



Performance-Based Contracting in the Public Sector

**An examination of the partnership
between the SEC and Keane**

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Overview of Presentation

Challenges	Performance Based Contract	Key Factors	Transition	Service Level Agreements	Communication	Success
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- Opportunity for change
- Performance-based contracting
- Identifying the critical factors
- Transitioning to a performance-based contract
- Service level agreements
- Communication, transparency, and roles
- Success is mission achievement

Public Sector IT Managers Face High Expectations

Challenges

Performance Based Contract

Key Factors

Transition

Service Level Agreements

Communication

Success

- **Deliver more with less**
- **Maximize impact**
- **Bring real, measurable results and improvements**
- **Get the best practices from industry**
- **Quick turnaround procurements**
- **Conform to regulations**
- **Obtain long-term solutions**
- **Mitigate risks**
- **Be innovative**
- **No room for errors**

"While the U.S. public-sector industry is collectively the second largest consumer of externally provided IT and mission-support services, following the U.S. financial services industry, certain segments such as state and local governments have lagged in the adoption of alternative service delivery models....

But times are changing and public-sector entities will have to change with them to meet mounting challenges."

-EquaTerra Survey 2008

Performance-Based Contracting is Not...

Challenges

Performance Based
Contract

Key Factors

Transition

Service Level
Agreements

Communication

Success

- Short-term fix
- Staffing-type or commodity-type contract
- Lower quality
- Restrictive
- Loss of control
- Oversight and surveillance
- Monitoring
- Activity management
- Controlling staff

Performance-Based Contracts Meet the Challenges

Challenges	Performance Based Contract	Key Factors	Transition	Service Level Agreements	Communication	Success
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- Long-term focus for mission accomplishment
- Enforces best practices from industry
- Flexibility
- Partnership
- Controls outcomes
- Lower performance risk
- Transparency and communication
- Incentives
- Results-focused
- Innovative
- Transfers risk from Government
- Best value provider

SEC and Keane - Partnering to Transform EDGAR

Challenges

Performance Based
Contract

Key Factors

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Success

EDGAR (Electronic Data Gathering Analysis and Retrieval) is a Mission-Critical Application that is central to the efficient functioning of United States Securities Markets

- Used daily by
 - US corporate securities insurers
 - Investment companies
 - Individuals
- 800,000 annual filings
- Requires 99.99% availability

SEC used performance-based acquisition to bring innovation and flexibility to EDGAR's management and modernization initiatives while ensuring the system was stable, dependable, and reliable to continue to meet its mission

Keane's Performance-Based Scope for SEC EDGAR

Challenges	Performance Based Contract	Key Factors	Transition	Service Level Agreements	Communication	Success
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- Meet all Service Level Agreements
- Operate the EDGAR IT infrastructure 24x7
- Procure, install, and implement all hardware, software and third-party services within the infrastructure
- Provide application, hardware and software maintenance—adaptive, corrective, preventive
- Develop the future, modernized EDGAR replacement—recently announced by the SEC—**IDEA**

SEC Approach for the EDGAR Contract Procurement

Challenges	Performance Based Contract	Key Factors	Transition	Service Level Agreements	Communication	Success
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1. Reviewed the SEC mission toward defining EDGAR's mission-critical criteria and the support necessary to the business community
2. Categorized mission success criteria into key areas
 1. Problem/incident resolution
 2. EDGAR system operations
 3. Disaster Recovery
 4. IT maintenance and development projects
 5. Program management
3. Engaged contractors and business partners to help determine measurable results
4. Used the information gathered to generate a performance-based RFP
 1. Government provided specifics about performance success criteria
 2. Offerors submitted specific solutions to achieve performance criteria
5. SEC awarded a contract that brought the right level of discipline and best practices and processes to operate and maintain EDGAR's software and infrastructure and ultimately to replace EDGAR

Key Ingredients of the Performance-Based Contract

Challenges	Performance Based Contract	Key Factors	Transition	Service Level Agreements	Communication	Success
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Flexible over the long-term to meet changing priorities

