ALC Report
For Review of Services Contract

September 19, 2023

At the September 15, 2023, meeting of the Legislative Council, questions were raised regarding a contract between Department of Finance and Administration and Fast Enterprises (set forth below). A motion was adopted by the Legislative Council to hold the contract until receipt of the requested information and to authorize the Review Subcommittee Co-chairs and the Legislative Council Co-chairs to take final action regarding review of the contract and report that action to the Legislative Council at its next meeting.

On September 18, 2023, Senator Terry Rice and Representative Jeff Wardlaw, Co-Chairs of the Legislative Council, and Senator Scott Flippo and Representative Les Eaves, Co-Chairs of the Review Subcommittee, received the requested information via email from Andy Babbitt, Deputy Director, DFA (See, attached).

As such, the Co-Chairs of the Legislative Council and the Review Subcommittee have agreed and state herein that the contract shall be filed as reviewed and reported to the Legislative Council in October, in accordance with the motion adopted on September 15, 2023.

3. **Agency:** Department of Finance and Administration - Management Services Division **Contractor:** FAST ENTERPRISES

Location: CENTENNIAL **State:** CO

Service Type: Technical & General Services (TGS)

Total Authorized: $0.00 **Org. Term:** 09/18/2023 09/17/2026 **Procurement:** RFP

Total After Review: $28,173,550.00 **Funding:** State - 100%

Total Projected: $72,716,704.00 **MOF:** **Contract Number:** 4600053478

Org/Amt:	Amount	Paid To Date	Objective:	New Exp Date
	28,173,550.00		AIRS MAINTENANCE AND SUPPORT	

Respectfully Submitted,

Terry Rice

Senator Terry Rice, Co-Chair
Arkansas Legislative Council

Representative Jeff Wardlaw, Co-Chair
Arkansas Legislative Council

Senator Scott Flippo KS

Senator Scott Flippo, Co-Chair
ALC Review Subcommittee

Representative Les Eaves KS

Representative Les Eaves, Co-Chair
ALC Review Subcommittee

What is the AIRS System?

The Arkansas Integrated Revenue System (AIRS) includes the AIRS Tax System (AIRS-Tax) and AIRS Driver Services/Motor Vehicle System (AIRS-DSMV) systems, is used by DFA Revenue for motor vehicle registration and titling, driver's licenses issuance, driving records maintenance, State Police driver examination, tax permit issuance, tax registration and processing, and associated revenue accounting and reporting system. These systems are Fast Enterprises commercial off the shelf (COTS) solutions tailored to meet the State's statutory requirements and business needs.

Is this an old proprietary system that can only allow one vendor to work on aging technology?

The Fast Enterprises COTS systems are modern web-based client server Microsoft Dot Net technological systems for tax administration and driver services and motor vehicle registration. Both systems receive annual service pack upgrades that keep the software current. Any qualified technical resources experienced in Dot Net can work on the system.

Was the RFP written so that no other vendor would bid on it?

The RFP was written to request Microsoft Dot Net developers that can work on the Fast Enterprises, LLC. COTS software solutions that includes Arkansas specific modifications to meet the statutory requirements. The COTS solutions can be supported by any qualified technical programming resource that is capable of coding in Microsoft Dot Net coding language. Dot Net is a modern coding language that multiple large and complex state systems are developed in.

Both DFA and TSS Office of State Procurement (OSP) worked to make sure that this was an agnostic opportunity.

What vendors were notified regarding the RFP?

Vendors that are registered with the State through ARBuy and who have signed up for this type of commodity/service were notified that this solicitation was posted. Approximately 150 different vendors received an email from OSP with a copy of the RFP on June 23rd. A second email to the same group was sent on June 28th. A list of the vendors emailed was provided to DFA by TSS. The listing is included with the response.

Did anyone contact OSP about the RFP but did not bid on it?

DFA is not aware that any vendor contacted OSP before, during, or after the solicitation period.

Why did no one else bid?

DFA does not know why no other vendor bid on this solicitation. The contract is for maintenance and enhancement to already implemented and developed systems. Generally, in prior solicitations for already developed systems, the number of respondents were low. This RFP was posted publicly to the ARBuy website and multiple vendors registered with ARBuy were notified, which is the standard RFP process through OSP. OSP conducted a bidders conference on June 28th with no vendors attending and received no questions regarding the RFP by July 2nd, which was the deadline for prospective contractors to submit questions.

Why was this not included in August review?

DFA did not meet the August ALC submission deadline of August 2nd as we were still negotiating the price with the vendor. Once Fast's proposal was evaluated and determined they met the non-financial requirements, pricing was opened and DFA wanted to negotiate some of the terms of the contract. Pricing negotiations took over two weeks as DFA and Fast met and discussed an agreeable cost. This resulted in a potential cost savings for the State in the amount of $2 million (6.8%) over the first three years and $4.9 million (6.2%) over seven years with an annual average of 6.4% over the potential life of the contract. The savings were identified through:

1. Reduced hourly cost of less proficient resources. Vendor submitted a single rate for all resources.
2. Negotiated initial three-year contract terms that set the first two year's rates to be fixed with no increase and a 5% increase in year three. Vendor had built in a mandatory 5% increase per year, every year.
3. Negotiated that at the end of initial three-year term cost increases would be negotiated during each subsequent annual renewal. The vendor included a mandatory 5% increase each year for the full life of the contract (seven years). The increase between the expiring contract and the new contract is about $3.3 million per year. Without negotiations, the increase per year would have been approximately $4.0 million.

The first two years of the contract is $9.1 million per year.

	Initial Term (three years)
Initial Vendor Price	$ 30,240,000.00
Negotiated Price	$ 28,173,550.00
Cost Savings	$ 2,066,450.00

What was the previous contract?

The expiring contract began in 2016 and was a seven-year contract that totaled $38.5 million. The first-year cost was $5.2 million with an annual increase of $100,000 each year. The final year contract amount is $5.8 million. This covered the software licensing, system maintenance and all enhancements to both AIRS Tax and AIRS Driver Services/Motor Vehicle.

The expiring contract was an all-inclusive contract that did not differentiate between the two systems.

During the expiring contract renewals over the past few years, Fast Enterprises discussed that they have a new pricing model that does not align with the expiring contract. The new services contract will need to be at a Time and Material contract paid for services. DFA determined that services are not considered exempt by law and would require a competitive bid process.