DoD ESI &

The Joint Information Environment (JIE)

Jim Clausen, DoD ESI Co-Chair
Jim Cecil, DoD ESI Contractor Support

DoD Enterprise Architecture Conference 2012
April 30, 2012

www.ESI.mil
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Standard Form 298 (Rev. 8-98)  
Prescribed by ANSI Std Z39-18
Agenda

• DoD ESI Overview
  – Economies of Scale for COTS IT Acquisition

• Alignment with JIE & DoD IT Enterprise Strategy & Roadmap
  – CIO Vision & Strategy
  – Implementation
  – ESI Commodity Acquisition Initiatives

• DoD ESI Best Value Toolkit for Software Buyers

• Summary
DoD ESI Overview: Economies of Scale for COTS IT Acquisition
• **Summary:** Joint DoD strategic sourcing initiative to save time and money on acquisition of commercial software, IT hardware and services

• **Executive Sponsor:** DoD CIO

• **Goals:**
  - Enterprise leverage and efficiencies in COTS IT acquisition
  - IT asset management
DoD ESI Operations

• Team Composition: Army, DON, Air Force, DLA, DISA, NGA, DIA, and OSD

• Operations:
  • Award enterprise agreements for IT products and services
  • Implement unified vendor and contract management strategy

• Results:
  • Over 80 agreements with 48 separate software publishers and research/advisory firms
  • Over $4 billion cost avoidance since inception
  • IT asset visibility of DoD ESI suppliers
  • More efficient acquisition processes for DoD ESI Enterprise Software Agreement (ESA) users
Focus on Customers & Efficiencies

- Implement DoD enterprise agreements for Commercial Off the Shelf Information Technology (COTS IT) - leveraging DoD enterprise scale
- Establish software enterprise licenses for common use software
- Influence Federal and DoD IT acquisition policy to lower the total cost of IT ownership for the DoD enterprise
- Maintain enterprise strategic sourcing relationships with leading IT vendors
- Operate using an agile, low overhead model executed through Software Product Managers (SPMs) in five DoD Components
- Coordinate development of enterprise IT asset management (ITAM) policy, standards, and best practices
- Provide IT acquisition expertise to DoD buyers of all size
- Establish “best value” contract terms and conditions
DoD ESI Model: Lean and Agile

- Lean Enterprise Governance and Management Structure
  - Recognized in FAR/DFARs, DoD 5000, and CIO policy and guidance
  - Aligned under Enterprise Governance Board (EGB)
  - Matrixed team structure, leveraging in-place Component expertise

- Agile Operations
  - Empowered Working Group with minimal decision points
  - Flexible framework for selecting target technologies

- Small team footprint embedded in OSD
  - Minimal dedicated staff
  - Execution through five Components (Army, DON, USAF, DISA, DLA)
DoD ESI and GSA SmartBUY

• GSA SmartBUY
  • Aligned under the Federal Strategic Sourcing Initiative (FSSI)
  • Federal government strategic sourcing program for software

• DoD ESI partnership with SmartBUY
  • SmartBUY is implemented within DoD through DoD ESI
  • DoD manages 21 GSA SmartBUY agreements
  • GSA SmartBUY participates in regular DoD ESI Team meetings

• Requirements for DoD ESI and SmartBUY Use
  • In Acquisition Planning – DoD 5000.2 requires maximum use of and coordination with DoD ESI when use of commercial IT is viable
  • During Procurement – DFARS mandates use of DoD ESI process when fulfilling requirements for software and related services
  • DPAP/DCIO Memorandum mandates use of GSA SmartBUY agreements where requirements match the offerings
ESI Agreements

- Software, Hardware and Commercial IT Services
- Special contract terms and conditions for enterprise needs
- Open to all DoD Components, Intelligence Community (IC), NATO, and Auth. Contractors
- Vehicles for products widely-used across DoD
Using ESI

• Check [www.ESI.mil](http://www.ESI.mil) for offerings:
  – Software publishers
  – Product & price lists
  – Contract terms & conditions
  – Reseller ordering guide

• Coordinate orders with contracting officer

• Contact ESI SPM for assistance, if needed

Visit [www.ESI.MIL](http://www.ESI.MIL) for additional information

Policy: DFARS subpart 208.74--ENTERPRISE SOFTWARE AGREEMENTS
JIE & ITES&R Alignment:
CIO Vision & Strategy
### DoD IT Challenges

