



# Procuring Cloud Services for the Public Sector

## Overview

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Cloud computing is a global phenomenon. Its promise of rapid procurement of information technology (IT) services, scaled up or down as needed and released when finished, results in the perfect mix for public sector CIOs and program managers looking to save money and improve service delivery.

That being said, the dynamic nature of cloud computing often presents a challenge for procurement and purchasing officials, whose practices and contracting vehicles were designed to help managers provision hardware and software, not on-demand cloud services.

However, cloud procurement often isn't as problematic as it may appear. To help agencies navigate the cloud procurement model, DLT's Cloud Solutions team and contract specialists have collaborated to answer some of the frequently asked questions posed by those who have purchased cloud services within the public sector.

From solicitation through the award and contract termination phases, here are some of the common questions asked by procurement professionals.

## The Solicitation Phase

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Procuring cloud computing solutions requires understanding your funding and contract options, as well as issuing a successful solicitation, and evaluating cloud proposals.

### **Q: What contract type is best, FFP or T&M?**

**A:** Due to the variable and flexible nature of the cloud, it can be tempting to make your award a firm-fixed price (FFP) contract to prevent cost over-runs by the vendor. However, it's important to note that with cloud computing models, the costs are under the government end user's control and are not subject to the same over-runs as traditional service offerings.

It is also tempting to label cloud computing as "Computer/Hardware" and make a FFP award, however this will drastically reduce the flexibility that migrating to the cloud affords. Why? With a FFP award the vendor can invoice you up front for the full value of the award, when, in fact, your end user may only use a third of its value as you are only charged for actual utilization.



**Tip:** Don't be tempted to use a traditional FFP contract when procuring the cloud. T&M can actually afford you more flexibility and cost savings.

On the flip side, if your user exceeds the value of the FFP award prior to the period of performance (POP) end date, the vendor may choose to terminate services immediately so as to incur no further risk.

So what are your options?

While a time and materials (T&M) contract is generally considered to be restricted to professional services, it is worth considering this option for a cloud procurement. If you award a T&M with a “Not to Exceed” caveat, this will allow you and your end user to take advantage of any savings incurred as a result of under-utilization of the cloud service. It also gives the vendor the flexibility to keep your services on while more funding is sought to cover un-budgeted over-runs.

**Q: What is the period of performance (POP) for cloud purchases?**

**A:** For most cloud offerings, best practice dictates that a POP should end on the last day of a calendar month, regardless of the start date. This becomes important at the time of renewal or option exercise because if, for example, you used your base award to do a trial run of the cloud services before going live with your option or renewal, you could see a huge spike in usage on the first day of the new award. If this drastic increase occurs during the middle of the month it may be difficult to complete accurate cost pro-rations. However, if your original POP end data is August 31, for example, and your new award begins on September 1, there is no need to do any pro-rations and you will know that your costs align with the correct award or option.

**Q: What contracts support the procurement of cloud services ?**

**A:** As cloud adoption grows, the number of blanket purchase agreements (BPAs) for procuring cloud services is increasing. The following table lists several available contract vehicles:

Contract	Sector
General Services Agreement (GSA) Schedule 70 IT Contract	Federal / State / Local / Education
GSA Email-as-a-Service (EaaS)	Federal / State / Local / Education
Internet2 NET+ Amazon Web Services	Federal Research/Education
NITAAC CIO-CS	Federal
National Cooperative Purchasing Alliance (NCPA)	State / Local / Education
SEWP V	Federal
Texas DIR	State/Local/Education

**Q: What contract line items should I include for cloud offerings?**

**A:** When deciding on contract line items (CLINS) for cloud offerings, simpler is better. If you have more than three CLINS, you’re making it more difficult than it needs to be. Instead, aim for one line item for each of the following:

- Cloud services (e.g. Email as a Service)
- Cloud support
- Any implementation or quick start offerings you are buying

Often times, just one CLIN is sufficient.

## The Award Phase

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Once your agency has procured cloud services, it's important to familiarize yourself with how cloud services are used and how this impacts billing. Below are some common questions that arise during this phase.

