

STATE TREASURER'S OFFICE
ANNUAL REPORT TO THE GOVERNOR AND GENERAL ASSEMBLY
FISCAL YEAR 2022

State Finance and Procurement §15-111(a).

“(a) Within 90 days after the end of each fiscal year, each primary procurement unit shall submit to the Governor and to the General Assembly a report on each procurement contract that was awarded during the preceding fiscal year and:

(1) was exempt from the notice requirements of § 13-103(c) of this article because the procurement officer reasonably expected that the procurement contract would be performed entirely outside this State and the District of Columbia;

(2) cost more than \$100,000 and was awarded for the procurement of services, construction related services, architectural services, or engineering services; or

(3) was awarded on the basis of:

(i) § 13-107 of this article (“Sole source procurement”);

(ii) § 13-108(a) of this article (“Emergency procurement”); or

(iii) § 13-108(c) of this article (“Expedited procurement”).

(b) (1) A report required under subsection (a)(2) or (3) of this section shall include:

(i) the name of each contractor;

(ii) the type and cost of the procurement contract; and

(iii) a description of the procurement.

(2) A report required under subsection (a)(3) of this section also shall describe the basis for the award.”

a) The State Treasurer’s Office awarded one (1) Sole Source procurement during Fiscal Year 2022. The details of the procurement are as follows:

Payment Transaction, Support Services and IBM I-Series Hosting Services was awarded to:

Computer Technologies U.S.A. LLC d/b/a Blue Hill Data Services

Contract term: April 15, 2022 through April 14, 2024 with one optional renewal year

Award Amount: \$254,800.00; Posted on eMMA on 5/24/2022.

The State Treasurers Office (STO) currently operates an obsolete AS400/i5 platform that provides critical payment and reconciliation applications for the State. STO began finding it increasingly difficult to find resources to support the system due to the age of the hardware and a loss of institutional knowledge within the agency, which is what inspired Management to begin an IT Project which will modernize and convert the current applications to a Microsoft Azure Cloud platform using Dynamics 365. The estimated completion date of the project is Fiscal Year 2024.

Additionally, our Office was notified, in February of 2022, of recent compliance regulations issued by the National Automated Clearing House Association (NACHA) intended to increase security levels for ACH transactions. These regulations are scheduled to be enforced beginning June 30, 2022. As a result of the antiquated security landscape of our current legacy platform, STO is unable to implement these additional regulations, leading to the inability to perform the nearly 10 million ACH transactions that our office manages annually for Maryland citizens, small businesses and vendors. In Fiscal Year 2021, these transactions amounted to over \$56 Billion.

In order to upgrade the current platform, STO would have to complete an enormous project which would not only require additional staff but would cost the State unreasonable amounts of money in upgrades that would be excessive given the Major IT Project that the Office is already undergoing, which will ultimately convert and modernize the system within roughly 18 months following this costly upgrade.

Of further note, in June of 2019, STO solicited an IFB for a company to perform IBM I-Series Hosting, which included hosting an operational copy of our i5 platform for archival purposes only. Blue Hill Data Services (Blue Hill) was the only viable bidder. In November of 2021, the contract was modified to include part time operational support in response to several retirements, which left the IT Operations Division in a deficit. Blue Hill has proven to be a good partner and has been flexible with the needs of our agency serving us at an unprecedented level.

The State Treasurer's Office has a constitutional and statutory responsibility to process financial transactions upon warrant from the Comptroller's Office (Article VI, §3 of the Maryland Constitution). If we are unable to outsource hosting, we would be in jeopardy of fulfilling that responsibility.

Finally, with the recent fraud and data breaches against State agencies, it is of paramount importance that our Office act swiftly to protect all financial data that passes through our systems daily. Blue Hill has upgraded systems that have all measures in place that allow for that protection. This sole source contract may be terminated early should we complete our Major IT Project earlier than expected.

- b) The State Treasurer's Office did not perform any Emergency Procurements (§13-108(a)) for Fiscal Year 2022.
- c) The State Treasurer's Office did not perform any Expedited Procurements (§13-108(c)) for Fiscal Year 2022.