

MMRS Steering Committee

June 27, 2002; As Continued July 1, 2002

A called meeting of the Mississippi Management and Reporting System (MMRS) Steering Committee was held at 3:00 PM in the DFA Conference Room, Woolfolk 13th Floor, Jackson, Mississippi, on June 27, 2002.

The following members were present:

Gary Anderson, Chairman and Executive Director, Finance and Administration
J. K. Stringer, Vice-Chairman and Executive Director, State Personnel Board
David L. Litchlitter, Executive Director, Information Technology Services

Also present were:

Cille Litchfield, DFA, MMRS Administrator
Marshall Bennett, State Treasurer
Chris Bozek, Clareon Corporation
Clyde Thomas, Clareon Corporation
Sara Kimmel, State Treasury
Carol Allgood, State Treasury
Marjorie Fanning, State Treasury
Thomas Bounds, State Treasury
Carol Rowe, State Personnel Board
Mel Cordua, ITS
Jim Hurst, DFA
Clyde Murrell, DFA
Paul Walsh, Clareon Corporation

A quorum being present, Mr. Anderson called the meeting of the Mississippi Management and Reporting System (MMRS) Steering Committee to order.

Mr. Anderson presented agenda item 1:

- Review and approve the minutes of the meeting of the MMRS Steering Committee for April 15, 2002.

On a motion by Mr. Stringer, seconded by Mr. Litchlitter, the minutes were approved as presented.

Mr. Anderson presented agenda item 2:

- Presentation of Clareon Corporation's Summary Proposal

Mrs. Litchfield introduced the following Clareon representatives: Paul Walsh, Chairman/CEO, Clyde Thomas, Technical Services, Chris Bozek, Business Development and Sales. Mrs. Litchfield then introduced the following points regarding the Clareon proposal:

- Seeking approval to proceed with a sole source acquisition
 - Primary points for sole source justification are bank neutrality, state government implementation, integration with AMS/GFS system similar to SAAS
 - Considered a GENIE project
 - Cost Summary – 5 year life cycle
 - Total estimated costs: \$495,270
 - Total estimated savings: \$1,292,927
 - Net anticipated benefit: \$797,657
 - Payback expected not later than 10th month

- Proposed engagement would be an initial 3-year contract with options to renew for two (2) additional one (1) year extensions.

Mr. Walsh introduced the proposal and gave a summary background of Clareon Corporation. Mr. Bozek overviewed the proposal for the Committee (attached to the Minutes). Questions asked and answered:

Question: Mr. Bennett – How would the Clareon solution overlap with the payment of claims made by Third Party Administrators for the State Employee Health Plan, Medicaid, and Tort Claims?

Answer: Mr. Walsh – There would be no overlap unless the State wanted to bring those payments into the Clareon network.

Question: Mr. Bennett asked regarding Phase I vendors what benefit they would receive from this change in electronic payment processes?

Answer: Mrs. Litchfield stated that detail support that is still being mailed to support some of these payments would now be made available electronically. Mrs. Malatesta stated that a huge benefit here is for the Department of Finance and Administration, Office of Fiscal Management since the maintenance of the banking relationships would move out of SAAS and to Clareon with the responsibility for keeping their accounts current placed on the vendor.

Question: Ms. Kimmel – Is Clareon involved in any lawsuits due to failure to perform?

Answer: Mr. Thomas – No. Mr. Thomas additionally described the failover and disaster recovery processing and business continuity operations of Clareon.

Question: Mr. Bennett – Can you pay in soft dollars?

Answer: Mr. Bozek – Yes. There are several options: wire draw today/ACH credit to tomorrow (T+1), do compensating balance and ACH draw/ACH pay (T+2), do ACH draw/ACH pay with no compensating balance (T+4).

Question: Mr. Bennett – How do you handle the conflict of interest between acting as an agent of the State while selling products to our vendors? PERS had this problem and fired two of their consultants.

Answer: Mr. Walsh – Clareon brings value to Mississippi by already having a number of Mississippi's vendors enrolled in the Clareon network. Vendors enrolled in the Network through the relationship with Mississippi will add value to other Clareon customers. Clareon does not see this as a conflict of interest and it is a part of the Clareon business model. Clareon does not engage as customers all entities interested in becoming a part of the Clareon network.

Question: Mr. Bennett – What if Mississippi says you cannot sell your services to our vendors and suppliers?

Answer: Mr. Walsh – Clareon is not a private network. Clareon will invest approximately \$500,000 in this effort, not the State, to engage additional business relationships. Private networks attempt to recreate the failed Electronic Data Interchange (EDI) approach. Clareon is not in that business.

Question: Mr. Bennett – Does ACS (Mississippi Medicaid TPA) have a similar product?

Answer: Mr. Murrell – No.

Question: Ms. Fanning and Mr. Bennett – Clareon will not be allowed to initiate wire draws against State accounts. Will that make a difference? Will DFA reconcile before giving information to Treasury to do the draw?

Answer: Mr. Walsh – That is not a problem. Mrs. Litchfield – Yes, DFA will reconcile.

Question: Mr. Stringer – How much of the projected \$4.86 per transaction cost displacement is personnel costs?

Answer: Mrs. Litchfield – Approximately 35%.

Question: Mr. Bennett – Are the fees proposed all there are – in other words, no hidden fees?

Answer: Mr. Bozek – Yes. Mrs. Litchfield – The State can ensure this through any executed Agreement.

Question: Mr. Bounds – What is the cost to become a Collector?

Answer: Mr. Bozek – There are no additional costs.