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<td>Hundreds of sub-optimal data centers and networks incur unnecessary costs</td>
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<td>Limited interoperability reduces information sharing and mission collaboration</td>
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<td>Increasing demand for new technology on rapidly evolving devices</td>
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<td>IT Programs average 81 Months* – cannot rapidly and efficiently field new technology to meet warfighter needs</td>
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<td>Cyber security vulnerabilities threaten to exploit classified information and endanger our national security</td>
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<td>Current IT delivery process hinders our ability to take advantage of new commercial technology</td>
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ITES&R Goals

**Efficiency**
Reduce duplication in the DoD IT Infrastructure, and deliver significant efficiencies across the Department

**Effectiveness**
Improve mission effectiveness and combat power throughout the Department

**Cyber Security**
Improve the security of DoD networks and information from all threats

**Key Benefits**
- Unity of effort
- Do more with less
- Reduce acquisition, procurement and sustainment cost
- Improve IT cost awareness
- Eliminate redundant effort and cost

**Key Benefits**
- Unity of command
- Consistent and improved user experience
- Rapidly deliver new business and mission capabilities
- Increase interoperability with in-place systems
- Global access to needed information
- Improve availability and reliability

**Figure 4-1: IT Infrastructure Enterprise Goals**

Joint Information Enterprise – End State

- Defensibility/Redundancy/Resiliency
- Federation/Shared Infrastructure
- Enterprise Services
- Identity Access Management
- Cost: ????

"Enterprise Information Environment"

ESI Alignment with JIE Oversight

JIE Guiding Principals & ESI

- All stakeholders commit to an enduring program
- Mission success is the first priority
- Commonality is the default; uniqueness is allowed, but only when essential for mission success
- DoD IT will operate in an enterprise model
  - We are developing the DoD plan, not separate component plans
- We will maximize utilization of existing efforts
- We will enhance security
- We will leverage the existing statutory framework

Unclassified

IT Modernization Benefits

• Mission Effectiveness
  – Rapidly and dynamically respond to and support changing mission information needs for all operational scenarios
  – Users and systems will have timely and secure access to the data and services needed to accomplish their assigned missions, regardless of their location
  – Users and systems can trust their connection from end to end with the assurance that their activity will not be compromised.
  – Capabilities are still available during an event, even if they are degraded.

• Increased Security
  – The DoD can operate, monitor and defend the DoD’s IT assets to attain and maintain information dominance.

• IT Efficiencies
  – Information assets are joint assets to be leveraged for all Department missions.
  – A consistent IT architecture supports effective fielding of Department capabilities.
  – The DoD has visibility into its IT expenditures through increased budget transparency.

Implementation:
IT Modernization Plan
DoD CIO 10 Point Plan for IT Modernization

• **IT Modernization Strategy**
  – Consolidate Infrastructure
  – Streamline Processes
  – Strengthen Workforce

• **Requires Partnerships Across DoD to achieve**
  – Improved mission effectiveness and user satisfaction
  – Reduced costs
  – Improved cyber security and interoperability
  – Agile, faster, and responsive delivery of IT capabilities

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IT Modernization: IT Strategic Sourcing

Secondary Alignment with IT Modernization Plan

**CONSOLIDATE INFRASTRUCTURE**

1. Consolidate Enterprise Networks
   - Consolidate data centers and network operations
   - Optimize to a joint enterprise architecture with secure access

2. Deliver DoD Enterprise Cloud
   - Develop and execute a strategy and standards for a secure DoD cloud environment
   - Leverage commercial clouds that meet cyber security requirements

3. Standardize IT Platforms
   - Minimize program-unique platforms
   - Drive DoD use of standard platforms
   - Design platforms that ensure a secure cyber environment

**STREAMLINE PROCESSES**

4. Enable Agile IT
   - Lead the development of an Agile IT development methodology
   - Provide guidance to DoD on Agile IT Best Practices

5. Strengthen IT Governance
   - Restructure IT governance boards for enterprise view
   - Improve DoD IT decisions, strategies, investments, streamline compliance processes

6. Leverage Strategy for IT Common Commodity
   - Implement an enterprise approach for the procurement of common IT commodities
   - Establish a DoD IT commodity management process

