January 6, 2011

To: All Potential Bidders

Re: RFP1211005024 IT Services Managed Service Provider

**AMENDMENT ONE**

Please amend the subject RFP to include the answers to the following timely received questions:

**QUESTION 1:** Included with the RFP is a project description for making State of Iowa websites accessible to persons with disabilities.  Is this part of the MSP RFP or a separate RFP?

***Response:*** *The intent is that the Web-based solution provided by the MSP must meet State accessibility guidelines as outlined in the document attached to the RFP Titled “RFP-IT Services …Web Page Accessibility Best Practice ”.*

**QUESTION 2:** I just want to make sure I understand the Requirement in Section 4.3 MS-4 of the IT Services Managed Service Provider RFP1211005024.  Since *Vendor X* provides IT consultants to the State of Iowa, am I correct in my understanding that we would have to forego providing consultants if we won this RFP?

***Response:*** *Correct.*

**QUESTION 3:** Will ITQ vendors be added automatically to the winning bid on this RFP?

*Response: No. It is the responsibility of the successful MSP provider to establish*

*sub-contractor relationships.*

**QUESTION 4:** Is the State certain that using a VMS system is going to move forward?

***Response:*** *To the best of our knowledge we believe the VMS process will move forward pending the outcome of the RFP.*

**QUESTION 5:** During the conference call a question was asked about the difference between the billing rates contracted between the State and the selected MSP provider, and billing rates agreed to between the MSP and the subcontract vendors. The purpose of this question is to seek clarification regarding the billing rate structure.

Scenario A:

* Most programs work as follows.
* The client sets not to exceed rates (NTE) for the master vendor. (MSP)
* The master vendor shares the NTE rates to the subcontract vendors.
* When subcontract vendors submit candidates, they are allowed to quote a bill rate of less than or equal to the NTE rate (this drives down the cost for the contract personnel by instituting a competitive environment for both quality and cost of candidates)
* When a candidate is placed with the client, the MSP invoices the client for the number of hours multiplied by the vendor quoted bill rate plus the MSP fee (expressed as a percentage added on to vendor bill rate or as a fixed $ amount added to the vendor bill rate) for each week of the assignment.
* The Client pays the MSP.
* The MSP deducts its fee and disburses the rest of the bill rate to the subcontract vendor.
* If the subcontract vendor’s bill rate is below the NTE rate, the MSP bills the client at the lower rate, and collects its fee on that lower rate. This drives savings for the client.

A-1: For example – in a case where the submitted bill rate equals the NTE rate:

* NTE Bill Rate = $100/hr
* Submitted Bill Rate (of selected candidate) = $100/hr
* MSP Fee 3% = $3/hr
* Bill Rate to Client = $103/hr
* MSP Payment to Subcontract supplier = $100/hr
* MSP keeps 3% (equals $3/hr in this case)

A-2: In a case where the subcontract vendor submits someone at a lower rate:

* NTE Bill Rate = $100/hr
* Submitted Bill Rate = $90/hr
* MSP Fee 3% = $2.70/hr
* Bill Rate to Client = $92.70
* MSP Payment to Subcontract supplier = $90/hr
* MSP keeps 3% (equals $2.70/hr in this case)
* Additional savings recognized by the State = $10.30 per hour

Scenario B:

Based on the conversation we heard on the phone, it appears that the following is what the State intends for this program.

* State of Iowa sets fixed bill rates (FBR) with the MSP.
* The MSP negotiates a lower rate with the subcontract vendors. (Subcontractor Bill Rate - SBR)
* When a candidate is placed, the MSP invoices the client for the number of hours multiplied by the FBR for each week of the assignment plus the MSP fee for each week of the assignment
* The State will pay the MSP the amount invoiced
* The MSP pays the vendor the difference between the FBR and the SBR, pockets the difference plus the MSP fee.
* If the SBR is below the FBR, the MSP, the MSP reaps the benefits of the lower priced resource not the State.
* The State’s savings occur only because the FBR is 10% lower than the current rates the State is paying.