Question: Mr. Bennett - What States other than Maine are using PayMode?

Answer: Mr. Walsh – Clareon is in discussions with other States and political subdivisions. Clareon also has business with the U.S. Treasury.

Question: Mr. Bennett – Early pay discounts – who will sell that to the vendor?

Answer: Mrs. Litchfield – This would become a part of State contract negotiations.

Question: Mr. Bennett – What if vendors say “no”?

Answer: Mr. Bozek – There is no push stronger than that authorized by the Customer; there is no cost to vendors; there is no way we can make a vendor do this?

Question: Mr. Anderson – No cost to vendors?

Answer: Mr. Walsh – No, nothing is hidden. Mr. Thomas – Once enrolled, however, vendors can receive payments from anyone else in the Clareon network.

Question: Mr. Anderson – What will be done if new security rules are promulgated? How difficult would it be to make these changes?

Answer: Mr. Walsh – There is no cost to Mississippi unless these are custom Mississippi requirements. Frank Jaffee, Clareon executive responsible for security, was responsible for security in the work done at the U. S. Treasury and is responsible for the security in and around the system. Clareon is not here to take technology risks.

Question: Mrs. Litchfield – What are the advantages over a traditional software purchase?

Answer: Mr. Thomas – Clareon is continually improving the product and all improvements are made available to the customer under the standard licensing agreement. Since Clareon sits outside of the legacy system, very little if any work is required from the Customer to implement new functions. Additionally, this is a trusted network. With a traditional software implementation, the network issue for payment is separate.

Clareon representatives exited following this discussion. The Committee with Mr. Bennett engaged in additional discussion regarding this matter. Mr. Stringer and Mr. Litchlitter indicated they did not see a conflict of interest with the proposed model.

The meeting was adjourned until 3:00 PM, Monday, July 1, 2002, in the Woolfolk 12th Floor Conference Room.

Mr. Anderson reconvened the MMRS Steering Committee at 3:00 PM in the Woolfolk 12th Floor Conference Room on Monday, July 1, 2002.

The following members were present:

Gary Anderson, Chairman and Executive Director, Finance and Administration
J. K. Stringer, Vice-Chairman and Executive Director, State Personnel Board
David L. Litchlitter, Executive Director, Information Technology Services

Also present were:

Cille Litchfield, DFA, MMRS Administrator
Jim Hurst, DFA
Clyde Murrell, DFA

Mr. Anderson reopened discussion on agenda item 2:

- Presentation of Clareon Corporation's Summary Proposal

Mrs. Litchfield reviewed the cost analysis with the Committee. Committee also discussed potential savings in terms of cash management, including the issue of faster liquidation of assets with a faster disbursing system, and personnel impact. Committee further discussed issue of conflict of interest and potential for lost float and what potentially Clareon would make on this deal with the State. Committee also discussed how invoice aggregation would work and the potential benefits to the State. Committee also discussed concerns that Maine is the only state government now using Clareon.

On a motion by Mr. Litchlitter, seconded by Mr. Stringer, the Committee approved the request to pursue an engagement with Clareon to include the following terms and conditions:

- Pursue the efficiencies and be at least cost neutral;
- Pursue a 2 year deal with 3 – 1 year possible renewals;
- Include that the contract can be cancelled on 30 days notice;
- Include that Clareon cannot use the State's name to force vendors to enroll in the network;
- Pursue tiered pricing that is volume driven;
- Obtain approval for the sole source engagement from the ITS Board;
- Include Mr. Bennett in further negotiations of the engagement;
- Obtain final approval from the MMRS Steering Committee before the Agreement is signed.

Mrs. Litchfield was instructed to set a meeting for late July to consider the Clareon engagement.

Mr. Anderson presented agenda item 3:

- Review of projects in progress

Mrs. Litchfield presented a summary of Project #33709. On a motion by Mr. Stringer, seconded by Mr. Litchlitter, Project #33709 to implement a State employee directory to drive access to W2s and EFT advices, was approved to be awarded to EzGov subject to successful negotiation of a contract and approval by the ITS Board.

Mrs. Litchfield presented a summary of Project #33823 – acquisition of a network file server from Logista. Mrs. Litchfield reported for the record that this purchase has already been submitted since it involved FY2002 budget authority. Mr. Stringer asked had Mr. Anderson and Mr. Litchlitter both been involved with this acquisition. Mrs. Litchfield acknowledged that they were both parties to this acquisition.

Mrs. Litchfield presented a summary of Project #33830 – acquisition of a Storage Area Network from InfoWorks. Mrs. Litchfield reported for the record that this purchase has already been submitted since it involved FY2002 budget authority. Mrs. Litchfield reported that both Mr. Anderson and Mr. Litchlitter were parties to this acquisition.

Mrs. Litchfield presented a summary of MMRS' involvement in HIPAA and reported on the meeting with DFA's Office of Insurance and PriceWaterhouseCoopers. Mrs. Litchfield stated that the Clareon deal will go along way toward dealing with HIPAA compliance for the payments made through SAAS but MMRS still does not know enough to understand the SPAHRS impact and what additional resources may be required to ensure that the HIPAA compliance dates are met. The Committee asked Mrs. Litchfield to keep them informed.

Mr. Anderson asked if there was additional business to come before the Steering Committee. Since there was no further business to come before the Committee, Mr. Anderson moved to adjourn. There was no objection and the Committee adjourned.

Gary Anderson

Chairman
Finance and Administration

J. K. Stange, Jr.

Vice-Chairman
State Personnel Board

David A. Fitchette

Member
Information Technology Services