**STRENGTHEN WORKFORCE**

10. Modernize IT Guidance and Training
    - Provide guidance to DoD on adoption of Agile IT best practices
    - Leverage ongoing workforce initiatives
    - Develop a robust IT acquisition community

**Source:** "IT Modernization One Pager – Talking Points," (DoD CIO, March 2012), http://dodcio.defense.mil

Cloud Services (e.g., GSA EaaS)
Software Enterprise Licensing; UMGD
Compass SI Agreements
IT Asset Management
IT Acquisition Training & Tools
• Working Groups identified specific initiatives in the following functional areas:
  
  – **Network Services (NS):** Services (including hardware, software, and labor) that provide telecommunications, long-haul networks, installation campus area networks (ICAN), and network management and IA services.
  
  – **Computing Services (CS):** Services that provide the ability to process, store, and access information, including data centers and servers, storage, and other hardware inside of them.
  
  – **Application and Data Services (ADS):** Common shared applications, services, and processes.
  
  – **End-User Services (EUS):** Subset of computing services that enable end users to access information applications and services locally and via the network.
  
  – **IT Business Processes (BP):** Processes used to procure the hardware, software, and services needed to operate and maintain the DoD IT infrastructure.

(http://dodcio.defense.gov/Portals/0/Documents/Announcement/Signed_ITESR_6SEP11.pdf)
DoD ESI Commodity Acquisition
Modernization Initiatives
Leverage Strategic Sourcing for IT Commodities

Enterprise approach for procuring common IT hardware and software

Establish a DoD Commodity Council

Objective: The DoD CIO, in collaboration with AT&L and Components, will develop strategic sourcing plans and utilize consolidated contracts for DoD-wide purchasing of common IT software and hardware commodities. This enterprise strategic sourcing initiative for IT will allow DoD to gain economies of scale, improve effectiveness of IT throughout its lifecycle, and reduce total cost to the enterprise.

Background: The DoD Enterprise Software Initiative (ESI) seeks to implement a software enterprise management process within DoD … Additional emphasis, however, needs to be placed upon … the role of Software Product Managers within their Components… supporting Department-wide requirements. Additional benefits include compliance with standards, sustainability, security, energy efficiency, asset tracking, technology refresh, quality and achieving small business or other “good citizen” goals. The initiative will enhance current DoD bulk purchasing efforts by ensuring a focus on the larger set of objectives that can be realized from strategic sourcing.

Approach: The DoD CIO will leverage the existing Strategic Sourcing Board of Directors (BOD) as a DoD Commodity Council co-chaired by senior leadership of AT&L/DPAP and DoD CIO, with representation from each of the Services. This Council will review requirements and analyze current DoD spending data to identify and agree on a DoD-wide strategic sourcing strategy for IT hardware and software.

…Lastly, once strategic sourcing has been standardized across DoD, the DoD Commodity Council will implement a process for enterprise-wide strategic sourcing for commodity IT purchases. The Council will review and analyze current IT hardware spending and identify a standard set of hardware for DoD-wide procurement and use.
IT Business Process (BP) Initiatives - Objectives

- Leverage economies of scale in purchasing
- Identify DoD-wide approaches to common IT business needs and direct IT-related business and operational practices
- Limit COTS hardware and software procurements to enterprise-wide vehicles to reduce lifecycle costs for procurement and contract administration
- Reduce the number of IT hardware configurations to reduce testing, patch management, and software upgrade installation costs

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Consolidate Software Purchasing

- Centralize DoD-wide enterprise licenses for the most widely used commercial software products
- Consolidate existing major Component-level enterprise licenses, or establish new DoD enterprise licenses and manage these licenses at the DoD level
- “Follow-the-Money” and focus on products and services from proven providers already accepted and in use within DoD
- Lower expenditures associated with patching and maintaining heterogeneous software products
- Reduce contract administration overhead

Consolidate Hardware Purchasing

• Drive procurement of all DoD commodity IT hardware (desktops, laptops, monitors, servers, printers) through large-scale, proven enterprise-buying processes such as:
  – Air Force Quarterly Enterprise Buy (QEB)
  – Army Consolidated Buy (CB)
  – Marine Corps Hardware Suite (MCHS)

• Modify these processes to ensure capture of other Components’ basic configuration requirements