Focuses on business results

Flexibility

Results

Incentives

Partnership

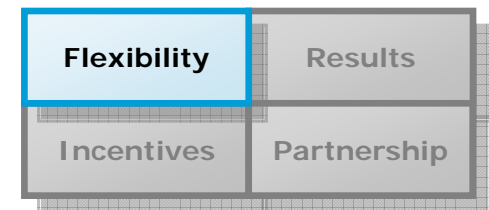
Provides incentives

Enables collaborative partnership

Key Ingredients of the SEC EDGAR Contract

Challenges	Performance Based Contract	Key Factors	Transition	Service Level Agreements	Communication	Success
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- 5-year contract
- Fixed-price elements
 - Adjustments based on output and FTEs
 - Predetermined fixed prices for varied levels of effort
 - Infrastructure and computer operations
 - SW and HW maintenance and license fees
 - EDGAR maintenance and support
 - Provides stability for everyday operations
- Time and materials elements
 - Adjustments based on items and priorities
 - Prices are fixed: the amount requested is flexible
 - Lifecycle replacement costs
 - Modernization – new IDEA system



Key Ingredients of the SEC EDGAR Contract

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Focused on Business Results

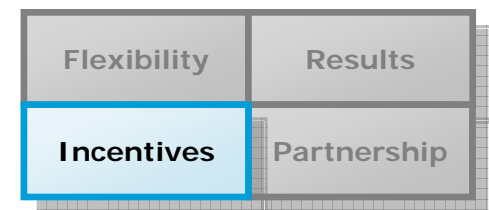
- Service Level Agreements define expected results
- More than 60 line items

Flexibility	Results
Incentives	Partnership

Key Ingredients of the SEC EDGAR Contract

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- Provides Incentives
 - Rewards for meeting defined performance levels
 - Penalties for falling below expected performance levels



Key Ingredients of the SEC EDGAR Contract

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- Enables Collaborative Partnership
 - Defines key personnel (Govt. & Contractor)
 - Identifies how key personnel can be changed over the course of the contract
 - Defines how modifications are made
 - Defines who can approve changes
 - Lays the foundation for win-win

Flexibility	Results
Incentives	Partnership

Transition is Key to Performance-Based Success

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- Transition is the period in which key activities occur that transfer operations to the performance-based contract
- Typically lasts 90-120 days
 - Integrate process and best practices into the environment
 - Establish program management, which provides for governance for the contract term
 - Transfer knowledge from incumbents to the contractor
 - Recruit, hire, and train staff
 - Define detailed service level agreements
 - Establish 3rd party contract arrangements
 - Prepare to assume accountability post transition

Government must provide full and complete disclosure of information during the transition to establish long-term program success.

SEC Transition – Flexibility + Partnership = Results

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“Keane’s approach to Transition is comprehensive yet exceptionally flexible. So flexible, in fact, that Keane was able to change their path in mid-execution and take over the operation of EDGAR three months earlier than planned. Their quick thinking and resourcefulness, backed by proven practices, minimized our risk and laid the cornerstone for the success of this aggressive Transition.”

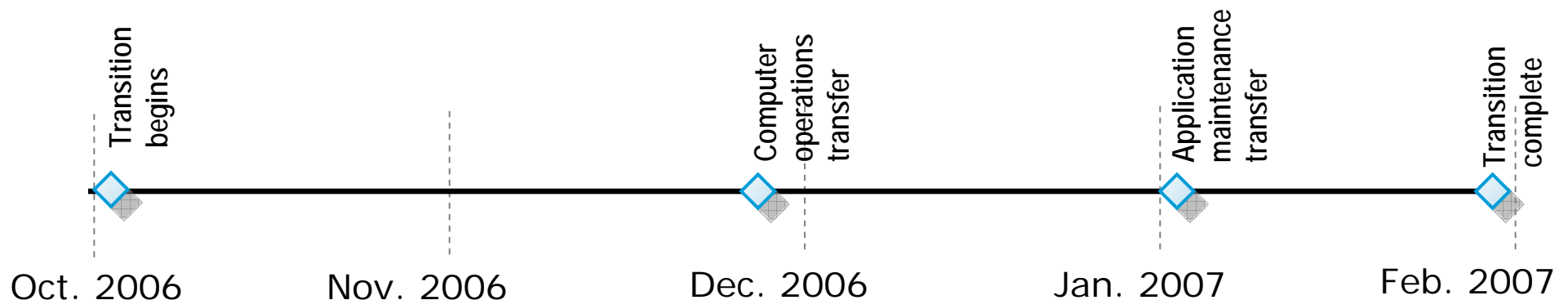
EDGAR Program Manager, Office of Information Technology, Securities and Exchange Commission