B-1: For example – in a case where the SBR = the FBR:

* NTE Bill Rate = $100/hr
* Submitted Bill Rate = $100/hr
* MSP Fee 3% = $3/hr
* Bill Rate to Client = $103/hr
* MSP Payment to Subcontract supplier = $100/hr
* MSP keeps 3% (equals $3/hr in this case)

B-2: For example - in a case where the SBR is lower than the FBRs:

* FBR Bill Rate = $100/hr
* SBR Bill Rate = $90/hr
* Submitted Bill Rate = $100/hr
* MSP Fee 3% = $3/hr
* Bill Rate to Client = $103/hr
* MSP Payment to Subcontract supplier = $90/hr
* MSP keeps 3% plus the difference in between the FBR and SBR. $3 + (100 – 90) = $13/hr.
* Additional savings recognized by the State = $0

Our question is which scenario (A or B) most closely represents the State’s vision of this program?

Note: While the above scenarios have assumed that the MSP fee is calculated as a percentage of the vendor bill rate, one can run these scenarios with a fixed fee of $/he added to vendor bill rate as well (e.g., State of Nebraska model runs with fixed $ fee per hours but otherwise follows scenario A). We respectfully request that the State consider the model represented in scenario A for the greatest financial benefit to the State.

***Response to Question 5:*** *The State intends for the vendor to provide fixed rates as opposed to “NTE” rates.*

**QUESTION 6:** Please provide us with the results of the survey done to ascertain the typical bill rates paid by the agencies as mentioned in the call.

***Response:*** *The documents, “IT Services Survey-By Function and Hourly Rates-Attachment #5”, and “IT Services Survey-Responses Received-5-10-Attachment #6” have been included as attachments in the RFP posting within the Bid Opportunities web site.*

***QUESTION 7:*** The number of years of the initial contract is two years; can you clarify the dates for the term of the contract?

***Response:*** *If the contract can be established by March 15th here is the example:*

*March 15, 2011 to March 14, 2013*

*March 15, 2013 to March 14, 2014 – at the sole option of the State*

*March 15, 2014 to March 14, 2015 – at the sole option of the State*

*March 15, 2015 to March 14, 2016 – at the sole option of the State*

*March 15, 2016 to March 14, 2017 – at the sole option of the State*

***QUESTION 8:*** One of the objectives of the RFP is to maintain or exceed current service and quality levels (RFP Section 1.4). These current levels are not defined in the RFP. Can details be provided?

***Response:*** *There are no enterprise service level standards other than what is defined in this RFP. We expect the MSP to detail the level of service that they will provide.*

**QUESTION 9:** Please clarify the statement, "Although it is the intent of the State that this will be the primary vehicle for temporary IT staffing for the State, this is not an exclusive contract (Sec. 1.5).”

***Response:*** *The State expects all IT staff augmentation services for Executive branch agencies will be delivered through this contract but reserves the right to enter into other service contracts on a unique case by case basis.*

**QUESTION 10:** Requirement #MPF-3 (Sec. 4.2) states that "the background check fees must be provided as part of this RFP response in Cost Schedule One." Does that mean they are supposed to be included as part of the vendor markup?

***Response:*** *The State expects that the vendor will provide the requesting manager with a satisfactory background check report for the accepted resource at no additional cost to the State.*

**QUESTION 11:** Please confirm that this is a fixed rate contract. The cost proposal implies a fixed bill rate but Req. # MPF-4 (Sec. 4.2) implies that candidates can be submitted at different rates.

***Response:*** *Please refer to the Response to Question #5.*

**QUESTION 12:** Req. # MPF-9 (Sec. 4.2) requires the Contractor is responsible for any expenses associated with payroll. Since the contractor will be subcontracting with the vendor network, payroll expenses would be the responsibility of the sub-contracting firm, would it not?

***Response:*** *The State of Iowa is not responsible for payroll expenses. It is up to the successful Contractor to make arrangements with their subcontractors for the payroll expenses.*

**QUESTION 13:** Req. # MPF–18 (Sec. 4.2) requires an electronic application process. It is assumed this application process refers to the submittal of candidates to RFRs.

