

Public Comments before
The Information Technology Authorization Committee

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Thank you for the opportunity to provide public comments on the amendment to Project Investment Justification AD-18001; Enterprise Email.

On behalf of my client, Microsoft Corporation, as well as the taxpaying citizens of Arizona, I urge ITAC to exercise its independent oversight function and reject this amendment, and temporarily suspend the expenditure of funding on this project until a full and fair competitive RFP can be executed, and concrete facts can be brought before this body.

This is an unusual situation. The Department of Administration is the agency bringing this project forward. ADOA is the project procurer, through the state procurement office, as well as the project sponsor, the project manager, and the project oversight agency, through ASET. This means that ITAC is really the only fully independent oversight entity that can render objective judgement consistent with your statutory authority.

Statute requires this Committee to render judgment and to temporarily suspend the expenditure of monies on the project if you deem that the project is at risk of failing to achieve its intended results. Agency rules guide the framework for your evaluation, which I will speak to in a moment. Further, the action by ADOA to commence this project last fall as a Phase 0 pilot project - and now to extend that Phase - circumvents their fiduciary responsibility and directly contradicts statutes, which prohibit the artificial division of a project to avoid review by this Committee, which they did last September.

Here are some of the factors that Agency rules require ITAC to consider:

Does the solution address the stated problem?

As articulated to ITAC last September, this was the problem statement:

1. Reduce state from 30 email systems to one
2. Improve security and controls
3. Save \$17 M dollars

The solution cannot deliver these results. While the project may consolidate some of the agencies' infrastructure, the solution requires *at least* 4 different products that will need custom integration, which in turn will add significant complexity. The cost comparison is fundamentally flawed for reasons we will explain further. Currently over 98% of the State agencies are *already running* Microsoft software, with consistent features and functionality across all agencies.

Are the cost estimates accurate?

The cost estimates provided to the committee are a gross misrepresentation. See handout.

First, the cost comparison to justify the decision is riddled with errors. The licensing costs were overstated. The analysis ignored current licensing investments and ownership of agencies, which dramatically reduce the cost of migrating to a single solution on Microsoft. The cost estimates erroneously include additional costs for migration

and cloud access which are already included at No Charge with Microsoft. They also compared two completely different product offerings.

Further, multiple agencies are operating mission critical applications that integrate deeply with Microsoft Office. The costs of migrating those applications to reliably work with Google email is still being assessed, and in many cases functionality that may not be possible on Google. Therefore, there are additional costs to this project that agencies will have to bear that have not yet been documented.

Is the proposed solution compatible with other budget unit solutions?

This is another significant unknown. For example, the Department of Child Safety last year awarded Microsoft a contract to provide the platform for their Guardian project. The Department of Child Safety has successfully implemented Office 365 in the Cloud. Forcing them to change their project, which was awarded pursuant to a fully competitive Request for Proposal, adds unknown risks to this mission critical project for an agency with scarce resources.

Does the proposed solution comply with statewide IT Standards?

It is unclear if the Google solution can begin to address basic standards, while the Microsoft solution provides contractual commitments to do so. For example, there are multiple agencies that must comply with federal security standards, such as Criminal Justice Information Services (CJIS), Health Insurance Portability and Accountability Act (HIPAA), and Internal Revenue Service Publication 1075 (IRS 1075) requirements. In some of the governments that have adopted Google, criminal justice agencies have been specifically excluded. Among other things, Google has been unwilling to directly commit to meeting CJIS standards, and continued updates such as data residency in the United States (regardless of encryption) make it even less likely that they will be willing to do so. Whereas, the Microsoft solution already provides direct contractual commitments for the State of Arizona to meet or exceed these, and many more, critical data protection standards.

How likely are unintended consequences?

Very likely. For example, if Arizona experience mirrors other jurisdictions that made similar mistakes in the past, many agencies will elect to utilize Microsoft Office products on top of Google Email and Calendar rather than the G-suite apps so they can continue to get work done. To the extent they choose to do so, that is additional cost that further erodes the alleged savings from the implementation of this project, while introducing additional complexity and operational risk.

ADOA asserts that both vendors were treated fairly in the procurement process. While ADOA was conducting its assessment of how to move forward on email migration, Microsoft was asked for, and provided, a pricing proposal for email and calendar online, inclusive of its online applications such as Word, PowerPoint, Excel and SharePoint. We found out in November – months after the decision was made -- that this proposal was never shared with the Governor's office or anywhere outside of ADOA. That proposal, which was a fair – apples to apples – comparison to Google's offering, on the basis of features and functionality, had a statewide 5-year price tag of under \$7 million, **which was \$11 million less expensive than the price for Google including the cost of additional software required for the Google solution.**

Our proposal was rejected without consideration.

Further, I would point out that the enterprise agreement with Google obligates the State to commit to and pay for 36,000 seats. If, as stated earlier, agencies are unable to adopt the new email system for any reason, such as

federal security requirements, the terms of the agreement may obligate the State to pay for licenses it will not be able to use. That is an unnecessary and expensive mistake that should be avoided.

The above is a small snapshot of concerns. Given the statewide importance of this issue to every state employee, I would ask ITAC to strongly consider rejecting the PIJ amendment before you today. Even more importantly, I further recommend that ITAC direct ADOA to reconvene the Statewide Email Task Force for the purpose of developing a request for proposal with robust requirements for a statewide email solution that will allow the State to fairly evaluate features, functionality and price, and the operational and cost impact on various state agencies

Thank you for your time and consideration.