

Vendor Management

A discussion on service agreements and purchases



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What is important?

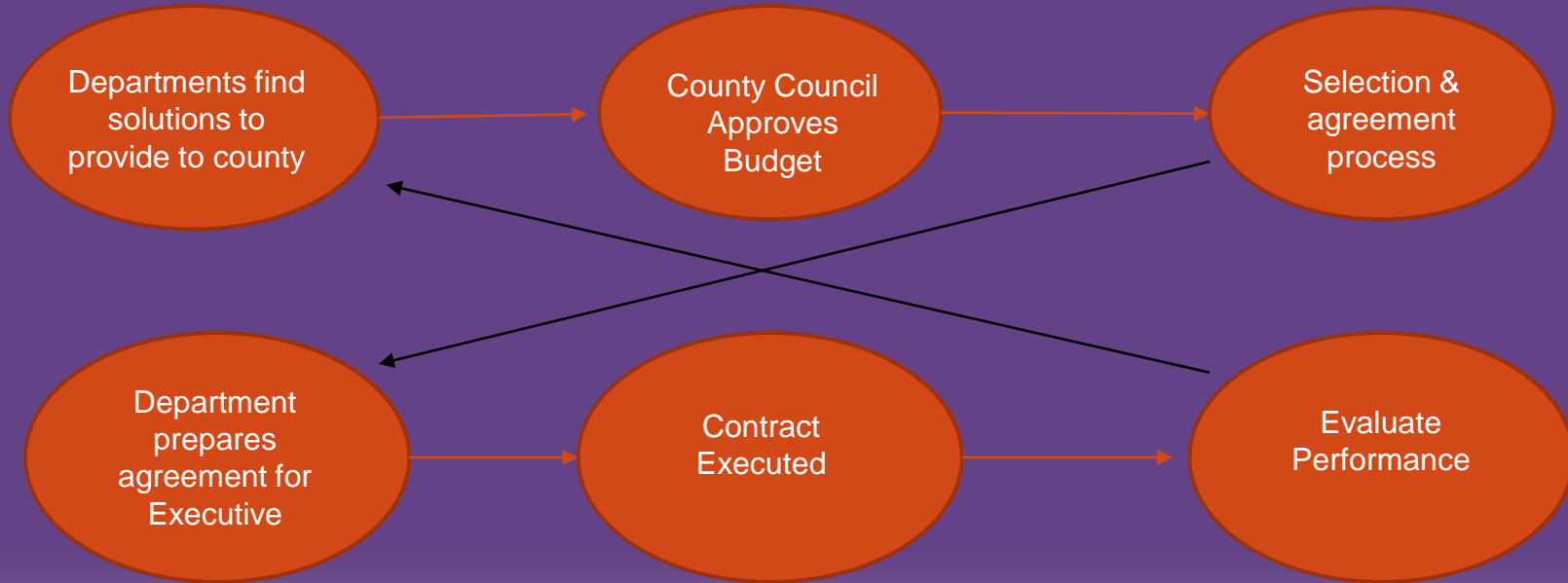


My Father – The deal, the price, the best for your buck.

My Mother – People need to make a living, don't take advantage of their generosity.



Our Process



Purchase Requirements

- 63-6a-104(13)(a) requires all procurement regulations to be adopted by ordinance
- Or, Counties can adopt all or part of state's procurement code
- Summit County's are following
 - >\$5000 requires a Purchase Order from Auditor
 - \$5001-\$10000 staff responsible to check pricing
 - \$10001-\$20000 written quotes from 3 vendors or State of Utah Purchasing contract
 - >\$20000 must be competitively bid or State of Utah contract



Purchasing Tools

- Bidsync.com – Must for items that are competitively bid (no longer available with the State of Utah)
- JAGGAER
- State of Utah Purchasing Division – <http://purchasing.Utah.gov>
- Trade shows and referrals



Evaluation Tools

- Scoring systems – does the vendor proposal meet all of the requirements?
- Selection Committee
- Straight price vs NPV (Net Present Value)
- Due Diligence agreement





“A dollar today is worth more than a dollar tomorrow.”

Decision Process

- Net Present Value or NPV: Net present value is the present value of the cash flows at the required rate of return of your project compared to your initial investment. In practical terms, it's a method of calculating your return on investment, or ROI, for a project or expenditure. By looking at all of the money you expect to make from the investment and translating those returns into today's dollars, you can decide whether the project is worthwhile.

