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| CENTRAL CONTRACTS AND LEGAL SERVICES (CCLS)  **Sole Source Contract Justification** | | TO: | | |
| CONTRACT NUMBER  **2522-63938** | | TODAY’S DATE  **06/12/2025** |
| SELECT CONTRACT SERVICE DESCRIPTION / SUB-OBJECT CODE | | |
| **Contractor Information** | | | | |
| CONTRACTOR’S LEGAL NAME  **Critical Logic Inc.** | | | TAX IDENTIFICATION (TIN) OR UNIFORM BUSINESS IDENTIFICATION (UBI) NUMBER  **943200051** | |
| ADDRESS  **145 Corte Madera Town Ctr, Suite 450, Corte Madera, CA 94925** | | | | |
| **Contract Purpose** | | | | |
| **This contract renews the expiring contract #2322-52662 through a new Sole Source contract #2522-63938. This new Sole Source contract continues to acquire professional software services providing critical system support to DSHS’s TDS team in the following areas: the Debt Management System (DMS) 13 upgrade, transfer of client debt from the CARS system into the DMS system prior to its going live on One Washington, solving Suspense/AFRS ongoing issues to round up federal/state dollars for SNAP payments, readying DMS for the One Washington upgrade, and readying the Residential Payment System (RPS) for future replacement due to the age of this billing system. Study on replacement assessment for RPS is to be continued as to what is required in scope to continue billing, collection and assessing workflows and what would be out of scope or could be future enhancement. All these services will help ensure said system upgrades and/or replacements are in progress and to be completed on time with disruption risks minimized.** | | | | |
| **Contract Funding** | | | | |
| FEDERAL FUNDING  **$** | STATE FUNDING  **$373,000.00** | | CONTRACT TOTAL  **$373,000.00** | |
| **Contract Dates \* Start Date must be more than 15 business days from date of request to CCLS.** | | | | |
| \*START DATE  **07/01/2025** | | END DATE  **6/30/2026** | | |
| AMENDMENT OPTIONS  **To be renewed yearly through June 30, 2028, as the DMS and RPS system continues to need the expertise of Critical Logic.** | | | | |
| **Sole Source Definition and Guidelines**  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 39.26.0101)  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 sufficient justification.  Why is a sole source justification required?  The State of Washington, by law and policy, 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 the benefits of a competitive contract. | | | | |
| **Sole Source Justification** | | | | |
| To expedite CCLS and DES review of this sole source contract, please provide **clear and compelling** answers to the following justification questions. | | | | |
| 1. What is the business need or problem that requires this contract?   **The Office of Financial Recovery (OFR) relies on the Debt Management System (DMS) to manage the collection of various Public Assistance and Food Assistance overpayments. The system was originally procured as a COTS product from Fair Isaac Corporation (FICO) and went live in May 2018. It has extensive integrations with internal DSHS systems and external state systems, including TSD, ACES, and AFRS.**  **Despite initial success, the system has long-standing configuration gaps, unresolved defects, and deferred "non-critical" features that are limiting its effectiveness. Addressing these issues will stabilize DMS, improve user experience, and directly support increased collections.**  **The current business needs include:**  **• Completing the high-priority DMS 13 upgrade in 2025.**  **• Transferring client debt from the CARS system to DMS before One Washington implementation.**  **• Resolving ongoing Suspense/AFRS reconciliation issues.**  **• Readying DMS and the aging Residential Payment System (RPS) for One Washington and EPIC system integrations.**  **• Conducting a replacement assessment for RPS to determine future enhancement scope.**  **These critical efforts must move forward without delay to ensure compliance, business continuity, and minimized risk to DSHS operations. All theses services will help ensure said system upgrades and/or replacement are in progress and to be completed on time with disruption risk minimized. The DMS system is also the future system for OFR and the replacement of the SAGE system.** | | | | |
| 1. Describe the unique features, qualifications, abilities or expertise of the contractor proposed for this sole source contract.   **Critical Logic Inc. possesses a uniquely comprehensive understanding of OFR business processes and the DMS implementation. Highlights of their qualifications include:**  **• Initially selected in 2013 via competitive procurement to reverse-engineer and document the legacy CRS system.**  **• Authored original business and system requirements for DMS procurement.**  **• Led the configuration design, documentation, and testing of DMS for go-live in 2018.**  **• Maintains expert knowledge of DMS custom configurations, ETL routines, and data integrations.**  **• Played a lead role in developing agency BA capacity and internal documentation.**  **• Re-engaged recently to support the backlog, upgrade readiness, and system expansion planning.**  **Their BAs specialize in the full lifecycle of requirements engineering, including configuration validation and system testing, enabling rapid and accurate work with minimal ramp-up. No other vendor offers the same depth of historical context, technical understanding, and stakeholder trust.**  **Critical Logic Inc has spent more over two (2) years working directly with the DMS vendor, FICO, on the implementation in Washington.**  **There would be a significant learning curve for any new vendor coming into this project. Further, OFR believes it is more cost effective to pay for actions (BA work) instead of learning. Any new vendor would spend a significant time developing relationships and learning systems before they could begin BA work.** | | | | |
| 1. 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.   **OFR reviewed historical engagements and current system needs, concluding that no viable alternatives exist for the specialized analysis and system support required. Key factors include:**  **• Critical Logic’s original and ongoing role in building and maintaining system documentation.**  **• Established relationships with C&R Software (formerly FICO) and integration stakeholders.**  **• Extensive knowledge that would take a new vendor years to acquire, with significant costs and delays.**  **The original 2013 engagement was competitively sourced, and no small businesses at the time matched the qualifications. Current review reconfirms that no vendors can offer equivalent expertise in the required timeframe.** | | | | |
