

August 6, 2018

Director Phipps,

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 the length for service contracts with respect to the agreements in Attachment 1.

For the reasons discussed in Attachment 1, IDR believes that good cause exists for waiving the six-year requirement in the rule.

**Request for Waiver:**

In order to set the proper foundation for IDR's IT, IDR is working with the Office of the Chief Information Officer (OCIO) to conduct an assessment of IDR's current IT state and to develop IDR's IT architecture and roadmap. The roadmap will be utilized to determine the prioritization of technology modernization, IT requirements, and ensure IDR is utilizing IDR's resources effectively. Depending on the roadmap, IDR will examine how to utilize a competitive selection process that is fair, open, and objective to contract for those services. Therefore, in order to perform these activities while ensuring services continue during this process, IDR seeks this waiver. We are in a unique position in that the nearly coterminous contracts will allow us to evaluate and understand that financial and operational impacts on a comprehensive basis.

**Project Timeline:**

The actual schedule of completion may vary based on many factors. The assessment of the current state is currently underway and is expected to be completed shortly. This date could be extended if additional information is obtained that is unexpected.

IDR and OCIO issued a RFP to procure a vendor to assist IDR in developing an IT strategic plan. The RFP closed on June 26, 2018 with no responses. This is an unexpected delay, however, OCIO is assessing the viability of Gartner as a vendor to aid with the plan. OCIO has an existing consulting contract with Gartner that could be used for this purpose, therefore, no further procurement would be required.

In addition, delays could happen because the road map development is occurring during the same time that IDR is fully committed to developing and implementing system updates to accommodate legislative changes related to state and federal tax reform. IDR is eager to complete this phase and is optimistic that after the road map is completed, IDR will begin the execution phase.

**Good Cause**

IDR has two options, as described below, not extend the contracts and go out to RFP or to extend the contracts.

- 1) Not extend the contracts and go out to RFP: If this waiver is denied, we would immediately be required to go out to RFP on all contracts. IDR's current systems are much more complex than when they were first implemented and it would take significant time to implement new systems. Because we have not completed the system analysis, we may end up purchasing systems that

aren't ultimately the most cost effective option for the state. IDR would prefer to utilize the information gathered with OCIO and IDR's vendor to strategically bid RFPs and to procure a solution that would serve the needs of IDR and Iowa taxpayers in the most efficient manner possible.

- 2) Extend the contracts: At this point in time, this is IDR's best option. This would leave IDR technology as status quo until we have a IT Strategic Plan finalized. This would allow us to identify the most efficient solution, align with the IT strategy, and give us the time to properly implement this solution.

#### Procurement Points of Note

- IDR has the option of procuring the Teradata Appliance through OCIO's existing GSA authority. This would not involve going through the RFP process. This option would result in an estimated 8% or a \$475,000 increase in price over what is anticipated the unit would cost through an extension directly with Teradata.
- IDR last procured the Teradata Appliance in September of 2013 via a RFB and Teradata was the only respondent.

Approval of this waiver request will allow IDR the opportunity to extend the agreements through the dates identified below, which will provide IDR the necessary time to gather information and plan to make informed long-term decisions regarding systems and service.

This waiver request meets the requirements of Iowa Code section 17A.9A(2) considering:

- Strict application of the rule will prevent IDR from extending the current agreements, which would result in IDR having no vendor to provide these services beginning November 30, 2018. This could result in critical failures in IDR's processes, which would limit IDR's ability to collect revenue for the State. Or require IDR to go out to bid when the IT strategy is not clearly defined.
- Approval of this waiver would not prejudice the substantial legal rights of any person.
- The term-limit provision of rule 11-118.11(3) is not prescribed by statute or another provision of law; and
- 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.

Finally, the term-limit provision of Iowa Administrative Code rule 11-118.11(3) allows OCIO service contracts not to exceed a term length of ten years. Given that their purpose is to manage IT for IDR and these service contracts are IT, granting IDR's waiver would align with OCIO's service contract term length. Although the aforementioned service contracts were not contracted through OCIO, the request aligns with the spirit of the rule.

# Iowa Department of **REVENUE**

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

<https://tax.iowa.gov>

Respectfully Submitted by:



8/6/18

Courtney M. Kay-Decker, Director  
Iowa Department of Revenue

Date

**Waiver Approval:** Waiver approved as requested for those contracts identified in Attachment 1 to this letter.

/s/ Janet E. Phipps

08/06/2018

Janet E. Phipps, Director  
Department of Administrative Services

Date

**Attachment 1**

**Request for Waiver:**

IDR's technology is outdated and modernization is necessary. IDR's current technology consists of many work-a-rounds, utilizing multiple independent systems that are at the end of their useful life and are likely to be more expensive than more modern solutions. In addition, technology is continuously changing as well as the way we conduct business. Moving forward, we need the ability to be agile.

The following are the current contracts IDR has with Teradata and the maximum remaining term associated with each contract:

- Teradata Audit Component Application Maintenance, November 30, 2018 (Contract # SC-625-10052012JM)
- Teradata Data Warehouse Appliance, March 14, 2019 (Contract # 443-13)
- Teradata Audit Component Application Enhancement, September 10, 2019, (Contract as a result of RFB0713625130)

Should the request for waiver be granted, IDR will negotiate a consolidation of all three contracts and negotiate a maximum term of November 30, 2022.