- Transition planned for 120 days
- Keane assumed three key areas
 - Computer operations
 - Software (EDGAR) maintenance and support
 - Public dissemination system
- Shortly after award, incumbent actions made it necessary for SEC to speed up the transition plan
- SEC reprioritized key transition activities
- Keane responded with a new transition approach

Transition Results

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- Transition of 24x7 operations completed in 7 weeks, 11 weeks ahead of schedule
- Application support began 4 weeks ahead of schedule
- Seamless transition
 - No down time
 - No loss of service
- Key SLAs defined and measurements implemented



The Service Level Agreement

Challenges	Performance Based Contract	Key Factors	Transition	Service Level Agreements	Communication	Success
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- The Service Level Agreement is the backbone of the performance-based contract
- Service Levels are used by the Government to define and document what is really important to ultimate success
- Service levels should be defined for all identified mission success criteria
- SLAs keep the Government and the Contractor focused on the performance criteria and results needed for program success
- The Contractor is responsible for managing itself to achieve the Service Levels in the SLA
- SLAs must be calibrated (3-6 months)

Keane and SEC EDGAR Service Levels

Challenges	Performance Based Contract	Key Factors	Transition	Service Level Agreements	Communication	Success
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Mission Success Criteria	
<input checked="" type="checkbox"/>	Problem/incident resolution
<input type="checkbox"/>	EDGAR system operational availability
<input type="checkbox"/>	Disaster recovery
<input type="checkbox"/>	IT maintenance and development projects
<input type="checkbox"/>	Program management

Service Levels

- Timeframes for response
- Post-incident activities
- Communications during incidents

Keane and SEC EDGAR Service Levels

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Service Levels

- Transaction response time
- Degradation of response over time
- Hours of availability for key pipeline systems
- Percentage of up-time
- Normal hours of operation/coverage

Keane and SEC EDGAR Service Levels

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Service Levels

- Minimum time to move to DR site
- Time to obtain archive materials

Keane and SEC EDGAR Service Levels

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Service Levels

- Acceptable variances in project schedule for fixed-price and time-and-materials task orders
- Acceptable variances in project cost for time-and-materials task orders
- Specific documentation requirements for each release

