

Supplement D
Department of Information Technology
ACTION AGENDA
March 20, 2019



Supplemental

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7-IT-MOD. DEPARTMENT OF INFORMATION TECHNOLOGY

Contract ID: Maryland Self-Funded eGovernment Services
ADPICS BPO No.: 060B1400050, F50B9400022

Contract Approved: DoIT Item 3-IT (8/10/2011)

Contractor: NICUSA, Inc., Olathe, Kansas

Contract Description: Work-order based, single-award indefinite-quantity master contract to provide eGovernment services and support for the State of Maryland. DoIT will manage the Master Contract which will be available for use by all State agencies via a work order process.

Modification Description: RETROACTIVE. Ratify State-paid fees; allow agencies to continue using a specific business model for remainder of contract term.

Original Term: 8/31/2011 – 8/30/2016 (5-year base) with three 1-year options

Original Amount: *Time & Materials*
\$200,000 (5-year base term)
\$ 40,000 (Option #1 – year 6)
\$ 40,000 (Option #2 – year 7)
\$ 40,000 (Option #3 – year 8)
\$ 320,000 Not to exceed

Modification Amount: *Transaction Costs*
\$ 5,385,315 (8/31/11 – 12/31/17) (6yrs, 4mo/actuals [audited])
\$ 3,355,045 (1/1/18 – 12/31/18) (1 year/ actuals [unaudited])
\$ 3,000,000 (1/1/19 – 8/30/19) (8 months/estimate)
\$ 11,740,360

Original Procurement Method: Competitive Sealed Proposals
(single proposal received)

MBE Participation: 30%
Applies to all State-paid time and materials work orders, which is represented by the \$320,000 Time & Materials amount

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Remarks: Reference is made to the DoIT Item 3-IT (8/10/2011) in which the Board of Public Works approved DoIT awarding a competitively-bid contract to NICUSA for enterprise-wide eGovernment (eGov) services that are available for all State agencies, boards and commissions. This eGov contract provides for the design, development, hosting, operation and maintenance of eGov products and services. Contractor provides the services to many State agencies, enabling the agencies to more efficiently provide services to the public. In addition, many agencies use the eGov contract to accept electronic payment for records and services.

The eGov contract provides five business models: Transaction Cost Service; Consulting Service; Convenience Fee Service; Premium Cost Service; and Free Service. This chart describes each business model; whether the model could result in charges to the State; whether DoIT referenced the model in the original Item; and the amount of fees the State paid. The State-paid fees amount is the amount that DoIT asks the Board to ratify.

Service Business Model	Description	Charge to State?	Referenced in DoIT Item 3-IT (8/10/2011)?	Amount of fees State paid thru 12/31/2018
Transaction Cost	No cost to customer. NICUSA bills agency requesting service for each transaction.	Yes	No	\$8,740,360*
Consulting	Cost to agency. NICUSA bills agency fixed cost or time + materials with contract labor rates.	Yes	Yes	0
Convenience Fee	Cost to customer. NICUSA directly charges customer.	No	Yes	0
Premium Cost	Cost to customer. NICUSA directly charges customer in advance for services in the form of subscriptions or other services. NICUSA assesses fees based on estimated number of transactions per month/quarter/year.	No	Yes	0
Free	No cost to State. NICUSA provides services from proceeds of premium services. NICUSA provides minimum of one free service for each premium service available.	No	Yes	0

**DoIT has independent audits confirming \$5,385,315 in transactions fees through 12/31/17. The transactions fees total for calendar year 2018 - \$3,355,045 - is based on unaudited actuals.*

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Remarks: (cont'd)

When originally presented, the Item identified three categories into which DoIT then believed work orders would most commonly fall: Free Service, Convenience Fee Service; and Consulting Service. The Transaction Cost Service model was available through the eGov contract, but DoIT did not anticipate using that model given minimal use of that model in other states using NICUSA.

Because the Transaction Cost Service model can result in charges to the State and that such model was not presented to the Board in the 2011 approval, DoIT now avails itself of the opportunity to elucidate the business model and to request the Board to ratify the fees the State paid under the model to date and to approve agencies continued use of the model.

Transaction Cost Service Model. Through this business model, NICUSA provides services at no transaction fee to the State's customer, but instead charges the transaction fee to the agency requesting the service. An agency selects this model, for example, when it determines it is more cost-effective to pay the transaction fee for the online service provided than to use the slower, often paper-based and more labor-intensive process existing at the agency. Additionally, in this context, an agency determines that it prefers to pay the transaction fee rather than passing it on to its customer.

This model provides NICUSA two mechanisms to recover transaction fees. The first is for NICUSA to invoice agencies monthly for the transaction fees. The second – “netting fees” – involves NICUSA withholding transaction fees before remitting the net amount of the fees, chargebacks, and returns to the State. As of July 2018 at the State Treasurer Office's request, the practice of “netting fees” was discontinued; since then the Contractor has remitted all fees to the State and then submitted invoices for the transaction fees owed it. If the Board approves the continued use of the Transaction Cost Service model, the practice of “netting fees” will remain discontinued.

From the contract start date to 12/31/2018, the State paid NICUSA \$8,740,360 in transaction fees. DoIT requests the Board to ratify these payments.

DoIT also requests approval to use the Transaction Cost Service model from now until contract expiration. Based on historical spend and pending work orders, DoIT estimates transaction fees will not exceed \$3 million for the 2019 calendar year (8 months only as contract expires 8/30/19). DoIT bases this estimate on the assumption that STO will approve and configure pending work orders and change requests for additional payment processing. Finally, DoIT confirms that the Transaction Cost Service model has not and will not impose fees to State customers.

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7-IT-MOD. DEPARTMENT OF INFORMATION TECHNOLOGY (cont'd)

Fund Source: Various
Approp. Code: Various
Resident Business: No
MD Tax Clearance: 19-0761-0111

BOARD OF PUBLIC WORKS ACTION – THIS ITEM WAS:

APPROVED DISAPPROVED DEFERRED WITHDRAWN
WITH DISCUSSION WITHOUT DISCUSSION