



## INFORMATION TECHNOLOGY

### Software Procurement Procedures

#### **Updated Information related to IT Procurements at Mississippi Valley State University December 14, 2015**

Due to some recent changes we feel there may be some confusion related to IT procurements. The following is offered in an attempt to bring some clarity to the situation.

In the area of IT procurements there is often a situation whereby an initial purchase leads to future purchases, which, due to compatibility, training, etc. make the original seller the preferred seller for all of the future purchases. For example, if we buy software from one firm, we would probably prefer to renew that same software for the foreseeable future. If we purchased equipment from one company, it is likely that we would want to continue to obtain maintenance from that company. Finally, if we purchased a specific type of equipment, it is likely that we would want future purchases to be compatible with the initial purchase. This situation causes a problem when combined with the public bid laws wherein, for example, the license renewal is over \$5,000 and the law requires competitive quotes.

#### **Jurisdiction**

Any purchase or contract related to information technology (software, service, equipment, and maintenance) falls under the purview of Mississippi Department of Information Technology Services (MDITS) regulations. Equipment or services for a specialized application whose primary function or purpose is other than information technology and for which any computer chip or telecommunications component is secondary or incidental to the equipment's primary function are outside the purview of MDITS.

#### **Definitions**

For the purposes of this document the following definitions are helpful; Lifecycle – The anticipated term of a project, i.e. how long the department anticipates using the product, software or service.

Lifecycle cost – The total cost of the project. Would include, but is not limited to, initial purchase price, implementation costs, all maintenance costs for the lifecycle, all software renewals for the lifecycle, etc.

IT Project – When there is knowledge or intent of an initial purchase and additional related purchases. This could include but is not limited to; license renewal, maintenance, additional hardware, additional consulting, additional software licenses, etc.

Anchor procurement – The initial procurement associated with an IT project which complies with the applicable public bid laws based on the lifecycle cost of the project. If the lifecycle cost of the project is above \$5,000 but less than or equal to \$50,000, the anchor procurement would be based on compliance with the quote requirements or a sole source procurement. If the lifecycle cost of the project exceeds \$50,000, the anchor procurement would be based on an RFP or other competitive procurement that has

been advertised and sealed bids or proposals have been solicited and obtained, or a sole source procurement.

## **Initial IT Purchases**

Prior to making any IT related purchase the department must first determine if the purchase is related to a project. The first part of the IT Project-Lifecycle Cost Analysis Form [http://www.mvsu.edu/images/admin/spotedit/attach/563/MVSU\\_Lifecycle\\_Analysis\\_Form\\_%281%29.pdf](http://www.mvsu.edu/images/admin/spotedit/attach/563/MVSU_Lifecycle_Analysis_Form_%281%29.pdf) is the proper place for recording this determination. If the purchase is not related to any additional purchases (license renewal, maintenance, compatible equipment, etc.) the department should follow the appropriate procedures (Quotes or Bid/proposals) depending on the amount of the purchase, as set forth in the following paragraph. If the purchase relates to an IT project, the department must do a lifecycle cost analysis to determine the proper procurement procedures to follow. The IT Project-Lifecycle Cost Analysis Form should be used for this purpose.

The public procurement laws require that purchases of IT equipment, software, services or maintenance be done in compliance with the following. If the total purchase or lifecycle cost is \$5,000 or below, no competition is required (although we urge departments to always seek a competitive price); if the total purchase or lifecycle cost is above \$5,000 and less than or equal to \$50,000, two or more quotes are required; if the total purchase or lifecycle cost exceeds \$50,000 the purchase must be advertised and competitive bids or proposals must be solicited.

When requesting quotes or bids/proposals to create an anchor procurement it is best to request a quote/bid/proposal that includes the initial purchase as well as all ongoing costs (license renewal, maintenance, etc.) for the lifecycle of the project. If the initial quotes/bids/proposals include these ongoing costs the department will be able to continue to fall back on this anchor procurement for the lifecycle of the project. In addition, these costs will establish a precedent by which, if the project lasts beyond the initially established lifecycle, we can renew the license or maintenance for additional years using quotes or sole source, provided the total expenditure does not exceed a threshold which requires additional approvals or procedures.

In requesting quotes or issuing the RFP or competitive bid for the “anchor procurement” we may use total cost of ownership, thus, we could include our current inventory and require that the proposed solution must be compatible with the existing equipment or the cost of the proposed solution must include the replacement of those items which are not compatible with the proposed solution. We may also factor in training and knowledge of the incumbent system gained over the years, as well as documented transition costs, in the analysis of total cost of ownership.

If the total purchase or lifecycle cost is over \$250,000, approval must be obtained from the MDITS Executive Director prior to moving forward. If the total purchase or lifecycle cost is over \$1,000,000 approval must be obtained from the MDITS Board prior to moving forward.

## **Exceptions**

- MDITS Approved Express Products List (EPL) Purchases – For purchases and projects whose total lifecycle cost is \$250,000 or less and the EPL portion of that project is \$200,000 or less
  
- Sole Source Purchases – For purchases and projects whose total lifecycle cost is \$250,000 or less

- Emergency Purchases – Where purchase delay threatens life or property, regardless of project lifecycle cost.

The sole source and emergency exceptions require extensive justifications and approvals.

