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# STATE PROCUREMENT OFFICE NOTICE OF AND REQUEST FOR EXEMPTION FROM CHAPTER 103D, HRS

STATE PROCUREMENT OFFICE  
STATE OF HAWAII

1. TO: Chief Procurement Officer  
2. FROM: DAGS/ICSD/SSB

Department/Division/Agency  
Pursuant to §103D-102(b)(4), HRS, and Chapter 3-120, HAR, the Department requests a procurement exemption to purchase the following:

3. Description of goods, services or construction:  
This request is for hardware appliance and license upgrades to the State's Axway Secure Transport Server appliance. The appliance performs the majority of all data transmissions to financial institutions like those to ING for deferred compensations payments, and banks and credit unions for payroll assignments.  
  
The Appliance license upgrade will be from Active/failover to Active/Active which will enable the fault tolerant operation.

4. Name of Vendor: Axway Inc. Address: 1600 Seaport Blvd Suite 400, South Building, Redwood City, CA 94063	5. Price: \$320,674.22
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6. Term of Contract: From: July 2012 <i>7/6/2012</i> To: June 2013 <i>7/5/2013</i> <i>De 7/6/12</i>	7. Prior Exemption Ref. No. 10-070-B
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8. Explanation describing how procurement by competitive means is either not practicable or not advantageous to the State:  
The Axway Secure Transport Server is a device preassembled by the Vendor with the server, operating system and Secure Transport Server software integrated, certified and warranted to work. All software maintenance is also preassembled, pre-tested and certified by the vendor to function as warranted.  
  
It is not practicable nor advantageous for the State to integrate the hardware, operating system (with modifications tailored for the Axway) and file transfer software then testing and resolving any resulting problems. In addition, the intellectual property rights for the file transfer software is owned and is exclusive to Axway and licenses must be obtained from Axway.

9. Details of the process or procedures to be followed in selecting the vendor to ensure maximum fair and open competition as practicable:  
Due to the nature of the data being transmitted through the Axway appliance to financial institutions, ICSD needs to retain the vendor's certification and warranty. This requires the acquisition of the replacement hardware server from the vendor who is able to assert that the hardware and software operate securely together.

10. A description of the agency's internal controls and approval requirements for the exempted procurement:  
Completion of a requisition form that itemizes all costs associated with the procurement. Subsequently, a departmental comments and recommendation form is completed that is reviewed and approved by the Chief of the Client Services Branch, the ICSD Acting Administrator, and DAGS Comptroller.



## Notes on Axway SPO 7 #8 rewrite

The Axway appliance is a packaged solution of hardware, operating system (Linux), and the File Transfer Protocol (FTP) application software. This packaged solution is a product of Axway and as such is warranted and certified by Axway to function according to Axway's specifications. In addition, all patches and fixes that must be applied to the operating system and the FTP application is similarly integrated, vetted, and warranted to preserve the integrity of the appliance and insures that it continues to function as to Axway's specifications. Without this packaged solution, the State would be responsible for resolving inconsistencies between the OS and FTP application software. It is not practicable nor advantageous for the State to perform this integration as it does not have the staffing, the level of expertise nor the detailed technical knowledge of the operating system, the FTP application, or how they interact to insure "due diligence" support for the secure transmission of financial, payroll and Personal Identity Information.

In addition, the FTP application software is the intellectual property of Axway and all license modifications, and upgrades can only be obtained from Axway.

Further, the Axway FTP appliance is currently in operation and provides encrypted data transmission services between departments and agencies over the State's internal internet, and between State and financial institutions over the internet. Data transmitted include payroll, financial, child support, and other data. Up to 500 users including those from 83 financial institutions are involved. It is not practicable nor advantageous to the State to replace the appliance or FTP application software as it would endanger millions of dollars in financial, child support and payroll transactions as well as other sensitive and confidential data.