



COMMONWEALTH of VIRGINIA

DEPARTMENT OF SOCIAL SERVICES



Re: Contract No. CSE-22-060

Dear [REDACTED]

I am writing to you on behalf of the Virginia Department of Social Services (VDSS) regarding Contract No. CSE-22-060 (the vCHAMPS Project). Specifically, VDSS is ending further discussions and negotiations related to Change Request 3 (CR3).

The process for negotiating and finalizing CR3 traces its origins back to SOW-1 Change Request No. 2 (CR2) dated March 28, 2025. CR2 included terms relating to: (1) work break down structure, including the remaining scope and timeline for completion of vCHAMPS; (2) third-party assessments; (3) business process design; and – relevant to this letter – (4) the framework for negotiating CR3. In short, CR3 was intended to memorialize the Parties' agreed terms for finishing the vCHAMPS Project.

Section 4.5 of CR2 states: "The Parties acknowledge that negotiations of CR3 may include schedule changes including revisions to Deliverables and Milestones, and a change to total Contract value, subject to the caveats set forth in Section 3.3 above."

Despite our mutual agreement to extend the CR3 negotiation deadlines numerous times (from May 2024 through October 2025), VDSS and CGI have not reached agreement on several material terms, most importantly the overall price. The current deadline for completing CR3 negotiations is next week, October 1, 2025.

As you know, VDSS and CGI have exchanged numerous drafts of CR3 and extensively negotiated key terms related to project metrics, milestones, and schedules, among other things. Most importantly, the Parties have been unable to reach any meaningful agreement on the overall price for completing vCHAMPS, and it is now clear that their positions on this term cannot be reconciled.

CGI's proposed price increases (as first presented for discussion on September 9, 2025) are divided into multiple categories, including Release 1, Release 2, and subscriptions / licenses. CGI's price proposals for Release 1 alone demonstrate that the Parties will not reach an agreement.

Currently, the fixed price Contract allocates \$38,065,654 in total to design, development, and implementation (DDI) efforts. CGI has proposed an *additional* \$29.75 million in "price impacts" for "schedule adjustments" related solely to Release 1. CGI has also proposed other "new scope" implementation services in the amount of \$1.70 million for 2025 alone (with recurring SaaS Fees" of \$5.33 million between 2026 and 2028). Thus, the additional development costs requested by CGI — in Release 1 — will nearly double the amount allocated under the current Contract for all of CGI's DDI efforts. CGI also proposes that VDSS pay an *additional* \$20.58 million to CGI for Release 2 development (described as "additional functionality and enhancements").

In summary, CGI is requesting that VDSS pay an additional \$49.9 million for Release 1 and Release 2 functionality that VDSS believes is entirely within the scope of the original Contract signed in December 2023:¹

DDI Efforts – Current Contract	Additional Costs Requested by CGI for CR3	Total DDI Costs Under CGI's Proposal
\$38,065,654	Release 1 - \$29,750,000 Release 2 - \$20,580,000	\$88,395,654

That amount is more than twice the amount VDSS budgeted for such activities under the current Contract. VDSS and the Commonwealth cannot agree to a payment modification of

¹ CGI's Transcend solution – an essential component of your project proposal and an integral driver of the Contract schedule – was intended to provide much of this functionality at the time of Contract execution, and to "accelerate" the state-specific DDI efforts.

that order of magnitude. Based on our recent discussions, it is apparent that the Parties simply cannot bridge the pricing gap.

We do appreciate CGI's good faith efforts to negotiate the multi-faceted aspects of CR3 over the last few months. Unfortunately, because we have been unable to agree to pricing terms during these discussions, VDSS must bring the discussion and negotiations related to CR3 to a close.

We will be in touch soon to discuss next steps with the Contract and the vCHAMPS Project. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Erskine" followed by a horizontal line.

Kevin Erskine

Commissioner

Virginia Department of Social Services

