



D E P A R T M E N T O F

Management & Budget

**REPORT OF PROPOSED
CHANGES IN EXCESS OF
\$500,000 TO CURRENT
CONTRACTS FOR
COMPUTER SOFTWARE
DEVELOPMENT,
HARDWARE
ACQUISITION, OR
QUALITY ASSURANCE**

Prepared for
The Michigan Legislature

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**By
The Department of Management and Budget
Purchasing Operations**

**In accordance with
Sec. 710 of Public Act 128 of 2009**

**Questions regarding this report may be directed
to Greg Faremouth, (517) 241-1646**

Updated 02-22-2010

Ad Board Date: 3/16/2010 (ver. 1)

**STATE ADMINISTRATIVE BOARD
CONTRACT CHANGE RECOMMENDATIONS
MICHIGAN DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET
PURCHASING OPERATIONS**

AGENCY SUBMITTAL

MDTMB PURCHASING SUBMITTAL

CONTRACT DESCRIPTION: 071B9200124; Michigan.gov Contract; Modification requested for Contractual IT Services; Department of Information Technology.

CONTRACTOR:

IBM Corporation, Lansing, MI

**MICHIGAN
BUSINESS**



INCREASE

5,000,000

For Services Only, Signed OSE Form DMB-1497-OSE received (Exemption from ED2009-3)

Date Approved by OSE:

Attach OSE-approved 1497 to all services purchases other than those classified as Nonjurisdictional (NJ)

Check if request is to exercise Contract option(s).
Requested time period:

Check if request is to extend Contract (no option in base).
Time period of extension:

Check if extension is beyond Contract option year(s).
Time period of extension:

Check if MiDEAL contract.

ORIGINAL CONTRACT:

Term: 12/30/2008 to 12/30/2011 Value: \$16,997,964.00

of Base Years: 3

CURRENT CONTRACT VALUE: \$16,871,601.20

NEW TOTAL CONTRACT VALUE: \$32,594,217.00

PREVIOUS OPTION YEARS/EXTENSIONS:

	PERIOD (Option/Extension start date - end date and state length in years)	SAB APPROVAL DATE	\$ Value
<input checked="" type="checkbox"/> Option 1 CN #	12/30/2011 to 12/30/2013 (2 years)	7/21/2009	\$15,616,253.00
<input type="checkbox"/> Option 2 CN #			
<input type="checkbox"/> Option 3 CN #			
<input type="checkbox"/> Extension CN #			
Total			0

PREVIOUS CHANGES NOT LISTED ABOVE IN THE OPTIONS/EXTENSIONS TABLE:

	TYPE OF CHANGE:	SAB APPROVAL DATE (if applicable)	VALUE OF CHANGE:
First CN			
Last CN			

Total number of processed changes to time, scope, and/or dollars:

FUNDING SOURCE:	PERCENTAGE	COMMENTS
Restricted	100	\$1M Tax Policy, \$1M Program Management, \$3M Tax Compliance

ESTIMATED INCREASE DETAILED BY FISCAL YEAR(S):

FY	Dollar Amount
2011	\$5,000,000.00

PURCHASE JUSTIFICATION:

Description of Product/Service Modification Requested and Process Explanation: The eMichigan Hosting contract was competitively bid and approved by the State Administrative Board. This contract change is for funding of application development support for legacy maintenance modernization projects.

Purpose/Business Case of Amendment or Extension, and Expected Outcomes: MDIT inventoried its legacy applications and identified the following to be the most critical and in need of services before 12-31-2013.

Treasury Legacy Applications

The Michigan Department of Treasury is responsible for the equitable administration of Michigan state statutes. Treasury has 5 outdated technologies that support their operations for collecting, reviewing, and assessing liability on taxes. The vendor will provide resources to maintain and add enhancements to correct a number of identified deficiencies within the current system.

DMP Purchasing Operations has delegated authority for this procurement to the Department of Information technology (MDIT) after approving the MDIT's process for reviewing and ensuring fair market pricing. A

Risk Assessment: If these services are not procured, these application likely could not be migrated from the old unsupported and frozen strategies, with risk increasing daily that a Microsoft operating system change could render these systems unusable, furthermore, malware would breach these systems compromising confidential taxpayer data and malware would breach the database repositories jeopardizing the identity of millions of taxpayers.

By program, by purchasing the new services through this contract the following items would be corrected:

1. Discovery's inability to identify upwards of \$45 million in non-voluntary tax revenue
2. Tax Return Processing's inability to download millions of annual MI-1040 tax returns and connected federal data would delay return processing and the mailing of as many refunds. Further, being locked out of the ability view over 12 million MI-1040s filed in the past 4 years would preclude auditors from checking old year returns and processing amended returns filed in the current year.
3. Tax Return Processing's inability to read the bar codes on 600,000 MI-1040 tax returns forcing them to be manually data entered – costing \$400,000
4. Special Tax Return Processing's inability to process timely 11,000 refund requests – at a minimum causing interest to be added to delayed refunds, approximately \$20,000/month
5. The TreasLan security system locking out Treasury employees from the application systems they rely on daily to do their jobs of processing Motor Fuel and Cigarette Taxes, administering School Bond Loan Funds and sending out thousands of letters to taxpayers.

PRICE CLAUSE: Services are paid on Time and Materials or Deliverables based, depending on the project specific individual statements of work and the underlying contract

CS-138 #: 084S3000018

COST REDUCTION/SAVINGS CONSIDERATIONS:

Check if > \$500,000 for software development, computer hardware acquisition or quality assurance?

RECOVERY ACT FUNDS

Percent of Total	%	Amount	\$
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AGENCY APPROVALS

<i>Tina Richardson</i>
Authorized Agency Representative (printed)
<i>Tina Richardson</i>
Authorized Agency Representative Signature

Return Information:
Contact Name:
ID Mail:
Phone No.:
e-Mail:

PURCHASING APPROVALS

Buyer Signature

Division Director Signature

Manager Signature

Sergio Paneque
Senior Deputy Director,
MDTMB Business Services Administration