• Adopt other Component IT hardware buying processes or establish new vehicles to ensure coverage of other IT hardware devices, as needed

• Reduce lifecycle costs by reducing procurement expenditures, easing testing and maintenance support tasks, reducing aggregate contract administration overhead, and using “green” specifications to reduce power consumption

(http://dodcio.defense.gov/Portals/0/Documents/Announcement/Signed_ITESR_6SEP11.pdf)
ESI – Delivering JIE Benefits

Benefits of Successful IT Modernization

- Increase mission effectiveness
- Strengthen cyber security
- Improve outcomes of IT Acquisition
- Faster capability deliveries
- Improve interoperability
- Save billions through cost efficiencies

DoD ESI Best Value Toolkit for Software Buyers
Challenges for Software Buyers

Technology
- Pace of innovation
- Complexity of products
- Risk of “lock-in” – high switching costs

Software Industry
- Intellectual property pricing
- Maintenance & support
- Mergers and acquisitions

Software Products
- Uniqueness of software apps
- Changing pricing models
- Product bundling
- Complex licenses

Transactions
- Buyers’ sales/ordering experience is limited vs. sellers’
- Limited visibility into prices paid by others
- Software costs are a fraction of total investment cost
Best Value for Software

Best value can be achieved when programs:

• Acquire solutions that best fit their requirements
• Receive the best price, all factors considered
• Secure the best terms and conditions

As defined in FAR 2.101, "Best value" means the expected outcome of an acquisition that, in the Government’s estimation, provides the greatest overall benefit in response to the requirement.

Dan Gordon, who recently stepped down as OFPP administrator, offers a more tempered view. There are times when the lowest cost is fine, he said. But on more complicated procurements, the best value deserves a close look, too.

“IT acquisition: Pay less now, more later,” Federal Computer Week, by Matthew Weigelt, 1/20/2012
(http://fcw.com/articles/2012/01/15/feat-watch-list-acquisition.aspx)
ESI.mil  Best Value Toolkit for Software Buyers

• Tools to estimate total cost of ownership for software
  – Rapid assessment
  – Comprehensive analysis

• Guidance for terms and conditions

• Advice for negotiating best value

http://www.ESI.mil/BestValueToolKit
Total Cost of Ownership (TCO)

**Total cost of ownership** (TCO) is a financial estimate whose purpose is to help consumers and enterprise managers determine direct and indirect costs of a product or system. It is a management accounting concept that can be used in full cost accounting or even ecological economics where it includes social costs.

**Use of concept**

TCO, when incorporated in any financial benefit analysis, provides a cost basis for determining the economic value of an investment. Examples include: return on investment, internal rate of return, economic value added, return on information technology, and rapid economic justification.

A TCO analysis includes total cost of acquisition and operating costs. A TCO analysis is used to gauge the viability of any capital investment. An enterprise may use it as a product/process comparison tool. It is also used by credit markets and financing agencies. TCO directly relates to an enterprise's asset and/or related systems total costs across all projects and processes, thus giving a picture of the profitability over time.

Source: “Total cost of ownership,” Wikipedia.org, 4/20/2012
Potential Applications

- **Planning**
  - Requirements development & analysis

- **POM**
  - Support for budget formulation

- **Acquisition**
  - Business case analysis
  - Ind. Govt. Cost Est. (IGCE)
  - Requirements definition

- **Source selection**
  - Best value determination

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**Figure 2-1: Establishing the Scope for Architecture Development**

*Source: DoD Architecture Framework (DoDAF), Version 2.0, 28 May 2009*
Roadmap

The Best Value roadmap has been developed for programs that have the time, tools and resources available to ensure Best value is achieved using the following proactive, methodical, four phased process. Within each phase, there are several steps to the process, discussed by selecting the phase desired.

BEST VALUE PROCESS ROADMAP

GATHER »
Gather and organize the relevant acquisition documents and data.

ANALYZE »
Evaluate and analyze the data gathered to become intelligent on software acquisition.

STRATEGIZE »
Define the best price, terms and conditions that represent Best value for this transaction.

NEGOTIATE »
Execute the negotiation strategy to arrive at Best value for the requirement.
Software Buyer Team

Architecture & Standards

Policy & Guidance:
- CPIC
- DITIL
- ITAM
- POM
- etc.

Standards:
- EA
- Interop.
- IA
- etc.

