

STAND. COM. REP. NO.

3449

Honolulu, Hawaii

APR 05 2018

RE: S.C.R. No. 62  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Ninth State Legislature  
Regular Session of 2018  
State of Hawaii

Sir:

Your Committees on Government Operations and Ways and Means,  
to which was referred S.C.R. No. 62 entitled:

"SENATE CONCURRENT RESOLUTION REQUESTING THE STATE AUDITOR,  
IN CONJUNCTION WITH THE STATE PROCUREMENT OFFICE, IF  
NECESSARY, TO CONDUCT A FINANCIAL AND MANAGEMENT AUDIT OF THE  
TAX SYSTEM MODERNIZATION PROJECT, WITH A FOCUS ON THE  
PROJECT'S CONTRACTS,"

beg leave to report as follows:

The purpose and intent of this measure is to:

- (1) Request the Auditor, in collaboration with the State Procurement Office, if necessary, to conduct a financial and management audit of the tax system modernization project of the Department of Taxation; and
- (2) Request the Auditor to submit a report of findings and recommendations of the audit to the Legislature no later than twenty days prior to the convening of the Regular Session of 2019.

Your Committees received testimony in support of this measure from one individual. Your Committees received comments on this measure from the Department of Taxation and Office of the Auditor.



Your Committees find that credible, independent oversight of certain government functions is crucial for maintaining public trust and ensuring efficient and effective government. Your Committees find that in 2015, the Department of Taxation initiated a \$60,000,000 tax system modernization project to upgrade and replace the entire technical system used by the Department to be fully completed by 2020. Your Committees further find that in 2016, the State entered into a contract with a private organization, AdvanTech, LLC (AdvanTech), to oversee the project as an independent verification and validation consultant to ensure that the tax system modernization project progressed as planned and that the systems worked as promised by the contractors. However, your Committees also find that according to a report from AdvanTech, a Department of Taxation official had requested changes be made to the report prior to full disclosure to the public diminishing the credibility of the report and leading to a termination of the contract between the State and AdvanTech.

Moreover, your Committees have significant concerns about personnel changes and decision-making in the Department of Taxation. In particular, your Committees are concerned about the Department's continued hiring of project managers for information technology projects who lack the necessary background and expertise to hold such a position. In addition, your Committees have concerns about the unexplained shifting of project management office personnel back and forth between the Department of Taxation and the Office of Enterprise Technology Services. Accordingly, your Committees find that a proper audit of the current tax system modification project should be conducted.

Your Committees have amended this measure by:

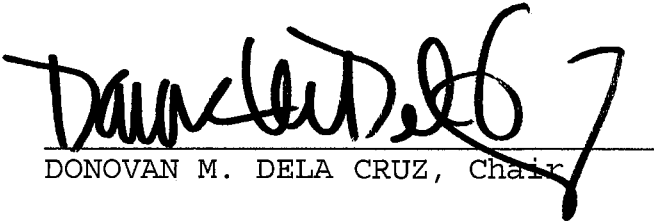
- (1) Inserting additional findings relating to personnel matters at the Department of Taxation, including the hiring of the current project manager for the tax system modification project and the shifting of project management office personnel between the Department of Taxation and the Office of Enterprise Technology Services; and
- (2) Requesting the Auditor to investigate any contractual or liability concerns stemming from the contracted vendor, AdvanTech, being asked to alter an independent,

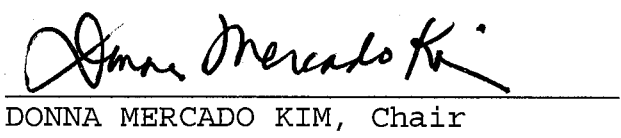


contractually-mandated report by state personnel, including which parties, if any, may be held responsible for violating the agreement and any other possible outcomes.

As affirmed by the records of votes of the members of your Committees on Government Operations and Ways and Means that are attached to this report, your Committees concur with the intent and purpose of S.C.R. No. 62, as amended herein, and recommend its adoption in the form attached hereto as S.C.R. No. 62, S.D. 1.

Respectfully submitted on behalf of the members of the Committees on Government Operations and Ways and Means,

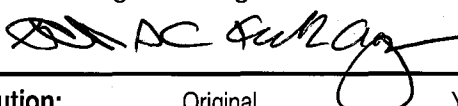
  
DONOVAN M. DELA CRUZ, Chair

  
DONNA MERCADO KIM, Chair



The Senate  
 Twenty-Ninth Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:* <b>SCR 62</b>	Committee Referral: <b>GVO/WAM</b>	Date: <b>4/3/18</b>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
KEITH-AGARAN, Gilbert S.C. (VC)	X			
ENGLISH, J. Kalani	X			
GALUTERIA, Brickwood	X			
HARIMOTO, Breene				X
INOUYE, Lorraine R.	X			
KAHELE, Kaiali'i				X
KIDANI, Michelle N.	X			
RIVIERE, Gil	X			
SHIMABUKURO, Maile S.L.				X
WAKAI, Glenn	X			
<b>TOTAL</b>	<b>8</b>			<b>3</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original    Yellow    Pink    Goldenrod File with Committee Report    Clerk's Office    Drafting Agency    Committee File Copy				

\*Only one measure per Record of Votes