<https://hbr.org/2014/11/a-refresher-on-net-present-value>



							Savings rate						
							0.20%						
							NPV Calculation	taking 166000 minus the yearly cost equals cash flow					
Annual Costs							Initial Investment	YR1	YR2	YR3	YR4	YR5	NPV
Vendor 1	275,679	99,652	99,652	99,652	99,652	99,652	(275,679.00)	66,348	66,745	66,944	67,141	67,339	58,838
Vendor 2	263,655	95,033	95,033	95,033	95,033	98,008	(263,655.00)	70,967	71,346	71,535	71,723	68,966	90,883
Vendor 3	177,932	107,778	107,778	107,778	107,778	107,778	(177,932.24)	58,222	58,651	58,866	59,080	59,293	116,179

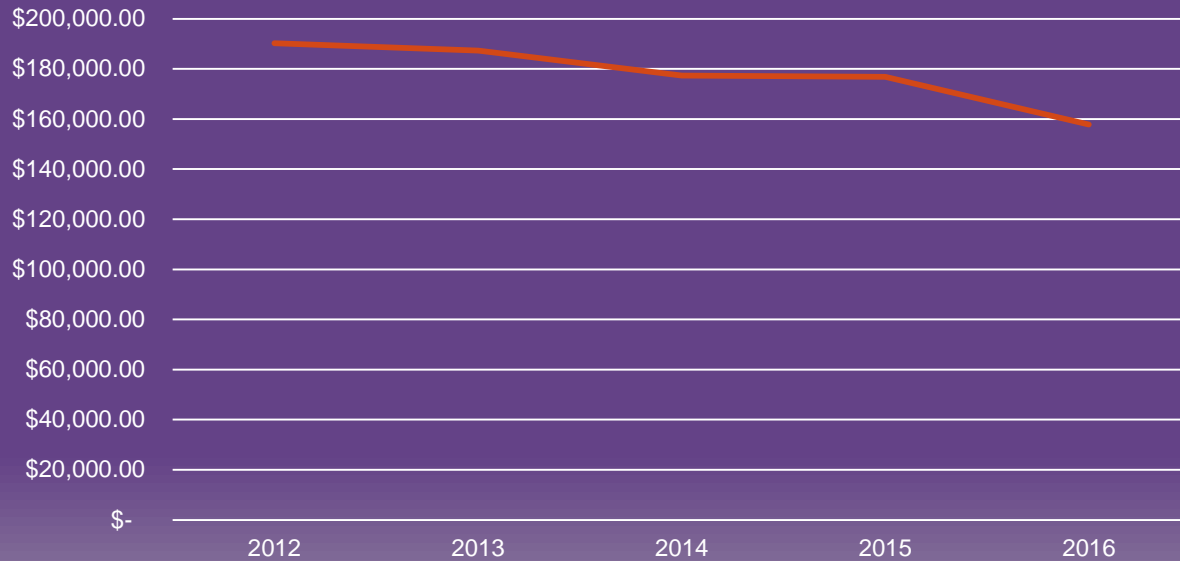
$$\text{Net Present Value} = \sum \frac{\text{Year } n \text{ Total Cash Flow}}{(1 + \text{Discount Rate})^n}$$

Where “n” is the year whose cash flow is being discounted.



What Happened

Project Results



When do we need to consider the contract?

- Follow your county's purchasing policy
- Some bad contracts will end in a loss, what is the tolerance of the county?
- What are the ongoing expenses related to the contract and is it figured into your evaluation.



Things to look for before you sign:

1. Agreement Termination.
2. Governing Law.
3. Warranties of the service or product.
4. Change order or future expenses.
5. Future Addendums to the contract.
6. Expiration dates.





Agreement Termination

Orderly Transfer. In the event that this Agreement is terminated pursuant to Section 2.2 above, then each Party will provide such information, cooperation and assistance to the other Party, as may be reasonably requested, to assure an orderly return or transfer to each Party or its designee of each Party's proprietary data (and related records and files) and materials, if any, held by the other Party. Company will provide Subscriber remote access to the server(s) used by Subscriber for the Service for ninety (90) days from the date of termination (the "Retrieval Period") to allow it to download or save its Subscriber Data. Subscriber agrees not to add new Subscriber Data during this Retrieval Period, but Subscriber will continue to have the right to review and manipulate, remove, and download any Subscriber Data that was available as of the effective date of termination. Any usage of the Service during the billing cycle prior to the notice of termination and/or during the Retrieval Period that incurs a cost will be charged at the rates set forth in Subscription Schedule. After the 90 day Retrieval Period, Subscriber's access to the server(s) will be deactivated, and Company shall have the right to delete Subscriber Data.