Keane and SEC EDGAR Service Levels

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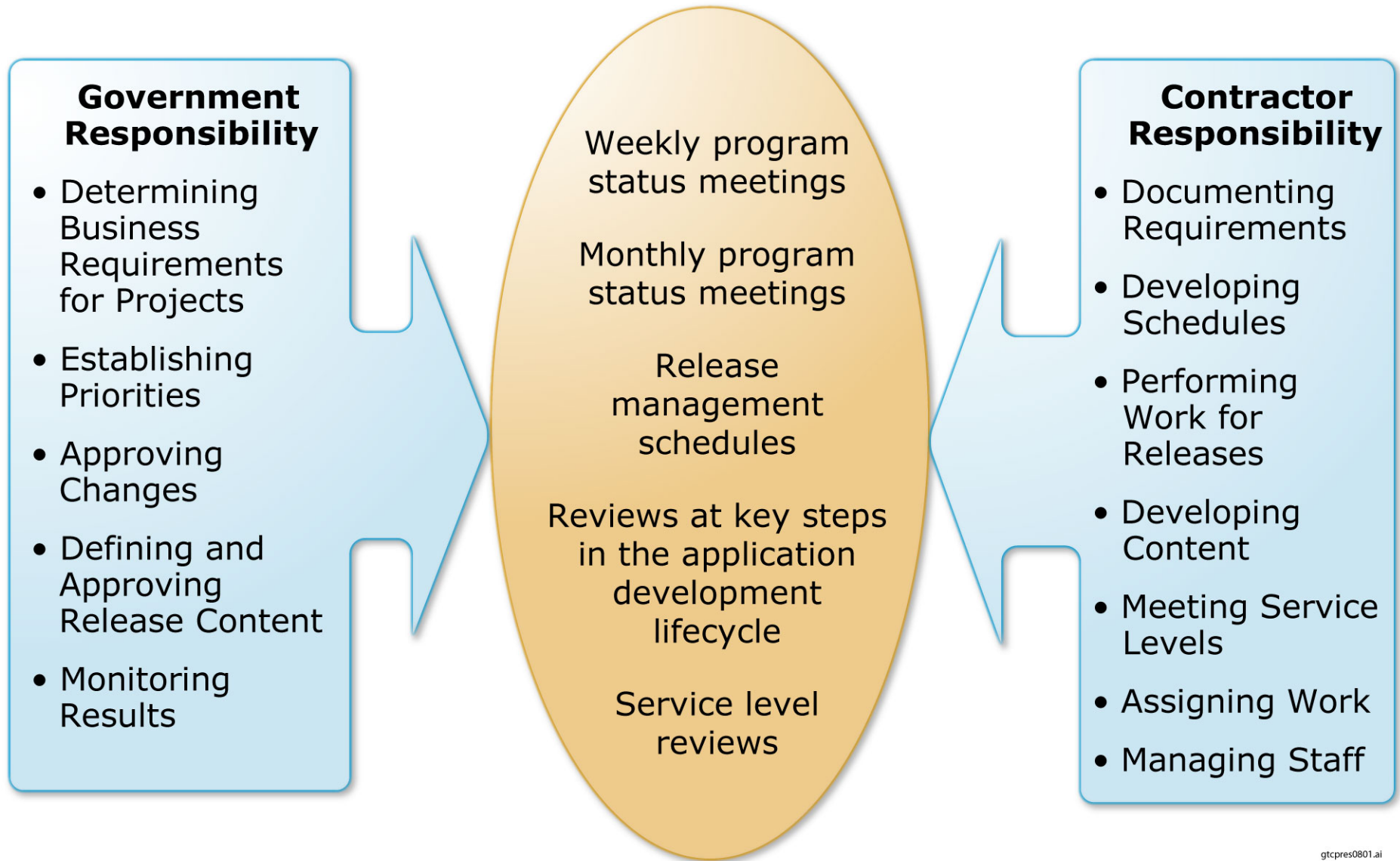
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Service Levels

- Program reporting requirements
- Management response to SEC technical instructions

SEC EDGAR - Transparency and Communication

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Benefits to SEC of Performance-Based Contract

Challenges

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The results speak for themselves:

"We got Keane on board with astounding speed, and now have the level of service—and accountability—we were seeking for EDGAR operations and support—and its transformation."

EDGAR Program Manager, Office of Information
Technology, Securities and Exchange Commission

- All business commitments have been met
- Service levels are consistently achieved or exceeded
- Costs have been reduced by 15%
- All projects completed on time and on budget
- EDGAR is stable and meeting its mission

Where to Start with Performance-Based Contracting

Challenges	Performance Based Contract	Key Factors	Transition	Service Level Agreements	Communication	Success
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1. Examine your business operations and determine what areas can be separated for outsourcing
2. Define what business results you expect from these business operations
3. Identify vendors and business partners who are experienced with performance-based contracting and engage their assistance.

Remember: With performance-based contracting, the Government and the Contractor are partners. Both parties need to work together to achieve business success.

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