For EPL purchases up to \$50,000, one quote is required but we suggest getting a second quote when reasonable. EPL purchases greater than \$50,000 and less than or equal to \$200,000 require two quotes. It should be noted that Mississippi Department of Information Technology Services procurement guidelines limit EPL purchases to \$200,000 per project per fiscal year unless an exemption is requested and obtained from MDITS.

## **Renewals**

While the process for “initial” IT purchases and projects was described above, there are also a number of already existing software contracts, equipment maintenance contracts, and service contracts which require an annual renewal for license, maintenance, or service. It is acceptable to renew these contracts for the lifecycle of the project, as long as we have an “anchor procurement” to support it, and the “anchor procurement” included the estimated lifecycle of the project. We can continue to use “anchor procurement” contracts for renewal of license, maintenance, or service for amounts not to exceed \$250,000, provided those costs were included in the initial bids or proposals. If the total spend for the project approaches \$250,000 we must obtain approval from the Mississippi Department of Information Technology Services and get approval to continue, PRIOR to exceeding \$250,000. Please note, this could be 5 years, 10 years, 15 years, 20 years, or more, after the initial purchase. . The department must maintain evidence of the “anchor procurement” and total associated expenditures, and submit the documentation each time the department requests additions or extensions associated with the initial purchase.

If there is not an “anchor procurement” in place, the department will need to do a new procurement to create one.

If the initial purchase was based on a sole source acquisition the license renewal and/or maintenance would need to be in compliance with the sole source requirements currently in effect.

All IT related procurements must include a completed and approved “IT Project – Lifecycle Cost Analysis” form.

## **Process**

- 1) Process when the lifecycle cost of the IT related project is less than, or equal to \$5,000
  - i) Document the determination of the lifecycle cost and term of the project
  - ii) Get quote for the initial purchase and all anticipated additional related costs
  - iii) Submit contract or requisition to P&C, with the lifecycle cost analysis form, following standard procedures, or use P-card
  - iv) Keep all documents on file for future review
- 2) Process when the lifecycle cost of the IT related project is greater than \$5,000 but less than, or equal to \$50,000
  - i) Document the determination of the lifecycle cost and term of the project

- ii) If it is sole source, submit lifecycle cost analysis to P&C and follow sole source procedure
  - iii) If not sole source, get two or more quotes for the initial purchase and all anticipated additional related costs
  - iv) Submit lifecycle cost analysis, quotes, and contract or requisition to P&C following standard procedures, or use P-card
  - v) P&C will submit to CIO for review and approval
  - vi) Department will work with P&C to develop a contract, if applicable
  - vii) Keep all documents on file for future review
  - viii) When renewing license or maintenance, include the previously approved lifecycle cost analysis form, summary of all related purchases to date and contract or requisition to P&C following standard procedures, or use P-card
  
- 3) Process when the lifecycle cost of the IT related project is greater than \$50,000 but less than, or equal to \$250,000
  - i) Document the determination of the lifecycle cost and term of the project
  - ii) If it is sole source, submit lifecycle cost analysis to P&C and follow sole source procedure
  - iii) If not sole source, develop specifications and submit, with lifecycle cost analysis and a requisition to P&C so they can issue RFP or Invitation To Bid (ITB). The RFP should be for the initial purchase and all anticipated additional related costs.
  - iv) P&C will submit to CIO for review and approval
  - v) P&C will advertise and seek bids or proposals
  - vi) P&C will submit bids or proposals to department for review and approval
  - vii) Department recommendation will be submitted to CIO for review and approval
  - viii) Department will work with P&C to develop a contract, if applicable
  - ix) Keep all documents on file for future review
  - x) When renewing license or maintenance, include the previously approved lifecycle cost analysis form, summary of all related purchases to date and contract or requisition to P&C following standard procedures.
  
- 4) Process when the lifecycle cost of the IT related project is greater than \$250,000
  - i) Document the determination of the lifecycle cost and term of the project
  - ii) Contact CIO for assistance with requesting proper MDITS approvals (CP-1)
  - iii) If it is sole source, submit lifecycle cost analysis and CP-1 to P&C and follow sole source procedure
  - iv) If not sole source, develop specifications and submit, with lifecycle cost analysis, CP- 1, and a requisition to P&C so they can issue RFP or Invitation To Bid (ITB). The RFP should be for the initial purchase and all anticipated additional related costs.
  - v) P&C will submit to CIO for review and approval
  - vi) P&C will advertise and seek bids or proposals
  - vii) P&C will submit bids or proposals to department for review and approval
  - viii) Department recommendation will be submitted to CIO for review and approval
  - ix) Department will work with P&C to develop a contract, if applicable
  - x) Keep all documents on file for future review
  - xi) When renewing license or maintenance, include the previously approved lifecycle cost analysis, CP-1, summary of all related purchases to date and contract or requisition to P&C following standard procedures.

**5) Notable thresholds**

- a) IT related projects with a total lifecycle cost in excess of \$250,000 must be reviewed and approved by the Mississippi Department of Information Technology Services prior to issuance of the RFP, competitive bid, or sole source notice. These purchases between \$250,000 and \$1,000,000 can be approved by the MDITS Executive Director. These purchases in excess of \$1,000,000 will require full MDITS Board approval. It can take from a few weeks to several months to obtain appropriate approvals depending on the complexity of the request and the workload of MDITS.
- b) It should be noted that all contracts in excess of \$250,000 will also, in most cases, require IHL approval. This typically adds a minimum of 2-3 months to the process.