| 1. As part of the market research requirements, include a list of statewide contracts reviewed and/or businesses contacted, 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.   **OFR and TSD did not contact additional vendors or review statewide contracts for this renewal because, based on a review of current needs and historical project context, it was determined that no other vendor could reasonably perform the work within the required timeframe, budget, or complexity.**  **Critical Logic Inc. has been involved with this system since 2013—long before DMS existed. They led the original reverse engineering of the legacy CRS mainframe system and authored the requirements and design documentation for the DMS procurement and implementation. Their deep knowledge of the system’s business logic, configuration, and technical integrations uniquely qualifies them to support the current upgrade and expansion efforts.**  **Key reasons no other vendors were considered viable include:**  **• Substantial learning curve: A new vendor would require months just to understand the system’s custom configuration and interface landscape. This would delay progress significantly and shift agency resources away from their operational duties to support onboarding.**  **• Risk of accountability gaps: A new contractor would likely be hesitant to take responsibility for the existing design decisions, which could lead to missed issues, rework, or reduced efficiency.**  **• Established vendor and system relationships: Critical Logic has built trusted working relationships with the C&R Software team (formerly FICO) and with internal and external stakeholders. These connections are vital for efficient collaboration and issue resolution.**  **• Continuity of documentation and knowledge: Critical Logic authored and maintains much of the system’s existing documentation. They can immediately engage without the ramp-up time required for a new vendor to familiarize themselves with the system’s structure, decisions, and history.**  **In summary, market research determined that pursuing alternative vendors would introduce unacceptable delays, inefficiencies, and risks, while offering no offsetting benefits in quality or cost-effectiveness.** | | | | |
| 1. Per the Supplier Diversity Policy, DES-090-06 and A.P. 13.27: Was this purchase included in the agency’s forecasted needs report?   **No** | | | | |
| 1. Describe what targeted industry outreach was completed to locate small and/or veteran-owned businessman to meet the agency’s need?   **Critical Logic Inc. is a small business. The original contract in 2014 with Critical Logic was competitive. At the time, none of the small businesses were able to provide the services and expertise that Critical Logic Inc. provide.**  **Outreach was not conducted during this renewal due to the highly specialized nature of the work and the historical continuity required.** | | | | |
| 1. What considerations were given to unbundling the goods and/or services in this contract, which would provide opportunities for Washington small, diverse, and/or veteran-owned businesses. Provide a summary of your agency’s unbundling analysis for this contract.   **Unbundling was considered but rejected due to the time and cost involved in training new vendors on the complex DMS configuration. Fragmentation would introduce inefficiencies, duplicate ramp-up time, and increase risk.** | | | | |
| 1. Provide a detailed and compelling description that includes qualification of the costs and risks mitigated by contracting with this contractor (i.e., learning curve, follow-up natures)..   **Contracting with Critical Logic avoids:**  **• 12+ months of lost productivity for onboarding a new vendor.**  **• Opportunity costs of diverting internal staff to train others.**  **• Risk of errors or rework from knowledge gaps.**  **It ensures:**  **• Rapid continuation of current priorities (DMS upgrade, RPS assessment, OneWA readiness).**  **• Seamless coordination with C&R Software.**  **• Stewardship of state funds by avoiding duplication and delay.** | | | | |
| 1. Is the agency proposing this sole source contract because of special circumstances such as confidential investigations, copyright restrictions, etc.? If so, please describe.   **Not applicable.** | | | | |
| 1. 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 which work must be accomplished.   **Not applicable.** | | | | |
| 1. 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.   **Not applicable.** | | | | |
| 1. 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.   Without this contract:  • OFR would lose momentum on high-priority initiatives (DMS upgrade, RPS planning, OneWA integration).  • Staff would be forced to redirect time from service delivery to onboarding a new contractor.  • Progress would stall, creating risk of non-compliance, audit findings, and revenue loss.  If we go with another contractor, we will lose at least 12 months of productive work time as the contractor gets up to speed. The sources of knowledge are varied. On the IT side they primarily include OFR IT staff, but TSD, ACES and WA Tech are also involved. All of the staff involved have jobs.  There would be significant opportunity costs - all of the staff could be doing something other than educating a new contractor. Also, we would initially be paying the new contractor to learn (instead of doing) for many months as they consult with staff and the vendor and review documents.  Failure to have a contract would prevent OFR from being able to implement business critical processes/functions, software upgrades, legislative or policy mandates, audit findings, security vulnerabilities and high profile projects such as OneWA. | | | | |
| 1. 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 or a market survey, or employ other appropriate means calculated to make such a determination.   The rates remain unchanged from the prior 2023 contract, which were based on past competitive procurements. Continued engagement ensures cost-effective use of taxpayer funds by avoiding duplicated effort and leveraging existing knowledge. | | | | |
| Confirm Program and Contractor agree that the drafted Contract Amendment document is in final form.  If filing is considered late, obtain your Division Director and Fiscal Approvals.  **If the filing is “late” (where the Contract start date is less than 15 business days from date sent to CCLS for review, approval, and submission to DES), you must also complete and attach the Late Filing Justification form.** | | | | |