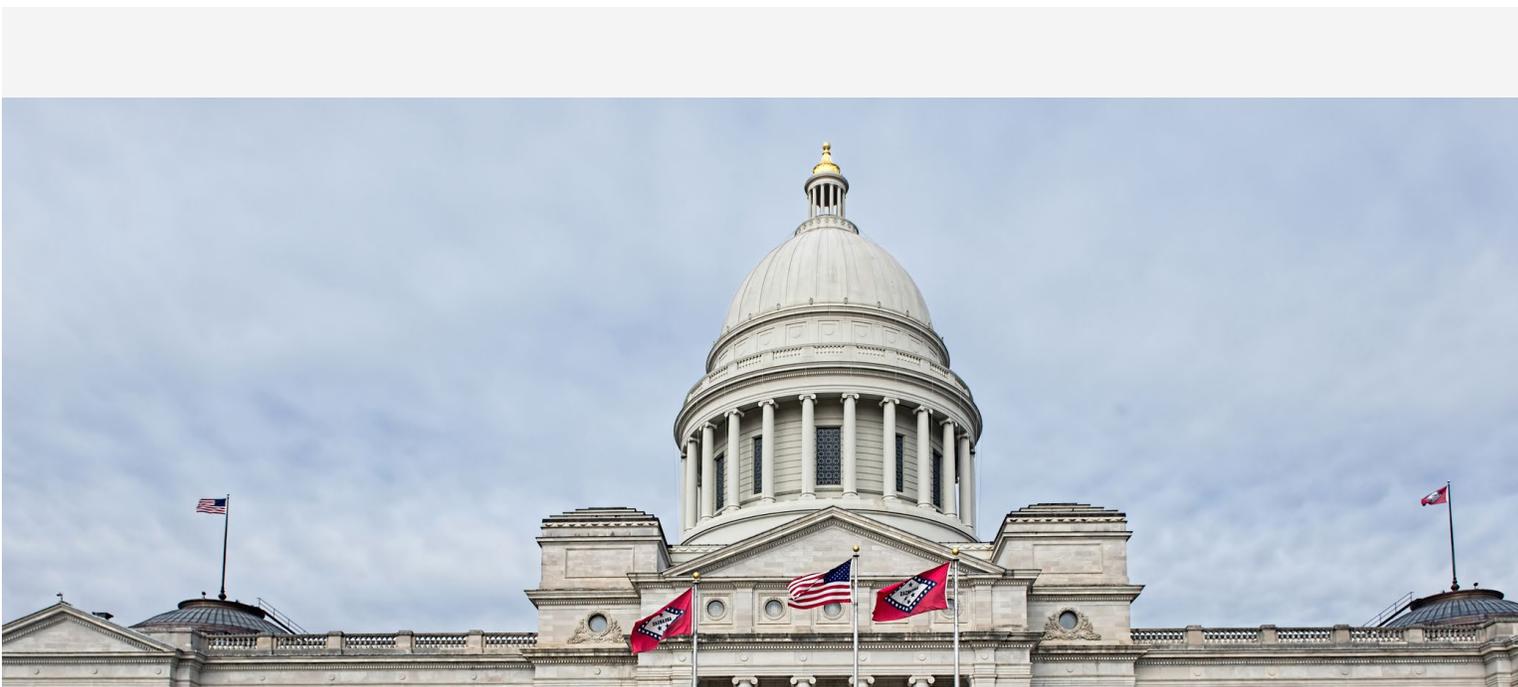


# **EXHIBIT H**

STATE

# Arkansas' \$340 million government assistance software contract is under protest



(Getty Images)

Written by [Ryan Johnston](#)

OCT 22, 2018 | STATESCOOP

After awarding Deloitte a contract to overhaul its government assistance enrollment software, Arkansas has received a protest from a losing bidder who says it wasn't given a fair chance at a final bid.

The contract was awarded to Deloitte on October 4, four years after Arkansas Governor Asa Hutchinson [ordered the state's vendors to halt work](#) on a similar contract awarded in 2013. It's an enrollment software

that includes programs like Medicaid and others, and would replace a current legacy system. The current version of the contract with Deloitte is worth up to \$342.8 million over seven years, with \$95.9 million of that delivered for the initial system installation and \$30 million annually.

The protest — filed by Accenture's lawyer, Michael Shannon, last week — alleges that Deloitte failed to disclose problems with a former state-level software installation in Rhode Island, and that the contract was awarded without a final bid opportunity for Accenture and competing firms.

In April, Deloitte [apologized to Rhode Island](#) for its troubled UHIP software contract, which was intended to serve as an eligibility portal for public-assistance benefits in the state. Plagued by delays, outages and an inability to meet benchmarks with the program, the state has been sued by the American Civil Liberties Union multiple times — even bringing governor Gina Raimondo to the point of saying she was [considering firing Deloitte](#) last year.

In his letter of protest to the Arkansas Department of Finance and Administration, Shannon raised this point. Deloitte had told Arkansas officials that it had not been required to implement a corrective action plan for any of its eligibility system installations in five years, and only mentioned that the Rhode Island system “went live via a statewide ‘big bang’” in September 2016, without addressing any of the problems.