Resources:
- Ent. Licenses
- SW Inventory
- SCRM
- etc.

Legend
- Heavy Involvement
- Light Involvement

The CIO role may vary depending on the IT Governance and policies of the organization and the size or complexity of the software project.
Phase 1: Gather Information

**Phase 1 Objective:** Determine software performance requirements and the ability of existing COTS software packages to meet the requirements (fit).

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<td>Contact Applicable ESI SPM</td>
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Architecture Requirements/Fit: DoD IE Vision

Decision Makers
- Seamless access to functionality
- Create, find, use, and share information

Commanders
- Access to information from all UOU resources
- Improved C2, increased speed of action

End User Capabilities
- Guaranteed global connectivity
- Common, standard end-user interfaces

Connect
- Broader access to information & services

Military & Civilian Personnel
- Standard IT User Experience
- Same look, feel & access to information on reassignment, mobilization, or deployment

Access
- Global visibility and availability of information assets
- Ubiquitous information sharing

Govern
- Common policies and standards
- Management of standard protocols, education and training, best practice use

Defend
- Common, global Access Control
- Secure data at rest, during processing, and in transit
- Pro-active defense of Networks
- Cross domain security

Operate
- Dynamic allocation of resources
- Effective maintenance of network performance

Enabling Capabilities
- Common DoD-wide Services, Applications & Tools

Share
- Common Identity Management, Access Control, Authorization, and Authentication

Consolidated Network Environment Consolidated Operations Centers

Enterprise-wide Certification & Accreditation

Consolidated Data Centers

Source: “DoD Information Enterprise Architecture (DoD IEA) Version 2.0” Mr. Mazyck; DoD IEA Lead, DoD CIO, Architecture & Infrastructure Directorate (Contractor), DoD CIO
Analyzing Total Cost of Ownership

**Total Cost of Ownership Elements**

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</tr>
<tr>
<td>Future CS Discount %</td>
<td>X</td>
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<td>Future CS Purchases</td>
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<tr>
<td>Configuration of COTS Product Data</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Initial Configuration Spending</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Recurring Configuration Spending</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Hosting Fees</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Hardware Data</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Hardware Product Spending</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Hardware Maintenance</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Other Vendor Services</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Other Costs/Spending (Define Below)*</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Other Costs/Spending (Define Below)*</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

*The above list provides many common elements of TCO. Since each acquisition is unique, you should add additional elements as needed for the specific acquisition.

Source: “Total cost of ownership,” Wikipedia.org, 4/20/2012
Leverage EA Artifacts for Requirements/Fit

Figure 3.4.2-1: Architecture Viewpoints in DoDAF V2.0

Source: DoD Architecture Framework (DoDAF), Version 2.0, 28 May 2009
Phase 2 Objective: Assess the current opportunity in comparison to existing contracts, acceptable terms and conditions, pricing information, and relative value compared to similar transactions.

<table>
<thead>
<tr>
<th>Step</th>
<th>Tools / Links</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price Factors Overview</td>
<td>Best Value Price Factors Guide</td>
</tr>
<tr>
<td>Comparison on Proposed Deal to Contract Vehicles</td>
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</tr>
<tr>
<td>Benchmarking</td>
<td>Benchmark Data Gathering Checklist</td>
</tr>
<tr>
<td></td>
<td>Benchmark Elements Table</td>
</tr>
<tr>
<td></td>
<td>Proposed Deal Points Checklist</td>
</tr>
<tr>
<td></td>
<td>TCO Workbook</td>
</tr>
<tr>
<td>Terms and Conditions</td>
<td></td>
</tr>
<tr>
<td>TCO</td>
<td>TCO Workbook</td>
</tr>
<tr>
<td></td>
<td>Price Analysis Checklist</td>
</tr>
</tbody>
</table>
ESI.MIL Price Benchmarks

Product Price Benchmark Reports (Private SPM Site)

A significantly better price was obtained for a significantly larger quantity.
Phase 3 Objective: Based on vendor data, contract information, and benchmark data, you can construct a target position (actually a range) of the intended acquisition.

