



THE VALUE OF AS-A-SERVICE PROCUREMENTS



Overview

The federal government spends roughly 80% of its \$81 billion annual IT budget on maintaining existing or aging IT systems. According to the Government Accountability Office (GAO), about 75% of the total amount budgeted for IT in 2016 was spent on operations and maintenance (O&M). For some agencies, the picture is even worse. The Army Corps of Engineers spends 96% of its IT budget on O&M, while the Housing and Urban Development Department recently came under fire from the GAO for spending 95% of its IT budget on aging legacy systems.

Beyond simply draining agency budgets, this process is also starting to hamper innovation. With so much money being spent on maintenance, there is little left to modernize and develop federal infrastructure to accommodate advances in technology.

In May, a critical GAO report noted that “Spending has increased over the past seven fiscal years, which has resulted in a \$7.3 billion decline from fiscal years 2010 to 2017 in development, modernization, and enhancement activities...securing and refreshing the hardware in government datacenters has been a daunting task for most federal agencies.”

Federal agencies don't want to be in the equipment-sitting and maintaining business, nor do they want the burden of increasingly expensive legacy systems that inhibit business operations or hamper the delivery of citizen services. Only by changing the way that agencies purchase equipment of all types can the insidious cycle of buying, maintaining and spending be fixed.

The Solution Arrives “as a Service”

Many government officials have called for change. In fact, a newly created branch of the General Services Administration, the Unified Shared Services Management (USSM) Office, recently released a RFI asking industry how government could shift many of its core functions in the areas of financial management, human resources, acquisition and information technology away from typical purchases and into AAS.

“This is an important step toward understanding how we can change the way government does business internally,” said Beth Angerman, executive director of USSM, in a statement.

“Improving administrative services ultimately helps the government be better equipped to deliver its core mission and save the taxpayers money.” AAS procurement could give the government more flexibility and help achieve economies of scale.

The government has started to experiment with AAS procurements, most notably within the area of cloud computing. This has led to the misconception that cloud is the only way to achieve AAS when the truth is that almost any product, service or infrastructure component can be efficiently delivered that way. There are even federal contract vehicles such as NASA SEWP V that not only allow for AAS, but encourage it with simple, expedited procurement processes that can compress most of the paperwork for purchases into a single line item. And it goes well beyond cloud, offering a wide range of commercial advanced technology including tablets, desktops and servers, IT peripherals, network equipment, storage systems, security tools, software products, cloud based services, telecommunications, Health IT, sensors, video conferencing systems and other IT communication and audio-visual products.

A Typical AAS Deployment versus Traditional Contracting

Let’s suppose that an agency requires an advanced analytics platform of the type commonly used by the Social Security Administration, the U.S. Census Bureau or the Internal Revenue Service. In the past, agency officials would first need to spec out the hardware and software required, and then try to purchase all of it through the standard federal contracting procedures. That means issuing RFPs for the hardware and software, evaluating bids and trying to fit a system together that works well today, but can also support future operations and capacity. That alone is a lengthy process that can take months or even years through the standard contracting process.

Once the system is bought and pieced together, the agency will then see a spike in their operational budget. Because of the need to keep the system working for at least several years, agencies are forced to try and future-proof their purchases by adding in extra capacity that is unnecessary. They end up paying more to support that extra capacity, even though it may not be fully utilized for years to come.

Even that is not the worst part. As the system ages, it will certainly face maintenance issues, which the agency will need to address. That expense will continue to increase, taking more and more of the IT budget down with it. Agencies can then fall into the common trap where they are

spending up to 80% or more of their federal IT budget on aging hardware, with no funds to make any new capital purchases.

Contrast that with a typical AAS deployment. Right from the start, the process is streamlined. Instead of researching hardware and software, agencies simply use a tool like the NASA SEWP V quote request webpage to explain their needs and requirements. They don't need to talk about hardware and software, and instead explain the capabilities that they need, for example, the ability to analyze big data in excess of one million records every day, with capacity expected to increase year after year as more information is collected.

Within a few days, as opposed to months or years, government approved vendors on NASA SEWP V will then propose a solution of hardware, software and support that will meet those requirements. Purchased using an AAS model, upgrade paths can be specified as a vendor responsibility as needed. The vendor can even be given responsibility for maintaining and operating the system over time, with the agency never paying for more than the capacity they need and use. All of this can be defined in a single line item within the agency budget.

The great part about AAS deployments beyond their ease of use and economic advantages is that they can mirror the old on-prem setups in terms of security. An AAS deployment can have all the hardware installed within the confines of an agency datacenter for security purposes. The only difference is that the vendor is responsible for maintaining and operating it, fixing any problems, upgrading as needed and eventually decommissioning the system when it's no longer required.

AAS is the Path to the Future of Government Contracting

Everyone knows that the current situation where government spends over 80% of its IT budget on the O&M of aging systems can't be allowed to continue. In fact, with some agencies putting over 95% of their funding into desperate efforts to keep old systems limping along well past their effectiveness, it's becoming a crisis. Almost no new IT money is supporting innovation, which is severely restricting federal agencies from providing citizen services in modern and effective ways.

Procurements made using AAS can help, giving the government the ability to purchase capabilities and results, not hardware and software. And this can be accomplished without the government ever losing control or physical possession of that equipment. Only the actual ownership, and thus the need to operate and maintain systems over time, is offloaded to vendors. There are even federal GWAC vehicles like NASA SEWP V that allow this to happen seamlessly, and new agencies like GAO's USSM which are researching innovative ways to make AAS even more efficient.

To learn more about the future of AAS procurement, please contact NexTech Solutions, a service-disabled veteran-owned small business information technology systems integrator, value added-reseller and engineering services provider that is at the forefront of the as-a-service movement. Along with its best-of-breed technology partners, NexTech Solutions is focused on systems and network engineering to support application delivery, voice/video web collaboration, cybersecurity and more – all of which is available through easy-to-use as-a-service contracting.

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