Governing Law

- Pick Utah
- Advantage to using local vendors (sometimes)
- Always ask, if something goes awry, do you want to have to send an attorney to out of state to defend your decision?



Warranties



Section 7.0 Disclaimers and Indemnification

7.1 Disclaimer of Warranties. *** AND ITS LICENSORS MAKE NO REPRESENTATION, WARRANTY, OR GUARANTY AS TO THE RELIABILITY, TIMELINESS, QUALITY, SUITABILITY, TRUTH, AVAILABILITY, ACCURACY OR COMPLETENESS OF THE SERVICES OR ANY CONTENT. DSI AND ITS LICENSORS DO NOT REPRESENT OR WARRANT THAT: (I) THE USE OF THE SERVICES WILL BE SECURE, TIMELY, UNINTERRUPTED OR ERROR-FREE OR OPERATE IN COMBINATION WITH ANY OTHER HARDWARE, SOFTWARE, SYSTEM OR DATA; (II) THE SERVICES WILL MEET YOUR REQUIREMENTS OR EXPECTATIONS; (III) ANY STORED DATA WILL BE ACCURATE OR RELIABLE; (IV) THE QUALITY OF ANY PRODUCTS, SERVICES, INFORMATION, OR OTHER MATERIAL PURCHASED OR OBTAINED BY YOU THROUGH THE SERVICES WILL MEET YOUR REQUIREMENTS OR EXPECTATIONS; (V) ERRORS OR DEFECTS WILL BE CORRECTED; (VI) THE SERVICES OR THE SERVER(S) THAT MAKE THE SERVICES AVAILABLE ARE FREE OF VIRUSES OR OTHER HARMFUL COMPONENTS. THE SERVICES AND ALL CONTENT IS PROVIDED TO YOU STRICTLY ON AN "AS-IS" BASIS. ALL CONDITIONS, REPRESENTATIONS AND WARRANTIES, WHETHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR NON-INFRINGEMENT OF THIRD PARTY RIGHTS, ARE HEREBY DISCLAIMED TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW BY *** AND ITS LICENSORS



Warranties

Seller or Service Provider hereby grants to Summit County the following

- warranties on the products or services provided:
 - a. Warranty of Title and Against Infringement
 - b. Warranty of Good Faith and Fair Dealing
 - c. Express Warranty by Affirmation, Promise, Description, and Sample
 - d. Implied Warranty of Merchantability
 - e. Implied Warranty of Fitness for Particular Purpose
 - f. Warranty of Assistive Technology



Limits of Liability

Good

- Service provider accepts responsibility of their errors
- Provider provides proof of liability insurance prior to agreement

Bad

- Service provider accepts no liability for actions.
- Provider does not carry liability insurance



Change Order and Future Expenses

- This should be addressed in the proposal step
- What do you anticipate in the future?
- Are you committing to the vendor for the long haul or is this a quick fix?



Cloud or SaaS Service

How do you get your data out?

Is it in a format that you can read or use?

Will it transfer to your new plan?

Have you required the vendor to complete a due diligence report?



Due Diligence Document

Item	Question	Vendor Response
4.	Has your company identified systems Recovery Time Objectives (RTO) and Recovery Point Objectives (RPO)?	
5.	Please describe your data center facilities including geographical location(s).	
6.	What is the process for providing clients their data at end of service? In what format is data provided?	
7.	How do you ensure all of our data is expunged at the end of the service?	
8.	Are there any components in your network that can be considered a Single point of failure or can all components be arranged in a redundant/resilient configuration?	
Access Control and User Policies		
9.	Do you have formal Access Control Policies which define classes of assets and which employees have access to such classes?	
10.	What controls are in place to ensure information is properly secured against unauthorized access, change and destruction? What are the consequences if an employee access assets which they are not privileged for?	



BIG

Government Procurement will move to be more flexible

A search on Utah's Contract site pulled up over 30 vendors for Cloud Hosting.

All of these contracts were vetted by the State of Utah.



LITTLE

GOVTECH BIZ

How Government Is Reforming IT Procurement and What it Means for Vendors

The way state and local government buys technology is changing. But how?

BY BEN MILLER / APRIL 6, 2017



Takeaways

- Define what you are looking for
- Take careful consideration in choosing a vendor
- Use tools available to you to select a product/service offer
- Scrutinize the agreement with the vendor
- Have an exit plan



Discussion