<table>
<thead>
<tr>
<th>Step</th>
<th>How</th>
</tr>
</thead>
</table>
| Establish Best Value Range (Price and Ts & Cs) | **Strategy Checklist**  
**Transaction Deal Points (TDP) Worksheet**  
**Best Value Price Factor Guide**  
**Best Value Terms and Conditions Guide**  
**Total Cost of Ownership Elements**  
**Software Maintenance and Support Guidance**  
**TCO Workbook**  
**Software Provider’s Negotiation Position** |
| Identify “Must Haves”                          | **TCO Workbook**                                                    |
| Develop Negotiation Position Plan, including  | **Strategy Checklist**  
**Negotiation Checklist**  
**Negotiation Position/Strategy Outline** |
| Trade-off Priorities                           |                                                                       |
## Transactional Deal Points (TDP) Worksheet

<table>
<thead>
<tr>
<th>ITEM</th>
<th>SELLER A</th>
<th>SELLER B</th>
<th>VEHICLE</th>
<th>BENCHMARKS</th>
<th>TARGET RANGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requirements</td>
<td>% of requirements fulfilled</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seller Info</td>
<td>Publisher</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reseller (if any)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Category</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Primary Deal Type</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Date of Award</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time to plan &amp; execute the deal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time within the Seller’s Fiscal Year and Quarter</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td>Products</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Modules</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Unit of Measure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unit price per UOM</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Quantity of UOM</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Primary License Type</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Product % of fit to requirements</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Usage Restrictions</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>License Fee</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Maintenance Year One</td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>BPA ACT Fee</td>
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</tr>
<tr>
<td></td>
<td>Total value of the deal</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Maintenance % Year One</td>
<td>%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Maintenance Escalation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintenance Year Two</td>
<td>$</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintenance Year Three</td>
<td>$</td>
<td></td>
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<tr>
<td>Training</td>
<td>Training Unit of Measure (UOM)</td>
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</tr>
<tr>
<td></td>
<td>Price</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>OTY</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Phase 4 Objective: Ensure you obtain Best value for your customer and the Government at-large.

<table>
<thead>
<tr>
<th>Step</th>
<th>How</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work to Best Value, Within Range</td>
<td>Software Provider’s Negotiating Position</td>
</tr>
<tr>
<td></td>
<td>document</td>
</tr>
<tr>
<td>Use TCO Methodology to Evaluate Life-Cycle Price Value</td>
<td>TCO Workbook</td>
</tr>
<tr>
<td>Obtain all “Must Haves”</td>
<td>TCO Workbook</td>
</tr>
<tr>
<td></td>
<td>TDP Worksheet</td>
</tr>
</tbody>
</table>
## TCO Example

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Initial Cost of Ownership Example</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td><strong>Year 1</strong></td>
<td><strong>Year 2</strong></td>
<td><strong>Year 3</strong></td>
<td><strong>Year 4</strong></td>
<td><strong>Year 5</strong></td>
<td></td>
</tr>
<tr>
<td>3 License Acquisition Date</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>4 Initial Acquisition Price</td>
<td>$7,500,000</td>
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<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>5 % Discount Initial Acquisition</td>
<td>62.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Future Purchase Discount %</td>
<td></td>
<td>55.0%</td>
<td>55.0%</td>
<td>55.0%</td>
<td>55.0%</td>
<td></td>
</tr>
<tr>
<td>7 Future Product Purchases</td>
<td>$0</td>
<td>$250,000</td>
<td>$350,000</td>
<td>$450,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 Maintenance Support Data</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 Support % License Fees</td>
<td>22.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 Annual Support Initial Acquisition</td>
<td>$1,650,000</td>
<td>$1,699,500</td>
<td>$1,750,485</td>
<td>$1,803,000</td>
<td>$1,857,090</td>
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<tr>
<td>11 Annual Support Escalation %</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
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</tr>
<tr>
<td>12 Annual Support Future Purchases</td>
<td>$0</td>
<td>$55,000</td>
<td>$133,650</td>
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<td></td>
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<tr>
<td>13 Education Training Spending Data</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>14 % Discount</td>
<td>5.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15 Annual Spending</td>
<td>$100,000</td>
<td>$50,000</td>
<td>$25,000</td>
<td>$25,000</td>
<td>$25,000</td>
<td></td>
</tr>
<tr>
<td>16 Consulting Services (CS) Data</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17 Initial CS Discount %</td>
<td>5.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18 Initial CS Spending</td>
<td>$100,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19 Future CS Discount %</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td></td>
</tr>
<tr>
<td>20 Future CS Purchases</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>21 Configuration of COTS Product Data</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22 Initial Configuration Spending</td>
<td>$250,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23 Recurring Configuration Spending</td>
<td>$0</td>
<td>$0</td>
<td>$50,000</td>
<td>$0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>24 Hosting Fees</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>25 Hardware Data</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26 Hardware Product Spending</td>
<td>$50,000</td>
<td>$25,000</td>
<td>$0</td>
<td>$25,000</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>27 Hardware Maintenance</td>
<td>$5,000</td>
<td>$7,500</td>
<td>$7,500</td>
<td>$7,500</td>
<td>$7,500</td>
<td></td>
</tr>
<tr>
<td>28 Other Vendor Services</td>
<td>$10,000</td>
<td>$10,000</td>
<td>$10,000</td>
<td>$10,000</td>
<td>$10,000</td>
<td></td>
</tr>
<tr>
<td>29 Other Costs Spending (Define Below)*</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>30 Total Cost/Year</td>
<td>$9,665,000</td>
<td>$1,792,000</td>
<td>$2,097,985</td>
<td>$2,404,150</td>
<td>$2,586,250</td>
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</tr>
<tr>
<td>31</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>32 5.0%</td>
<td>NPV TCO</td>
<td>$17,479,110</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>33</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*The above list provides many common elements of TCO. Since each acquisition is unique, you should add additional elements as needed for the unique acquisition.
## Best Value Comparison