### ***Q: How are cloud services billed?***

**A:** If you have a well-executed order for cloud services, the billing process should be fairly straight forward. Think of your cloud services invoice in terms of a utility bill. Each month an invoice will be generated for the prior month's utilization. For example, your March invoice will be for charges incurred in February. The invoice will include a summary of incurred charges for the prior month, as well as any support charges. It will also include an attachment detailing the exact services used so that you can assess and analyze the drivers of your monthly expenses.



**Tip:** You have options when it comes to being billed for cloud services. You can either go with a utility model – where you're billed for the prior month's usage, or you can pay in advance and have a declining balance credit – like a gift card!

If, for budgetary reasons, you choose to be invoiced at award, the vendor will keep the amount on account and treat it as a declining balance credit much like a gift card. Any funds left at the end of POP can either be utilized through a contract mod to extend the POP or can be refunded.

### ***Q: I was charged \$.12/GB last month but this month it's \$.10/GB***

**A:** One of the main benefits of the cloud model is that you immediately benefit from any decreases in price without the need to modify your award or wait for the next award year.

### ***Q: How do I keep track of my spending between invoices?***

**A:** Your end user can set you up with read-only access to your account where you will be able to view utilization quantities. Unfortunately, prices are not always correct in many manufacturer-provided portals simply because it can be challenging to factor resellers and system integrators into the cloud provider's reporting modules. Alternatively, you can request reports from your vendor point of contact for a more accurate price, although this may result in a 24 hour window of delay.

### ***Q: Can I pay with a credit card?***

**A:** Yes. You may either authorize a lump sum in advance that the vendor will leave on the account and treat as a declining balance, or authorize your card to be charged after approving your invoice each month. Note that if you opt for monthly charges, you will have five business days to approve or deny your charges otherwise the vendor will proceed with charging your card.

The exit or termination process for cloud services varies from traditional IT services, some of the fundamentals of the process are explained below.

**Q: *Is a termination for convenience an option?***

**A:** As a general rule, most cloud offerings do not involve any startup or termination costs, aside from any rates for downloading data stored in the cloud. A termination for convenience may not be necessary when using the utility billing model as no additional costs (beyond storage) are incurred unless they are activated by the user. Given the flexibility that cloud offers, a termination for convenience may prove to be more costly when other needs within scope arise at a later date.

**Q: *How do I get my data back?***

**A:** Once your contract or POP comes to a close there are two options for retrieving your data from the cloud service:

1. Push – An automated or manual process on the cloud service provider’s side.
2. Pull – A manual process done from the agency’s side.

**Q: *Is there a cost involved in retrieving my data?***

**A:** Removing your data from the cloud will require resources, effort and expertise that you should budget for. Other direct costs to consider include bandwidth and data transfer charges.

**Q: *What elements should agencies consider when transitioning cloud providers?***

**A:** The key to a successful transition is interoperability of your existing service, tools and data. Factors to consider include:

- Ease of migration and implementation
- Choice of development tools Technology
- standards

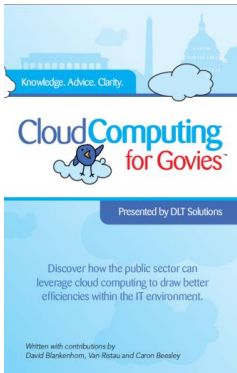
**Q: *How does my agency ensure a clear contract closeout?***

**A:** It’s important to note that since cloud services are most often billed based on actual usage, it’s virtually impossible to adhere to a set budget. Actual usage will always be either under or over what is allocated.

To help ensure a clear contract closeout and account reconciliation, most service providers have the capability to let you track actual spend once an order is closed out.

## Useful Resources

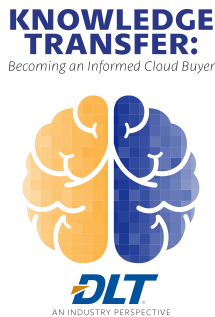
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