

ITAC review of Microsoft EA – (6/2/03)
Email from Katherine Lins to Kevin Gallagher

Kevin,

ITAC raised some concerns with the Enterprise Agreement and thought that their review might provide information to use, useful in future enterprise considerations. Toward this end I am sharing their review.

The recently implemented Department of Interior (DOI) Microsoft Enterprise Agreement (EA) to provide common software for every user in the Department promises significant money savings to each Bureau. However –

- the cost savings may have been overstated,
- the purchase of an operating system upgrade only – as opposed to a fully licensed operating system – may have been a costly mistake,
- the contract penalizes proactive managers who already purchased the software,
- the enterprise agreement approach adds an unexpected burden to field cost centers, and
- there is no indication that the needs of field-level scientists were considered when the contract was developed.

It is hoped that DOI and the Bureau can learn from the lessons from this contract, and take advantage of field-based experience when developing enterprise agreements in the future.

As an example, DOI has claimed repeatedly that the new Microsoft Enterprise agreement is saving in excess of \$20 million. ITAC is concerned that senior managers in DOI will hear these claims of cost-savings, and mandate a proportional cut in IT spending. Therefore, ITAC conducted a review of the Microsoft Enterprise Agreement to see whether the cost saving might actually be real.

An analysis of costs in the EA shows that there may not be any savings. Under the EA, Enterprise Desktop software will cost \$671 per employee. This includes a Windows XP upgrade (existing installation of Microsoft Windows required), a Microsoft Windows 2000 client access license (CAL), Office XP, and Microsoft Software Assurance for three years. When buying a new computer, Windows XP Professional is included at no charge, Office XP can be added for \$325, Software Assurance can be purchased via GSA for \$107, and a CAL can be purchased via GSA for \$34 (sources: Dell, Inc. & CDW). Using this vehicle, the Enterprise Desktop software only costs \$466 per employee. If it were argued that the cost of Windows XP Professional is actually imbedded in the cost of the new workstation, then consider that a Windows XP Professional upgrade on GSA contract is \$199, making the total cost for Enterprise Desktop software \$665 per employee – still less than the \$671 via the DOI EA.

If DOI had ordered new Windows XP licenses in the EA, hardware vendors could deduct license fees for the operating system when new systems are purchased. In this way, vendors could install all DOI EA software via a disk image at little-or-no-charge when hardware is purchased. But because only Windows XP upgrades were included in the EA, DOI hardware purchases have to include a Microsoft Windows licensing fee. The fee may not be obvious in the developing DOI hardware contract, but it will definitely be included, as required by Microsoft.

Many local IT professionals and managers throughout the Bureau had already purchased Windows XP, Office XP, and/or Microsoft Software Assurance, prior to any news of the DOI EA being shared with DOI Bureaus. These proactive managers are now being penalized for their vision by being charged double for these packages.

The current fiscal year has been difficult for all Bureaus in DOI. Budget cuts and changes in overhead assessments have reduced discretionary funds. The mandatory participation in, and cost recovery for, the DOI EA adds yet another unplanned cost burden. A typical Water Cost Center with an annual budget of \$8 million can expect the EA to cost roughly \$19,200 per year. An additional \$13,800 may be added

this fiscal year for cost-recovery on network security improvements, making mandatory DOI assessments total \$32,000. If participation in the EA had been optional, rather than mandatory, some local managers may have chosen to manage the same funds to keep a student employee on their payroll, modernize data collection equipment, improve field safety, and the like, rather than updating to the most recent version of Microsoft Windows. It would be prudent to consider each Bureau's mission requirements when setting priorities for a DOI-wide contract.

In the hopes that DOI and USGS can benefit in the future from lessons from this enterprise agreement, ITAC recommends –

1. Implementing enterprise-wide software or hardware contracts that require participation and mandatory cost recovery only when the issues mentioned above have been addressed.
2. Considering bureau's field-level scientist needs as a priority.
3. Consulting with, and considering the needs of, local IT professionals and local managers.

ITAC recognizes that offering hardware and software blanket purchase agreements may facilitate better science for USGS. To obtain these benefits, ITAC advises that in the future a cost comparison including the needs of the employees and the financial limitations of the cost centers be undertaken before making an enterprise approach mandatory.

Thank you for your consideration. We are willing to offer our assistance if necessary.