### Total Cost of Ownership BV Range

<table>
<thead>
<tr>
<th></th>
<th>Current Offer</th>
<th>Most Aggressive</th>
<th>Least Aggressive</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>License Acquisition Data</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial Acquisition Price</td>
<td>$7,500,000</td>
<td>$5,500,000</td>
<td>$7,300,000</td>
</tr>
<tr>
<td>% Discount Initial Acquisition</td>
<td>62.0%</td>
<td>73.6%</td>
<td>63.0%</td>
</tr>
<tr>
<td>Future Purchase Discount %</td>
<td>55.0%</td>
<td>73.0%</td>
<td>55.0%</td>
</tr>
<tr>
<td><strong>Maintenance/Support Data</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support % License Fees</td>
<td>22.0%</td>
<td>18.0%</td>
<td>22.0%</td>
</tr>
<tr>
<td><strong>Annual Support Initial Acquisition</strong></td>
<td>$1,650,000</td>
<td>$990,000</td>
<td>$1,650,000</td>
</tr>
<tr>
<td><strong>Annual Support Escalation %</strong></td>
<td>4.5%</td>
<td>2.0%</td>
<td>4.5%</td>
</tr>
<tr>
<td><strong>Education/Training Discount</strong></td>
<td>5.0%</td>
<td>10.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td><strong>Consulting Services (CS) Data</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial CS Discount %</td>
<td>5.0%</td>
<td>10.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Future CS Discount %</td>
<td>3.0%</td>
<td>10.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td><strong>Configuration of COTS Product Data</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial Configuration Spending</td>
<td>$250,000</td>
<td>$150,000</td>
<td>$250,000</td>
</tr>
<tr>
<td>Recurring Configuration Spending</td>
<td>$0 - $50,000</td>
<td>$0 - $50,000</td>
<td>$0 - $50,000</td>
</tr>
<tr>
<td><strong>Hosting Fees</strong></td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Hardware Data</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hardware Product Spending</td>
<td>$50,000</td>
<td>$0</td>
<td>$50,000</td>
</tr>
<tr>
<td>Hardware Maintenance</td>
<td>$5,000</td>
<td>$0</td>
<td>$5,000</td>
</tr>
<tr>
<td><strong>Other Vendor Services</strong></td>
<td>$10,000</td>
<td>$0</td>
<td>$10,000</td>
</tr>
<tr>
<td><strong>Other Costs/Spending (Define Below)</strong>*</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

*The above list provides many common elements of TCO. Since each acquisition is unique, you should add additional elements as needed for the specific acquisition.*
Alternative: Rapid Assessment

**Gather**
- Collect acquisition information: items, quantities, quoted prices, Ts & Cs, Maintenance practices, configuration required, services needed, etc.
- Ensure that the Customer/Technical Lead has validated that the software satisfies requirements.
- Identify available contract vehicles and their terms & conditions
- Review industry literature or benchmark data to determine standard pricing, Ts & Cs, and average TCO

