

Sole Source CONTRACT Filing Justification Template

Use the following justification template for preparing to file sole source contracts in the [Sole Source Contracts Database](#) (SSCD). Once completed, copy and paste the answers into the corresponding SSCD question and answer fields. You will also need to include a copy of this completed form in the documents you post to your agency website and in [WEBS](#).

What is a sole source contract?

"Sole source" means a contractor providing goods or services of such a unique nature or sole availability at the location required that the contractor is clearly and justifiably the only practicable source to provide the goods or services. (RCW 39.26.010)

Unique qualifications or services are those which are highly specialized or one-of-a-kind.

Other factors which may be considered include past performance, cost-effectiveness (learning curve), and/or follow-up nature of the required goods and/or services. Past performance alone does not provide adequate justification for a sole source contract. Time constraints may be considered as a contributing factor in a sole source justification however will not be on its own a sufficient justification.

Why is a sole source justification required?

The State of Washington, by policy and law, believes competition is the best strategy to obtain the best value for the goods and services it purchases, and to ensure that all interested vendors have a fair and transparent opportunity to sell goods and services to the state.

A sole source contract does not benefit from competition. Thus the state, through RCW 39.26.010, has determined it is important to evaluate whether the conditions, costs and risks related to the proposal of a sole source contract truly outweigh forgoing the benefits of a competitive contract.

Providing compelling answers to the following questions will facilitate the evaluation.

Specific Problem or Need

- What is the business need or problem that requires this contract?

Contract History

Local governments within Washington are required to file annual financial information with the State Auditor's Office (SAO). According to RCW 43.09.230 the comparative statistics of the annual report data are required to be made available publicly. SAO uses the Financial Intelligence Tool (FIT) application to publish this data.

Local governments receive an audit of their financial information by the Auditor's Office. Since not all governments are audited annually it is advantageous for governments to be able to view their financial trends rather than waiting for audit results. In order to provide a way for local governments to monitor their financial situation annually, and make fiscally sustainable decisions, the Auditor's Office has developed and continues to enhance FIT to make the annual filing data readily available in an easy to understand format.

In 2013, the State Auditor's Office (SAO) engaged the Contractor, Fellow (previously Beacon Crest), to assist with facilitation of stakeholder engagement to establish key feature and function recommendations for the application, and to develop an initial prototype. Within the contract were provisions such that if SAO was satisfied with the Contractor's performance, SAO had discretion to amend the contract to include design, development, testing and production of the online application (Financial Intelligence Tool – FIT), which SAO did. FIT was released to production in 2015 and the contractor has been providing ongoing maintenance and support services.

In 2015, SAO contracted with Fellow, Inc. (formerly known as Beacon Crest) to develop a prototype application to replace an internally developed SAO application, the Local Government Reporting System (LGFRS) that used the same annual filing data and was closely related to the FIT application.

In May 2018, SAO sole source contracted with the Contractor to display data in FIT in a more usable format than LGFRS. Ultimately FIT replaced LGFRS and added data sharing interfaces and map search capabilities to support SAO's new website, improved financial indicators and data visualization, and made the application available to the public. The new FIT application was released to production in 2019 and the contractor has been providing ongoing maintenance and support services.

In 2019, SAO sole source contracted with the Contractor to expand FIT functionality and usability by:

- Creating a projection capability to help with data analysis
- Developing more comprehensive financial health indicators for governments
- Creating components that use trend analysis and ratios to highlight governments who have not met recommended financial health guidelines
- Adding more local government boundary information to the system's map feature
- Adding annual financial information for school districts

The original contract for this work was stopped in March 2020 due to funding concerns brought on by the global pandemic. Work resumed in April 2021 and completed in March 2022. Fellow continues to provide ongoing maintenance and support services for FIT.

Based on external customer and internal stakeholder feedback, during two previous projects (FIT Enhancement and SAO Website Redesign) and additional internal stakeholder interviews held in late 2021 and early 2022, SAO desires to continue improving the accessibility and usefulness of FIT by:

- Making it compatible with handheld devices to increase accessibility to local government financial information. Currently, hand-held device users get a message redirecting them to use a device with a scaled width greater than 1024. This limits usability, data access and transparency.
- Adding more data and financial health indicators for schools

- Consolidating important user information in a single knowledge bank location
- Improving access and navigation for all users
- Automating manual data entry to streamline data analysis processes
- Increasing the ability to perform global analysis
- Increasing report building functionality and adding essential reports

Sole Source Criteria

- Describe the unique features, qualifications, abilities or expertise of the contractor proposed for this sole source contract.

The Contractor has an in-depth understanding of local government financial information and their filing requirements, as well as the Budgeting, Accounting and Reporting System (BARS) account codes, Generally Accepted Accounting Principles (GAAP) and cash financial statement reporting and financial analytics for local governments, legislative bodies, and the general public. Additionally, the Contractor developed FIT, with extensive knowledge of LGFRS's code base, added new financial ratios, added a map feature, and made significant changes to the application to allow it to be used by local governments and private citizens. The Contractor already possesses domain level understanding of the applications and system architecture. This level of understanding has been acquired over multiple years and is essential to the successful expansion of the FIT application. In addition, the contractor gained unique knowledge of shape files in order to translate Department of Revenue tax code areas to the Auditor's Office's unique entity identifiers during the 2018 contract.