***Response:*** *The electronic application process is the process used by a state department or agency to request a resource from the MSP and the process through which the MSP provides resumes back to the requesting department or agency.*

**QUESTION 14:** Req. # MS-8 (Sec. 4.3) mentions a % of Targeted Small Businesses. Does the State have a defined target?

***Response:*** *Iowa Administrative Code does not specify a required percentage of business to be conducted through Targeted Small Businesses (TSB).*

**QUESTION 15:** Does the Hourly Rate in the spreadsheet (RFP…Cost Proposal-Attachment #4) equate to the vendor rate?

***Response:*** *See the instructions in the Cost Proposal.*

**QUESTION 16:** The RFP, page 7 states, "The State estimates approximately $20 million is spent on IT Staff augmentation…” This was also discussed at length at the Bidders Conference on December 13, 2010. It appeared there was some question regarding whether this number was accurate and could likely be much lower. Would you please clarify whether this is a reasonable estimate?

***Response:*** *This is the most accurate estimate available. It is based on a three year analysis of spend in the State ERP system.*

**QUESTION 17:** Please verify that all Departments, including the Department of Transportation, will be mandatorily utilizing the contract for the purchase of IT time and material labor.

***Response:*** *When they have a need for IT staff augmentation services, all Executive Branch agencies, including the Department of Transportation, will be required to use this contract.*

**QUESTION 18:** In some states, letters of recommendation are not permitted. If this is the case for our preferred state, may we have them provide the key activity information, length of contract, contact names, etc.?

***Response:*** *See section 3.2.6.4 of the RFP. Please provide as much information as possible if a letter of recommendation cannot be obtained.*

**QUESTION 19:** This document (Attachment #2 Authorization to Release Information Letter) states, “A photocopy or facsimile of this signed Authorization is as valid as an original.” Would you please clarify whether we need to submit two originals of this document, or whether an inserted image would suffice? And if this is the case, does this also apply to Attachment #1?

***Response:*** *As stated in Attachment #2, “A photocopy or facsimile of this signed Authorization is as valid as an original”. DAS will accept a photocopy or facsimile for Attachment #1 also. See RFP Sections 3.2.12 and 3.2.13 for submittal directions****.***

**QUESTION 20:** No ability to staff, State seeking MSP/VMS services only?

Under MS-4 on page 30, the following is stated: “If the successful Contractor’s company also provides temporary IT staff or is part of an organization with a subsidiary or division (or using any other name) that provides temporary IT staff services, the Contractor is prohibited from participating as a temporary IT staff subcontractor and offering temporary IT staff services under this contract. A violation of this requirement will be considered a breach of contract. There will be no exceptions.”

Would the committee re-consider the requirement to not allow direct staffing and replace it with a cap on the percentage of contractors that the MSP would be allowed to staff?

With the goal of running a successful program and saving costs, the State could consider allowing the MSP to provide the staffing services up to a certain portion of the program. If the MSP is not allowed to recruit and provide staffing directly, the vendor will be entirely dependent on the sub network. If no viable candidates are submitted to the MSP, the vendor has no immediate recourse to ensure the requested services are provided to the State. If the MSP’s only revenue from this program is the fee income, the vendor’s ability to deliver quality service will also be limited due to the size of the overall program and corresponding total spend. Allowing the MSP to source a portion of the program will provide the vendor with a larger revenue base, improves flexibility to provide suitable candidates and creates healthy competition between the MSP and its partners in the subcompany network.

***Response:*** *See Response to Question #2.*

**QUESTION 21:** Fixed rates? We understand from the discussion at the conference that the State is expecting a fixed rate proposal for each of the listed positions, which would guarantee the State “known costs” for the first term of the contract.

Would the committee consider revising the fixed rate expectation and replace it with “target rates” instead?

The requirement to provide fixed rates has multiple impacts that run counter to the State’s goal of running a successful program and saving costs. It will require the vendors that bid to “guess high” to minimize the risk of rate challenges for contractors under the program. Should the State have a fixed but high rate card, the cost savings goal is not as easily accomplished and all placements will be made at the higher rates, even if savings would have been possible.

To incent the MSP to accomplish target rate compliance, the State could consider financial incentives, tied to the fee for instance, to reward the vendor if it delivers certain levels of cost savings below the target rates with the actual people placed at the State.