**Analyze**
- Compare quotes and terms to existing contracts.
- Utilize The Best Value Terms and Conditions Guide to compare Ts & Cs reflect best practices.
- Compare market research to benchmark prices, TCO, and Ts & Cs.
- Review the Total Cost of Ownership (TCO) Elements List. Complete the Total Cost of Ownership (TCO) Workbook. Analyze the entire deal, alternative offers, and alternative issues

**Strategize**
- Determine the Best Value Range (Price, Ts & Cs, and TCO) that is acceptable to the Government.
- Establish your target Ts & Cs and develop your trade-off plans.
- Review the Best Value Price Factors Guide and incorporate this information is establishing your negotiation strategy.
- Use the Negotiation Position/Strategy Outline as a framework for ensuring all issues are addressed.

**Negotiate**
- Negotiate to your Best Value Target.
- Use the TCO Worksheet to track financial trade-offs for the Life-cycle of the program.
- Award a contract, knowing that you obtained Best Value.
- Report deal data if using DoD ESI or GSA SmartBUY vehicle.
**Figure 8.5.2-1: Financial Data Fusion View**

The definitions of the legacy system A SV-4e system functions were not provided. Therefore this study assumes that the legacy system A SV-4e system functions with similar nomenclature to HRM SV-4e system functions are equivalent in definition and scope, i.e., a legacy system A SV-4C function definition of Manage Manpower, Manage Education and Training, Manage Labor Cost Assignment are equivalent to the HRM SV-4e functions of Manage Organization, Develop Personnel, Manage Time, Absence, and Labor. If there is a match in SV-4e system functionality, this study assumes that all the common reference set of HRM SV-4e functions are applicable. This study assumes the information provided in the certification packages for system interfaces, system functions, scope has not changed since the delivery of the certification package.

### MEASUREMENT RESULTS:

**Enterprise System Comparison**
- Based on comparison of information provided by the AFEWT Certification period. It appears to be similar to DMHRS.

**HRM Capability Comprehensiveness**
- Based on comparison with HRM Lines of Business (LOB).

<table>
<thead>
<tr>
<th>Line of Business</th>
<th>Percentage</th>
<th># Mapped</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manage Organization</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel Development</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation/FrameWork Sustainmt</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Expansion</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recruiting</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits</td>
<td>N/A</td>
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*Mapped to parent level system function*
Navigating the Online Toolkit

http://www.ESI.mil/BestValueToolkit
Related DoD ESI Resources on ESI.MIL

• “Software Licensing: A Deep Dive in these Changing Times”
  – Session Brief from AFCEA West 2012 Conference

• “Software That Goes ‘Bump in the Night’: Software Licensing Do’s and Don’ts”
  – Session Brief from AFCEA East 2011 Conference

• “How Strategic Sourcing is Driving Benefits and Efficiencies to DON/DOD IT”
  – Session Brief from AFCEA West 2011 Conference

DoD ESI Pricing Portal
  – Search selected ESI BPAs for products and pricing

DoD ESI Software Buyers Checklist
  – Recommendations for assessing quotes, software licenses, and contract terms

• “Cloud Computing and its Impact on Software Licensing”
  – Session Brief from AFCEA West 2012 Conference

• Software as a Service (SaaS) Toolkit
  – Introduction to analysis of alternatives for on-premise licensing vs. SaaS

DoD ESI Educational Series Course:
Commercial Software Licensing
A two-day in-depth course covering industry structure, delivery models, licensing, pricing, licenses, and other topics. Held quarterly at various locations.

Details:
http://www.esi.mil/contentview.aspx?id=278&type=1
DoD ESI Summary

• Promotes cross-Component sharing of IT acquisition “lessons learned”
• Protects enterprise-level IT management interests in IT vendor negotiations
• Leverages economies of scale for IT acquisitions
• Returns significant cost avoidance, improved software use rights for ordering agencies
• Reduces administrative costs by reducing duplicative IT agreements and contracts
• Promotes enterprise-level visibility into IT asset acquisitions
• Enables buyer access to professional licensing expertise
• Ensures that unique DoD enterprise needs are communicated at the Federal level for COTS IT acquisition policy and initiatives
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