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DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES | KA 'OIHANA LOIHELU A LAWELAWE LAULĀ
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WRITTEN TESTIMONY
OF
KEITH A. REGAN, COMPTROLLER
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TO THE
COMMITTEE ON WAYS AND MEANS

FEBRUARY 22, 2024, 10:05 A.M.
CONFERENCE ROOM 211 AND VIA VIDEOCONFERENCE, STATE CAPITOL

S.B. 2516, S.D. 1

RELATING TO THE DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES.

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee, thank you for the opportunity to submit testimony on S.B. 2516, S.D. 1.

The Department of Accounting and General Services (DAGS) offers comments on this measure. In its current form, the measure would rename the position of state Chief Information Officer (CIO) as the Deputy Comptroller for Information Technology. In addition, the measure specifies that the Deputy Comptroller for Information Technology shall be appointed by, and shall report to, the Comptroller. We believe that this measure presents a unique opportunity to correct a structural deficiency that was inadvertently created when the position of CIO was transferred from the Governor's Office to DAGS as part of Act 84, Session Laws of Hawai'i (SLH) 2011, without a

change in the reporting structure. This was compounded when DAGS information technology functions were consolidated under the newly created Office of Enterprise Technology Services (ETS) headed by the CIO in Act 58, SLH 2016.

According to Hawai'i Revised Statutes (HRS) §27-43, the Office of Enterprise Technology Services (ETS) is established within DAGS, and, unlike other attached agencies, the words "for administrative purposes" are notably absent. Technically, according to statute, ETS is a division of DAGS, and, as such, the Comptroller has managerial responsibility over the division. However, this managerial responsibility is clouded by the fact that, according to §27-43, ETS, a division of DAGS, "shall be headed by a full-time chief information officer to organize, manage, and oversee statewide information technology governance," and the Chief Information Officer (CIO) "shall be appointed by the governor as provided in section 26-34. The chief information officer shall report directly to the governor...". This creates a unique and unmanageable situation where the department director has no supervisory control over a division head for which the department director has statutory managerial oversight.

There are a number of options that may be considered to correct the existing structural deficiency. We present them here for your consideration:

Option 1:

Modify §27-43 to clarify that the office of enterprise technology services is an administratively attached agency. We would offer the following change for consideration:

"§27-43 Office of enterprise technology services; chief information officer; information technology steering committee; establishment; responsibilities. (a) There is

established within the department of accounting and general services, for administrative purposes, the office of enterprise technology services, which shall be headed by a full-time chief information officer to organize, manage, and oversee statewide information technology governance. The chief information officer shall be appointed by the governor as provided in section 26-34. The chief information officer shall report directly to the governor and shall:”

Option 2:

Consider making the office of enterprise technology services a department and, as such, make the Chief Information Officer position the director of the department. We would encourage that, should this be the route to remedy the exiting structural deficiency, an interim step be taken to insert language clarifying that ETS is administratively attached to DAGS.

Option 3:

The following alternative language to the existing statutes may be considered to address the structural deficiencies that have plagued the department since 2011:

1. **Modify §27-43** to clarify that the CIO is appointed by the governor, confirmed by the Senate, and reports to the comptroller. We would offer the following change for consideration:

“§27-43 Office of enterprise technology services; chief information officer; information technology steering committee; establishment; responsibilities. (a) There is established within the department of accounting

and general services the office of enterprise technology services, which shall be headed by a full-time chief information officer to organize, manage, and oversee statewide information technology governance. The chief information officer shall be appointed by the governor as provided in section 26-34.-The chief information officer shall report directly to the comptroller ~~governor~~ and shall:"

2. **Modify §26-6** to clarify that the comptroller has responsibility over the CIO as the functions described are carried out "through" the CIO.

We would offer the following change for consideration:

"§26-6 Department of accounting and general services. (a) The department of accounting and general services shall be headed by a single executive to be known as the comptroller.

(b) The department shall:

- (1) Preaudit and conduct after-the-fact audits of the financial accounts of all state departments to determine the legality of expenditures and the accuracy of accounts;
- (2) Report to the governor and to each regular session of the legislature as to the finances of each department of the State;
- (3) Administer the state risk management program;
- (4) Establish and manage motor pools;
- (5) Manage the preservation and disposal of all records of the State;

(6) Undertake the program of centralized engineering and office leasing services, including operation and maintenance and lease buyback processing pursuant to subsection (d) of public buildings, for departments of the State;

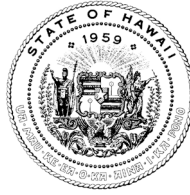
(7) Undertake the functions of the state surveyor;

(8) Establish accounting and internal control systems;

(9) Provide centralized computer information management and processing services through ~~Under the direction of the chief information officer,~~
~~provide centralized computer information management and processing services;~~

Alternatively, if the committees do not find the above options viable, we would recommend that the title of Chief Information Officer not be deleted and replaced solely with the title of deputy comptroller for IT. We appreciate the opportunity to provide our suggestions on this measure and look forward to further discussions on this matter.

