

Iowa Department of **REVENUE**

Hoover State Office Building
1305 East Walnut Street
Des Moines, IA 50319

<https://tax.iowa.gov>

May 11, 2017

Director Philpps,

Pursuant to Iowa Administrative Code rule 11-118.16(2), the State of Iowa Department of Revenue (IDR) hereby requests a waiver from the requirements of Iowa Administrative Code rule 11-118.11(3) regarding the maximum duration of service contracts with respect to the following agreement:

Proprietary Software Maintenance Agreement effective July 1, 2011, by and between IDR and CGI Technologies and Solutions, Inc. (CGI).

For the reasons discussed below, IDR submits that good cause exists for waiving the six-year requirement in the rule.

Background:

The State of Iowa Department of Revenue Computer Assisted Collections System for Government (CACS-G) and Strata Decision Management Solution (STRATA) are licensed by CGI. CGI support services are used to support and maintain IDR CACS-G and STRATA collection systems. The system includes many interface programs with various internal and external systems. Approximately \$148 million was collected using the CACS-G system for fiscal year 2016 for the Iowa Department of Revenue and its collection partners.

In 1993, RFP# 83311S and Contract# 2217, IDR purchased and implemented a collector case management computer software package (Computer Assisted Collection System *Plus* for Government (CACSP*lus*)) and a predictive dialer telephone system (Voicelink System) from American Management Systems, Inc. which is now CGI. Through sole source justification, IDR added STRATA in 2006 and amended for CACS-G in 2009. IDR was required, by legislation passed in 2008, to use CGI to upgrade to the "web-based technical version" of CACS. See 2008 Iowa Acts Ch. 1172, § 31.

The agreement for which the waiver is requested was entered into after the CACS-G system was procured from CGI through a contract entered into August 29, 2011, following a sole source process. IDR entered into a sole source agreement with CGI to provide ongoing maintenance and support using the Software Maintenance Agreement. Based on information uncovered through the RFI process this past March, CGI is the exclusive owner of the Advantage Collections products, including CACS-G and Strata. CGI is the only authorized provider of Advantage Collections implementation services, maintenance and support, and managed services.

Request for waiver:

With respect to the services and products currently provided by CGI, IDR intends to utilize a Request for Information to gather marketplace information from interested parties regarding a collection system solution. Depending on the information received, IDR will examine whether to utilize a competitive selection process that is fair, open, and objective to contract for those services or whether sole source procurement may be justified under Iowa Administrative Code rule 11-118.7. Therefore, in order to perform these activities while ensuring services continue during this process, IDR seeks this waiver. Should the request for waiver be granted, IDR will negotiate an extension of the agreement set forth above through June 30, 2019.

Good cause:

1. The CACS-G system is foundational to the State's ability to collect revenue. No other system used by the State of Iowa has as wide an impact or as central a role in the day-to-day collection of revenue. Approval of this waiver request will ensure the collection of revenue continues. CGI Group, Inc., will maintain the software modifications as part of the scheduled software upgrades, as well as provide assessments and recommendations. Without vendor support, a system problem could result in failure to collect revenue for the State of Iowa, negatively impacting the State's budget and other state agencies.
2. Approval of this waiver request will allow IDR the opportunity to extend the

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agreements through June 30, 2019, which will provide IDR the necessary time to gather marketplace information to make informed long-term decisions regarding a system and service. A project timeline is included with this request.

3. This waiver request meets the requirements of Iowa Code section 17A.9A(2) because:
 - a. Strict application of the rule will prevent IDR from extending the current CGI agreements, which would result in IDR having no vendor to provide these services after June 30, 2017. This could result in critical failures in the collections system which would limit IDR's ability to collect revenue for the State.
 - b. Approval of this waiver would not prejudice the substantial legal rights of any person.
 - c. The term-limit provision of rule 11-118.11(3) is not prescribed by statute or another provision of law; and
 - d. Waiver of the rule will provide substantially equal protection of the public health, safety, and welfare as it will ensure proper vendor support to systems, which will allow IDR to support the continuance of State of Iowa government by collecting revenue.

Project timeline:

The actual schedule of completion will vary based on many factors. Our current systems are much more complex than when CACS was first implemented in the 1990s or when CACS was enhanced last decade. We anticipate three years would be needed to design a similar system. The original CACS Plus system, purchased in 1993, took eight months to implement. That does not account for system modifications, just 2 system interfaces. Strata took an additional six months to implement. The CACS-G upgrade was roughly 19 months to implement, with numerous system modifications occurring after implementation. For comparison, eFile & Pay, a simpler Iowa Department of Revenue system, is estimated to take three years to transition, should a different vendor be selected.

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Respectfully submitted by:



Courtney Kay-Decker, Director
Iowa Department of Revenue

5/12/17

Date

Waiver approval: Two (2) years - through June 30, 2019

s/Janet E. Phipps/

05/16/2017

Janet E. Phipps, Director
Department of Administrative Services

Date