify results desired

Task Order Structure Aligned with COTS Project Life-Cycle

Typical COTS Project Lifecycle



Key success factors in using the BPAs

- Development of SOO
  - Clear business objectives and performance measures
  - Fidelity of requirements
- Evaluation Criteria to include:
  - % of price at risk
  - Methodology Demo
  - Gov't Duties
  - Definitions of RICE complexity
- Gov't discipline crucial to controlling scope creep

Key Output from TO #1	FINAL SCOPE / BLUEPRINT • Requirements Refined • RICE Objects Validated and Finalized • Training Needs Defined FFP Task Order #2

* Option Price for Task Order #2 is based on a Baseline Project Scope, which gets finalized during the Blueprint Phase

Baseline Scope and Factors

What

One Table covers all three COTS Packages

Oracle, PeopleSoft, and SAP	Baseline Scope for Pricing
Business Processes	Maximum of 138
Application Components or Modules	3 (in same business area)
Number of Users	500
Number of locations	1
Number of Reports	16
Number of Interfaces	16
Number of Conversions	21
Number of Extensions/Customizations	0
Number of Workflows	15
Number of Forms	6
Number of Security profiles	30
Training Approach	3 Course subjects per Module

Three Tables for each of the three COTS Packages

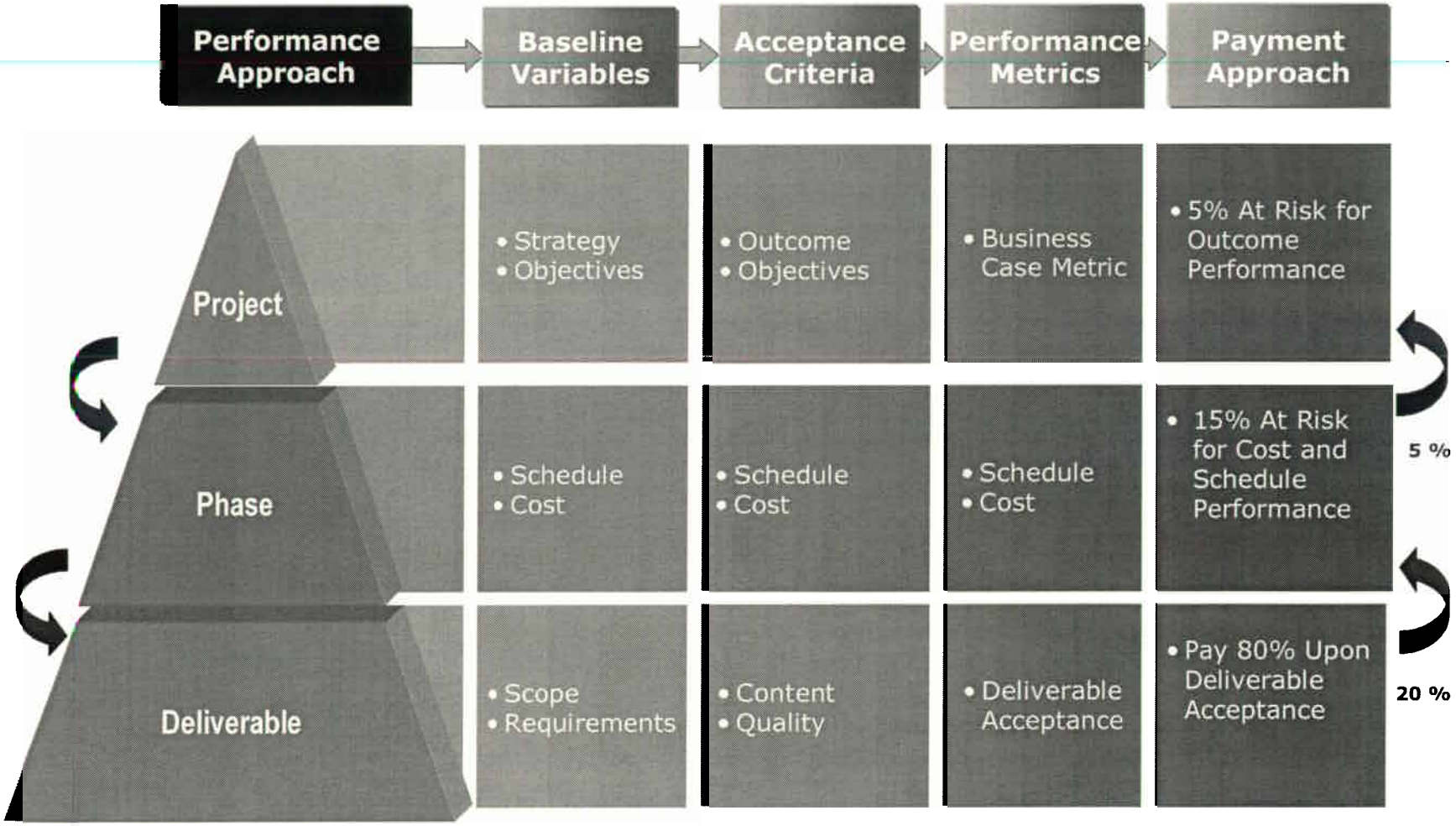
	Oracle			PeopleSoft			SAP		
	Small	Medium	Large	Small	Medium	Large	Small	Medium	Large
Modules	2	8	15	2	4	6	2	5	9
Users	200	2000	5000	200	2000	5000	200	2000	5000
Business Locations	1	3	5	1	1	3	1	3	5
Duration (months)	8	16	24	12	18	24	12	18	24
Reports	20	40	80	10	20	30	20	40	70
Interfaces	20	25	10	10	20	15	10	20	30
Conversions	10	20	30	5	10	20	20	25	40
Extensions / Enhancement	10	15	25	5	10	20	10	15	20
Workflows	5	5	5	2	5	10	5	10	20
Train the Trainer Classes	2 classes / one per module	8 classes / one per module	15 classes / one per module	2 classes / one course per module	4 classes / one course per module	6 classes / one course per module	2 classes / one course per module	5 classes / one course per module	9 classes / one course per module
Price	$ 2,854,731	$ 8,657,492	$20,218,683	$3,741,480	$7,002,972	$ 10,191,816	$5,409,763	$ 11,484,029	$23,668,301