This would also reduce the risk of not having access to any talent if the market conditions for certain skill sets at a certain time are such that rate compliance is simply not possible. Assuming that the State’s first goal is to run a successful program, the rate structure should not impede effective access to candidates. We believe that the approach as currently defined in the RFP creates a substantial risk that many of the State’s future needs for IT contractors will not be met, or by candidates who do not offer the actual level of skills and experience the State needs to run its business.

***Response:*** *Please refer to the Response to Question #5.*

**QUESTION 22:** MSP’s income limited to fee only? Can you please clarify if the MSP’s revenue is restricted to the fee income only, or if you will allow the MSP to make a profit on the spread between the bill rate by the sub company and the pay rate by the State?

Under MPF-2 on page 24, the RFP states “This fee will be paid by the State and must not be charged to the subcontractor firms.”

Will you not allow the MSP to profit from a spread is pay and bill rates, and thus create competition among its sub company partners, so that the vendor is able to find the best talent at the lowest rate and make an independent decision on what rate to provide that contractor at to the State?

If the State does not allow this, the result will be that the service provider has no independent means to help deliver cost efficiencies where possible. It also means that the MSP’s revenue is strictly limited to the fee income.

Summary

We recommend that you allow the MSP in your future program to provide direct staffing services, up to a certain percent of the program (in terms of contractors for instance). This will create healthy competition with and among the sub companies and offers your program more flexibility.

To support the effective partnering between the MSP and its sub company network, we recommend that you allow the MSP to make a profit per hour on every hour worked by contractors. Instead of compensating the MSP entirely through VMS fees, this shifts the economics to the level of each contractor. By allowing the MSP to work out productive and economically viable partnerships with its vendors, the State benefits the most in the end.

To accomplish the intended cost savings, we recommend that the State requires “target rates” along with incentives to deliver results. If the State would share a portion of its savings with the MSP during the first term of the program, it aligns both organizations’ goals in doing so.

***Response to Question 22:*** *Please refer to the Responses to Question #2 & Question #5.*

**QUESTION 23:** *Section 3 Form and Content of Proposals Section* 3.2.5.5: Commonly, programs have onsite teams to enhance customer support, client interaction, and so forth. Is this the State’s intent and if so, will the State be providing space on-site for an on-site representative?

***Response:*** *No. We do not intend to provide space for an on-site representative of the MSP.*

**QUESTION 24:** *Section 4 Specifications and Technical Requirements* 4.2 MPF – 1: “The Contractor must describe the on-boarding and off-boarding process and procedure used with its subcontractor firms.” Can you please clarify if you are looking for the on/off-boarding process for subcontractor firms or if you are looking for the on/off-boarding process for the subcontractor firm’s individual resource that is selected by the State for staff augmentation positions?

***Response:*** *The State is looking for the description of the on/off boarding process for their sub-contractor firms.*

**QUESTION 25:** Is the State of Iowa referring to the on boarding and off boarding of contractors working at the State or the suppliers in the State of Iowa MSP program?

***Response:*** *Please refer to answer to Question #24.*

**QUESTION 26:** If the on-boarding and off boarding process applies to contractors from program suppliers, will there be office space provided by the State of Iowa at the State facility for an onsite MSP employee or do we need to factor in a cost for office space near the State?

***Response:*** *See response to Question #23.*

**QUESTION 27:** 4.2 MPF – 6 Is it the State’s intent that the Contractor serve in the role as the MSP, facilitating the process on a daily basis or is the State looking to have a State team that plays this role?

***Response:*** *The successful contractor will serve in the role of the MSP facilitating the process on a daily basis.*

**QUESTION 28:** 4.2 MPF – 18: “An electronic application process is required.  Contractor should briefly describe the process they will use.” Can the State please define which applications they would like to have captured electronically? Submissions of resumes are electronic, but since the State of Iowa is not hiring the contractor, is there an actual application to be filled out?  Please clarify what is meant by electronic application process.

***Response:*** *Please refer to the Response to Question 13. There is no “application” to be filled out by candidates being proposed for specific assignments at the State.*

**QUESTION 29:** MS-5 What is the definition of Term of Engagement at State of Iowa – is this defined by supporting Purchase Order, Statement of Work, or is there a timeline at which all existing would be expected to participate through the system?

