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# 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  
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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  
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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  
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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  
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23           WHEREAS, ITIMS was instrumental in implementing the county  
24 surcharge on state taxes established by Act 247, Session Laws of  
25 Hawaii 2005; and  
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27           WHEREAS, in January 2008, the Department entered into  
28 another contract with CGI to collect new delinquent taxes, with  
29 the new contract paid on a contingent fee basis, whereby CGI  
30 receives one third of all new delinquent taxes collected, up to  
31 a cap of \$25,000,000, subject to the State's realization of  
32 \$75,000,000 in total additional tax collections; and  
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1           WHEREAS, in testimony before the Senate Committee on Ways  
2 and Means on January 21, 2010, the Department stated that in the  
3 first eighteen months of the contract with CGI, new delinquent  
4 tax collections have reached \$66,000,000, with \$22,000,000 paid  
5 to CGI; and

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7           WHEREAS, the Department also stated that the total amount  
8 of delinquent taxes to be collected by the end of the contract  
9 on June 30, 2011, is estimated to be \$110,000,000, with a  
10 maximum of \$25,000,000 to be paid to CGI; and

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12           WHEREAS, in addition, the Department stated that prior to  
13 the current \$25,000,000 delinquent tax collection contract  
14 between the Department and CGI, CGI had contracted with the  
15 Department - through sole source or procurement exemptions - for  
16 over \$60,000,000 related to ITIMS and its enhancements and  
17 improvements, as follows:

- 18  
19           (1) 1999-2004 - Initial contract to build ITIMS cost  
20                 \$53,000,000;  
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22           (2) 2005-2006 - Enhancements to the system such as  
23                 imaging, cashiering, and electronic filing cost  
24                 \$3,500,000;  
25  
26           (3) 2006-2009 - Production improvements cost \$3,000,000;  
27  
28           (4) 2006-2008 - County surcharge on general excise tax  
29                 cost \$3,000,000; and  
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31           (5) 2008-2011 - Current project to collect delinquent  
32                 taxes, integrate all taxes into one system, and train  
33                 staff will cost up to \$25,000,000 (current cost is  
34                 \$22,000,000); and  
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36           WHEREAS, these payment amounts are substantial,  
37 particularly in light of the Department's current annual budget  
38 of approximately \$20,000,000, and the State should be assured  
39 that it is receiving full return on these expenditures and that  
40 the contract continues to be in the State's best public  
41 interest; and

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43           WHEREAS, the Legislature finds that an audit of the current  
44 and past contracts should be conducted; now, therefore,



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2 BE IT RESOLVED by the Senate of the Twenty-fifth  
3 Legislature of the State of Hawaii, Regular Session of 2010, the  
4 House of Representatives concurring, that the Auditor is  
5 requested to conduct a management and financial audit of all  
6 contracts between the Department of Taxation, CGI Technologies  
7 and Solutions, Inc., and its predecessor American Management  
8 Systems, Inc.; and  
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10 BE IT FURTHER RESOLVED that, in the investigation of all  
11 contracts between the Department of Taxation and CGI  
12 Technologies and Solutions, Inc., the Auditor is urged to use  
13 all powers granted to the Auditor by the Hawaii Constitution and  
14 the Hawaii Revised Statutes, including the power to issue  
15 subpoenas to compel the appearance of witnesses and the  
16 production of documents, to the fullest extent necessary to  
17 fulfill the purposes of the management and financial audit; and  
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19 BE IT FURTHER RESOLVED that the Director of Taxation and  
20 CGI Technologies and Solutions, Inc., are requested to cooperate  
21 with the Auditor to the fullest extent possible during the  
22 conduct of the management and financial audit; and  
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24 BE IT FURTHER RESOLVED the Auditor is requested to submit  
25 findings and recommendations of the audit to the Legislature no  
26 later than twenty days prior the convening of the Regular  
27 Session of 2011; and  
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29 BE IT FURTHER RESOLVED that the Department of Taxation is  
30 requested to establish and implement a transition plan wherein  
31 department personnel shall assume all functions performed by  
32 employees of CGI Technologies and Solutions, Inc., under the  
33 current delinquent tax collection contract; and  
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35 BE IT FURTHER RESOLVED that the Department of Taxation is  
36 requested to report to the Legislature on the development and  
37 implementation of the transition plan as soon as possible, but  
38 not later than August 31, 2010; and  
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40 BE IT FURTHER RESOLVED that certified copies of this  
41 Concurrent Resolution be transmitted to the Auditor and the  
42 Director of Taxation, who, in turn, is requested to transmit a  
43 copy to CGI Technologies and Solutions, Inc.