Shannon also wrote that Deloitte had increased its total bid price from \$246.3 million to the current mark of \$342.8 million since it first submitted the proposal on June 30, 2017. Deloitte's original bid was \$87,000 less than Accenture's opening offer, but Deloitte's \$100 million increase, among other revisions to the contract, came once the firm started negotiating with state officials, Shannon said. He continued that Accenture wasn't given a chance to submit a “best and final offer,” as is required under Arkansas code.

“Unless this process is reopened to Accenture, the State will enter into a \$100 million no-bid contract,” Shannon [wrote](#).

A protest like this is expected when dealing with contracts in excess of a million dollars, according to Department of Finance and

Administration spokesman Scott Hardin.

“It’s just simply a chance for state procurement to go in, and the leadership to go in, and further audit and review those documents and make a determination of whether or not to sustain that challenge,” he told the Arkansas Democrat-Gazette.

Accenture doesn’t have a perfect record either — it has seen cancelled contracts in Colorado, Florida, Wyoming, Kansas, Wisconsin and Texas over the last decade or so, and recently had a disastrous experience in [North Carolina](#) when a computer glitch prevented many from receiving food stamp benefits.

Accenture received the second-highest technical score while being evaluated by Arkansas, with Deloitte coming in at No. 1 and Optum, a division of Minnetonka, Minn.-based United Health Group, at No. 3. Deloitte was awarded the contract on a combined basis of cost and technical score.

Prior to the eventual implementation of a new software program, the procurement process is being run by the state’s Department of Health and Safety and Department of Finance and Administration, largely excluding the state’s Department of Information Systems — a decentralized approach that Hutchinson is looking to fix.

Earlier this month, the governor [proposed a reduction](#) of 42 executive-level departments to just 15 as part of a “long overdue” transformation of modern government services. The transformation would likely increase the influence that state CIO Yessica Jones could have on large-scale IT projects like the benefits-enrollment contract — a big step toward statewide infrastructure consolidation, she told StateScoop.

“It’s going to give us more leverage,” Jones said. “If you think about it this way, we are part of the shared services department, so what we are currently doing is going to impact everybody.”

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## Truth in state contracting an issue in \$342 million computer deal

BY **Max Brantley** ON October 20, 2018 2:27 pm

0 Comments



RHODE ISLAND PROBLEMS: A computer contract in Rhode Island produced big headaches. The same company has won a similar contract in Arkansas.

[The Arkansas Democrat-Gazette's Andy Davis reported](#) today on a huge piece of state business I'd been following — A \$342 million seven-year contract the **Human Services Department** has decided to award to **Deloitte Consulting** to manage Medicaid and other welfare benefit enrollment over seven years. The cost, after post-award negotiations, is about \$95 million higher than Deloitte's original bid. Hey, it's only tax money (mostly federal). **Accenture**, a competitor for the work, has filed an objection.

Having looked through some of the documents related to this deal previously, I'm inclined to add that the issue here isn't only the overrun (Accenture probably would have added costs to meet DHS requests in post-award negotiations, too.) It's honesty.

Davis' article touches on the point.

Deloitte had a disastrous rollout of a similar system in **Rhode Island** that led to a federal lawsuit and an enormous rebate by Deloitte. Stuff happens. But here's the key point. Arkansas officials knew of the Rhode Island problems. It asked about them. Deloitte said it had not had to implement a "corrective action plan" for the system it installed in Rhode Island. Accenture argues that Deloitte indeed HAD been made to

implement a "corrective action plan," which I take is a term of contract art in the multi-million-dollar circles in which these firms compete for state government business.

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So, Accenture argues, the winner of a \$342 million Arkansas contract didn't tell Arkansas the whole truth. Oddly enough, it earned a few points in the complicated scoring system for its answer on that particular question. The scores of Accenture and Deloitte were a virtual dead heat.

The state procurement office will review Accenture's appeal. No decision has been reached.

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The Deloitte experience in Rhode Island is worth considering. The D-G story today didn't have room to explain how bad it was.

[Deloitte was forced to issue a public apology.](#) From local TV news coverage in April:

The apology was made in front of the R.I. House Oversight Committee Thursday evening. It's the first time Deloitte representatives testified at a State House hearing on UHIP, which is short for the Unified Health Infrastructure Project.

.... UHIP went live in September 2016. The computer system was supposed to streamline benefits like Medicaid, food stamps and child care assistance for hundreds of thousands of Rhode Islanders.

But almost immediately after UHIP launched, users reported missing benefits, hours-long call wait times to the R.I. Department of Human Services, and long lines at DHS field offices.

As Target 12 first reported a month after the system launched, the federal government warned the state it was not ready to live with the system. Deloitte officials acknowledged Thursday night they were also aware of that warning

The ACLU sued in Rhode Island because food stamp processing was so flawed. [Deloitte earlier this year agreed to give Rhode Island a \\$60 million credit for the screwups.](#)

Note that Deloitte is proposing a brand-new groundup system for benefit eligibility management. Accenture proposed to upgrade an existing system that, presumably, more or less works though. That can explain some of the cost difference.

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Says the cynic: This system couldn't be any worse than the Hutchinson administration's computerized Medicaid work compliance rule which has tossed 8,500 off health coverage with thousands more to come.

PS: A defender of Deloitte steps forward to say, hey, Accenture has screwed up too. [See North Carolina.](#)

**Max Brantley**

Editor of the Times since it became a weekly in May 1992.

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