Phased Approach: Price Tied to Methodology

Ordering Period: 1/01/2004 - 10/31/2004						
	PROJECT PHASES					
Threads	1.0 Plan & Analyze	2.0 Design	3.0 Build	4.0 Deliver	5.0 Operate	Total
Project Management	$114,735	$285,701	$437,789	$126,581	$47,491	$1,012,297
Value Realization	$94,082	$42,595	$81,228	$35,080	$35,661	$288,646
Strategy & Operations	$163,918	$712,069	$1,927,378	$574,632	$396,257	$3,774,255
Technology	$58,573	$255,540	$956,439	$236,489	$151,049	$1,658,089
Security & Controls	$27,955	$130,457	$424,655	$74,547	$37,273	$694,888
People	$62,765	$138,454	$494,223	$155,049	$96,161	$946,652
Total	**$522,028**	**$1,564,817**	**$4,321,712**	**$1,202,378**	**$763,892**	**$8,374,826**
Duration in Months	**1.5**	**3.5**	**5.5**	**2.0**	**2.0**	**14.5**

FACTOR	SCOPE / QUANTITY
End Users	2000
Commands / Sites	1
Business Processes	5
Sub-Processes	50
Instances	1
RICE	5 (RIC) each at low, med. & high complexity; 1 (E) enhancement each at low, med. High