***Response:*** *The term of engagement is defined within the Statement of Work for each resource.*

**QUESTION 30:** 4.2 MS – 7 The question states that the Contractor must have 20 or more subcontractor firms, and that we should include the State’s current vendors and their subcontractor firms (and we are to list all of these firms). Does the State want us to include all current vendors and their subcontractors? If so, where can we get an up to date list of all of these, including subcontractors?

***Response:*** *The State is not requiring the MSP to contract with all current ITQ vendors. See RFP Amendment Two in the RFP posting within the Bid Opportunities web site concerning changes to the language in Requirement #MS-7. The State encourages the MSP to contract with companies currently providing staffing resources with the State of Iowa. Not all of the ITQ companies are providing resources to the State of Iowa. The following link lists all the ITQ pre qualified vendors.* [*http://das.gse.iowa.gov/contracts/ITQ\_Approved\_Vendors.pdf*](http://das.gse.iowa.gov/contracts/ITQ_Approved_Vendors.pdf)*.*

**QUESTION 31:** 4.2 MS – 10: “The Contractor must describe their recruitment strategies for attracting and retaining qualified candidates and for recruiting and retaining candidates from subcontractors located in Iowa”. Is the state referring to retention of supplier candidates or retention of State of Iowa program suppliers?

***Response:***  *We are referring to recruiting and retention of candidates and also want to know about recruiting and retention of Iowa based subcontractor candidates.*

**QUESTION 32:** What is the difference between this question (4.2 MS–11) and 4.2 MS–1?

***Response:*** *MS –1 is intended to provide a description of how your company operates and provides your vendor management services. MS –11 is intended to have you describe the software system that you plan to provide.*

**QUESTION 33:** What is the State of Iowa considering the difference to be between Vendor Management Services and Vendor Management Services Systems?

***Response:*** *See answer to Question #32.*

**QUESTION 34 :** During the pre-proposal call, a Survey/Report from the Governor and Public Works was mentioned. Can you please provide that Survey/Report to us?

***Response:*** *The report, titled “Iowa Efficiency Review Report…” has now been included as an attachment to the Bid on the Bid Opportunities web site.*

**QUESTION 35 :** In addition, we would like to ask to be supplied with any additional reports, surveys, findings, and current hour rate information. This will better help us to assess the State of Iowa’s IT Services needs and spend.

***Response:*** *See response to Question #6.*

**QUESTION 36 :** Do you have varying agreements with multiple vendors today or is there one agreement that the vendors have signed?

***Response:*** *Yes there are varying agreements.*

**QUESTION 37 :** Is the state open to alternate ways of determining bill rates? Such as a % mark-up from the contractor’s PAY rate.

***Response:*** *Please refer to the response to Question #5.*

**QUESTION 38:** Will the winner of the bid have access to data for the state’s current vendors? (to evaluate who is currently adding value)

***Response:*** *We will work with the winning vendor to provide public data that is available.*

**QUESTION 39 :** As opposed to signing 20+ contracts proactively, is the state open to allowing which company wins the bid to selecting vendors upon award?

***Response:*** *Please refer to the Response to Question #30.*

**QUESTION 40 :** Do you currently have a diversity spend goal and is it being achieved? Does the state have diversity spend goals that can be achieved through this program?

***Response:*** *Please refer to Iowa Code 73.16.*

**QUESTION 41 :** Please provide the current prevailing NTE rates for the job titles and positions listed in the cost proposal, or provide us with a link to an available on line resource for this information.

***Response:*** *See Response to Question #6.*

**QUESTION 42:** Does the RFP include hourly based work as well as project based work?

***Response:*** *This contract is for hourly work and DOES NOT include project based work.*

**QUESTION 43 :** What is the initial term of the contract? The term listed on the RFP is for a year (March 15, 2011 – March 14, 2012).

***Response:*** *Please refer to the response to Question #7.*

**QUESTION 44:** How are the services priced? Are rate cards used?

***Response:*** *Please see the cost proposal in the RFP.*

**QUESTION 45:** How many agencies will be participating in the contract?

***Response:*** *Refer to the Response to Question #17.*

**QUESTION 46:** What are the rates of the previous hourly paid work?

***Response:*** *See Response to Question #6.*