

FEB - 9 2010

SENATE CONCURRENT RESOLUTION

REQUESTING A MANAGEMENT AND FINANCIAL AUDIT OF DEPARTMENT OF
TAXATION CONTRACTS.

1 WHEREAS, in 1999, the Department of Taxation (Department)
2 entered into a benefits funded contract with American Management
3 Systems, Inc., which later became CGI Technologies and
4 Solutions, Inc. (CGI), to create the Integrated Tax Information
5 Management System (ITIMS) project; and

6
7 WHEREAS, ITIMS helped modernize an aging technical
8 infrastructure, created new business processes, and allowed
9 reallocation of department staff to better serve the citizens
10 and taxpayers; and

11
12 WHEREAS, at the end of this five-year project, the
13 Department had integrated collections, net income, and business
14 taxes collectively into one application, which allowed the
15 majority of the tax clearance functions to be automated and the
16 Department's customer service representatives to provide a
17 one-stop service to taxpayer inquiries; and

18
19 WHEREAS, ITIMS was further enhanced by integrating a legacy
20 cashiering system and a data capture and imaging system known as
21 ITIMS Imaging System, and ITIMS was instrumental in implementing
22 the county surcharge on general excise tax established by Act
23 247 Session Laws of Hawaii 2005; and

24
25 WHEREAS, in January 2008, the Department entered into
26 another contract with CGI to collect new delinquent taxes, with
27 the new contract paid on a contingent fee basis, whereby CGI
28 receives one third of all new delinquent taxes collected up to a
29 cap of \$25,000,000 subject to the State's realization of
30 \$75,000,000 in total additional tax collections; and

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32 WHEREAS, in testimony before the Senate Committee on Ways
33 and Means on January 21, 2010, the Department stated that in the



1 first eighteen months of the contract with CGI, new delinquent
2 tax collections have reached \$66,000,000, with \$22,000,000 paid
3 to CGI; and
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5 WHEREAS, the Department also stated that the total amount
6 of delinquent taxes to be collected by the end of the contract
7 on June 30, 2011, is estimated to be \$110,000,000, with a
8 maximum of \$25,000,000 to be paid to CGI; and
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10 WHEREAS, in addition, the Department stated that prior to
11 the current \$25,000,000 delinquent tax collection contract
12 between the Department and CGI, CGI had contracted with the
13 Department - through sole source or procurement exemptions - for
14 over \$60,000,000 related to ITIMS and its enhancements and
15 improvements, as follows:
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- 17 (1) 1999-2004 - Initial contract to build ITIMS cost
18 \$53,000,000;
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- 20 (2) 2005-2006 - Enhancements to the system such as
21 imaging, cashiering, and electronic filling cost
22 \$3,500,000;
23
- 24 (3) 2006-2009 - Production improvements cost \$3,000,000;
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- 26 (4) 2006-2008 - County surcharge on general excise tax
27 cost \$3,000,000; and
28
- 29 (5) 2008-2011 - Current project to collect delinquent
30 taxes, integrate all taxes into one system, and train
31 staff will cost up to \$25,000,000 (current cost is
32 \$22,000,000); and
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34 WHEREAS, these payment amounts are substantial,
35 particularly in light of the Department's current annual budget
36 of approximately \$20,000,000, and the State should be assured
37 that it is receiving full return on these expenditures and that
38 the contract continues to be in the State's best public
39 interest; and
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41 WHEREAS, thus, the Legislature finds that an audit of the
42 current and past contracts should be conducted; now, therefore,
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1 BE IT RESOLVED by the Senate of the Twenty-fifth
 2 Legislature of the State of Hawaii, Regular Session of 2010, the
 3 House of Representatives concurring, that the Auditor is
 4 requested to conduct a management and financial audit of all
 5 contracts between the Department of Taxation, CGI Technologies
 6 and Solutions, Inc., and its predecessor American Management
 7 Systems, Inc.; and

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 9 BE IT FURTHER RESOLVED that the Director of Taxation and
 10 CGI Technologies and Solutions, Inc., are requested to cooperate
 11 with the Auditor to the fullest extent possible during the
 12 conduct of the management and financial audit; and

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 14 BE IT FURTHER RESOLVED the Auditor is requested to submit
 15 findings and recommendations of the audit to the Legislature no
 16 later than twenty days prior the convening of the Regular
 17 Session of 2011; and

18
 19 BE IT FURTHER RESOLVED that certified copies of this
 20 Concurrent Resolution be transmitted to the Auditor and the
 21 Director of Taxation, who, in turn, is requested to transmit a
 22 copy to CGI Technologies and Solutions, Inc.
 23
 24
 25

OFFERED BY:

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