- What kind of market research did the agency conduct to conclude that alternative sources were inappropriate or unavailable? Provide a narrative description of the agency's due diligence in determining the basis for the sole source contract, including methods used by the agency to conduct a review of available sources such as researching trade publications, industry newsletters and the internet; contacting similar service providers; and reviewing statewide pricing trends and/or agreements. Include a list of businesses contacted (if you state that no other businesses were contacted, explain why not), date of contact, method of contact (telephone, mail, e-mail, other), and documentation demonstrating an explanation of why those businesses could not or would not, under any circumstances, perform the contract; or an explanation of why the agency has determined that no businesses other than the prospective contractor can perform the contract.

In January 2014, the agency issued a request for proposals for performance –related training and technical assistance and information technology professional services. Fifty vendors were notified and six responsive proposals were received and evaluated. Four vendors were interviewed and scored based on technical proposals, qualifications, experience of staff and firm and price for the criteria in the Request for Qualifications and Quotations.

The Contractor was awarded the contract at that time to develop tools that local governments and stakeholders could use to assess and monitor financial condition. The current Financial Intelligence Tool (or FIT) is the resulting tool that was designed and developed by the selected Contractor.

One of the most significant lessons learned during the original solicitation for a contractor to perform stakeholder outreach was that the vendor community did not possess a good working knowledge of Washington's local government financial reporting requirements, and that an investment in training would be necessary regardless of the contractor selected. The Contractor worked with the Agency's IT staff and local government finance experts to fully understand both internal and external stakeholders' business needs and accounting and reporting requirements.

In 2018, when SAO entered into a sole source contract with the Contractor to integrate FIT with the LGFRS application we again validated that the Contractor possesses knowledge of local government financial requirements, the system used to collect the data, and explicit knowledge of the data visualization tool that they developed. No businesses other than the prospective Contractor would be able to perform the contract without a significant investment of cost and training related to the subject matter and software.

- What considerations were given to providing opportunities in this contract for small business, including but not limited to unbundling the goods and/or services acquired.

The sole source recipient is a Micro Business.

- Provide a detailed and compelling description that includes quantification of the costs and risks mitigated by contracting with this contractor (i.e. learning curve, follow-up nature).

Conducting competitive procurement is labor intensive for both the solicitor and vendors responding. A critical selection criteria for awarding a contract would be that the contractor possess an in-depth working knowledge of Washington state local government financial requirements and code structure. Based on past experience, conducting a competitive procurement would be both costly for the agency and for responding vendors, and would not likely result in a different vendor being selected. Selecting a different contractor would require substantial retraining, which would be costly and time consuming, thus eliminating any financial or business benefit gained from a subsequent competitive solicitation process. The current Contractor has developed significant knowledge about the Agency's business needs, stakeholders, systems, data and tools used to provide services to our clients. To continue this project with another contractor would increase costs and the risk of project failure because the time and resources used to develop significant, specialized knowledge and cultivate successful, collaborative working relationships would be lost and have to begin again.

- Is the agency proposing this sole source contract because of special circumstances such as confidential investigations, copyright restrictions, etc.? If so, please describe.

No

- Is the agency proposing this sole source contract because of unavoidable, critical time delays or issues that prevented the agency from completing this acquisition using a competitive process? If so, please describe. For example, if time constraints are applicable, identify when the agency was on notice of the need for the goods and/or

service, the entity that imposed the constraints, explain the authority of that entity to impose them, and provide the timelines within which work must be accomplished.

One of the proposed changes is to make financial data available using hand held devices. The expectation for data transparency is of utmost importance and allows maximum availability for users to monitor government's fiscal health easily. Also with the 2021 addition of financial information for school districts, it becomes imperative to incorporate financial health indicators focused on schools. The global pandemic with the resulting economic impacts increases the need for fiscal accountability. Conducting a competitive procurement process would significantly increase the timeframe to make data open and readily available to all and would most likely result in these features being delayed.

- Is the agency proposing this sole source contract because of a geographic limitation? If the proposed contractor is the only source available in the geographical area, state the basis for this conclusion and the rationale for limiting the size of the geographical area selected.

No.

- What are the consequences of not having this sole source filing approved? Describe in detail the impact to the agency and to services it provides if this sole source filing is not approved.

Not approving this sole source filing would result in the application features not being released in support other SAO mission critical projects that would negatively impact both SAO and local government business operations. It would also be costly to the agency to procure a new vendor and have them learn all of the local government financial requirements and technical requirements of the current applications.

Sole Source Posting

- Provide the date in which the sole source posting, the draft contract, and a copy of the Sole Source Contract Justification Template were published in WEBS.
Posted May 17, 2022
- If exempt from posting in WEBS, please provide which exemption.
- If failed to post, please explain why.
- Were responses received to the sole source posting in WEBS?
Will update if responses received.
 - If one or more responses are received, list name of entities responding and explain how the agency concluded the contract is appropriate for sole source award.

Reasonableness of Cost

- Since competition was not used as the means for procurement, how did the agency conclude that the costs, fees, or rates negotiated are fair and reasonable? Please make a comparison with comparable contracts, use the results of a market survey, or employ some other appropriate means calculated to make such a determination.

Compared hourly rates from other contracts and determined that the negotiated hourly rate is comparable and in line with other vendors providing similar services.

The estimated hours and timeframe to have another contractor to develop the same level of business and technical domain expertise is estimated to take 260 to 380 hours over a period of four to six months.

Estimate calculation: (16 hours per week) X (4 weeks per month) X (4 to 6 months) = 256 to 384

- Two weekly 8 hour meetings (16 hours per week)
- Four weeks per month
- Four to six months

Estimate based on prior FIT development and enhancement project experience.