Sample Performance Based Approach



Sample Excerpt from FFP Table Tied to Methodology

Methodology Phase: Blueprint

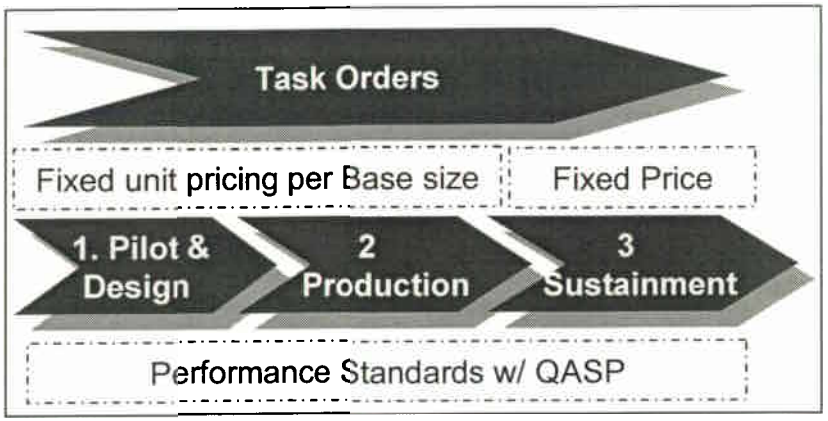
Pre-configured Price Tables
In accordance with Methodology

Services to be Performed by Contractor	Deliverable(s)	Duration	Acceptance Criteria	Payment upon Acceptance
Establish Project Documentation Standards	Project Documentation Standards	2 weeks	The documented deliverable shall conform to the format and structure of the sample attached as Attachment D-4.	$17,200
Perform Process & Functional GAP Analysis and Document Proposed Resolutions	Detailed Gap Analysis Report including proposed resolutions	4 weeks	The documented deliverable shall conform to the format and structure of the sample attached as Attachment D-6.	$42,500

Deliverable	Deliverable Price	Payment Upon Acceptance	10% Holdback	Performance Scorecard Summary	Payment Based on Performance Scorecard
Change Management Plan	$100,000	$90,000	$10,000	Exceeds	$15,000
				Meets	$10,000
				Does not meet	$0

Sample Performance Based Holdback

Common Food Management System (CFMS)



Key CFMS Statistics	
Acquiring Agency	DLA for all of DoD
Fixed Price Award	$50 M (with performance incentives (+5%) and disincentives (-8%)
Term	6 years; 2011 FOC
SI Selected	IBM
Software	Horizon add-on to existing SAP application (DoD enterprise license for Horizon)
Time from Draft RFQ to Award	6 months – Award date March 2005
Dining Facilities	20 - Pilot 700 - Full Roll-Out

Program Requirements

- Dining hall / food service management across entire DoD
- Eliminate redundant systems / field one enterprise system
- Leverage BSM investment in SAP for accounting and financials
- Small Biz Requirements
  - 23% minimum including disadvantaged, service disabled veteran owned
  - Direct orders with DLA (not as subcontractors to IBM)

Benefits of BPA

- Time saved
- Acquisition cost reduced
- Competition focused on specific implementation expertise / general ERP qualifications already determined at BPA competition
- Reduced risk of protest

Features / Benefits

- **Saves Time and Money**
  - Pre-qualification at the BPA level reduces the time and cost incurred instead of doing a redundant full and open competition
  - Section 803 competition requirements already satisfied at the BPA level
  - Solicitations less than 30 days are allowed (GSA based - shorter)
  - Market research at the Task Order level can be targeted to a program's specific situation – COTS implementation qualification already determined
- **Price Certainty**
  - Fixed price services tied to proven methodology
  - Payment tied to results with performance incentives
  - Modular contracting / deliverables-based payments utilized
  - Menu of fixed prices is set for key project variables (e.g. RICE objects)
- **Flexibility**
  - Task Orders can be structured to fit specific program strategy / needs
  - Ordering can be done based on specific program requirements
- **Reduced risk**
  - Proven implementation methodology and best practices employed in the BPAs
  - Less likelihood of a successful protest compared with a full and open competition
  - Better educated buyers – the BPAs act as educational tools
  - BPAs require Reuse – RICE objects and Training deliverables
  - Scope creep reduced by following proven project management processes
  - Built-in Knowledge-sharing – lessons learned, tools, and reuse