Thank you for the opportunity to provide testimony on this measure.



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Written Testimony of
DOUGLAS MURDOCK
Chief Information Officer
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Before the
SENATE COMMITTEE ON WAYS AND MEANS
THURSDAY, FEBRUARY 22, 2024

SENATE BILL 2516 SD1
RELATING TO THE DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

Dear Chair Dela Cruz, Vice Chair Moriwaki, and members of the committee:

The Office of Enterprise Technology Services (ETS) offers **comments** on this bill to change the position of the state Chief Information Officer (CIO) to the Deputy Comptroller for Information Technology.

ETS supports the Comptroller's suggestion from his February 15, 2024 testimony before the Senate Committee on Labor and Technology to modify §27-43 and clarify that the Office of Enterprise Technology Services is an administratively attached agency.

"§27-43 Office of enterprise technology services; chief information officer; information technology steering committee; establishment; responsibilities. (a) There is established within the department of accounting and general services, **for administrative purposes**, the office of enterprise technology services, which shall be headed by a full-time chief information officer to organize, manage, and oversee statewide information technology governance. The chief information officer shall be appointed by the governor as provided in section 26-34. The chief information officer shall report directly to the governor and shall:"

Under this change, the CIO would continue to report to the governor to ensure the CIO's independence in providing advice to the governor, state agencies, and in testimony to the legislature.

The existence of the Office of Enterprise Technology Services under the leadership of the CIO has been extremely beneficial to the state.

As an example, the CIO and ETS were critical during the pandemic due to our lead role in designing, implementing, and constantly upgrading the Safe Travels Digital Application. The system was well ahead of its time in using artificial intelligence to validate COVID tests

and later, immunization cards. The system was a big part of an overall process that allowed our economy to recover while keeping our residents and visitors safe. This was in addition to keeping the state's IT infrastructure up and running in the challenging pandemic environment.

In 2019 and 2021, ETS worked with the departments and the Information Technology Steering Committee to develop the state IT strategic plan. The plan guides ETS and the executive branch in setting priorities and focusing on the right capabilities.

ETS provides expertise and leadership in cybersecurity, networking, project management, strategy and governance, enterprise architecture, data value, and operations, among other areas. Currently, ETS is working to provide guidance to the executive branch on responsible use of artificial intelligence.

Modernization is always challenging, but there has been tremendous progress with modernization of 21 key state IT systems in the last 10 years, including statewide payroll, time and leave, tax, disability compensation, PUC case and documents management, cybersecurity, Office365, Adobe eSign, and the state portal. ETS has identified and is working to assist departments with 12 other systems which are currently in some stage of modernization. In all, ETS tracks 657 state applications and 398 projects in our enterprise inventory and architecture system.

We believe **SB 2516 SD1** would diminish the role of the state's Chief Information Officer (CIO) and could set back the state's efforts to modernize our IT capabilities.

We offer a few comments on the bill.

- Renaming the CIO to deputy director for IT under the Comptroller would diminish the authority and independence of ETS and the CIO.
- A deputy director earns significantly less than several other members of the ETS staff and less than other state CIOs or IT Directors. This would make hiring a top candidate for the position very difficult and retention would also be a challenge.
- In the IT community, working for the state CIO and Office of Enterprise Technology Service is preferable to taking a position in the Department of Accounting and General Services under the Comptroller. This would impact the ability of the state to fill critical IT positions.
- The state Comptroller already has a huge amount of responsibility overseeing the many divisions, district offices and attached agencies of DAGS and does not have the time nor the expertise to also manage the state's expanding IT requirements. A 2009 report by the State Auditor (Report No. 09-06) confirms this observation and recommended assigning "responsibility for the development and execution of the IT strategic plan to the State CIO."
- Federal practices sometimes require plan approvals or participation by the state CIO and therefore someone needs to carry that title.

If the determination is made to place the CIO under the authority of the Comptroller, we add the following comments:

- The role should carry the title of Deputy Comptroller for IT and Chief Information Officer.
- The position should be appointed by the Governor and confirmed by the Senate like any other Deputy Director position.

As an alternative, we recommend allowing the Information Technology Steering Committee to study this issue and provide a report with recommendations for the next legislative session. The option of creating a board or commission to oversee the duties of the CIO would be preferable to adding this responsibility to the Comptroller.

Thank you for the opportunity to provide testimony on this measure.