

MAR 06 2018

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.

1 WHEREAS, in 2015, the Department of Taxation initiated a
2 tax system modernization project to upgrade and replace the
3 entire technical system used by the Department over a period of
4 five years, to be fully completed by 2020; and
5

6 WHEREAS, the project is expected to not only upgrade all of
7 the Department of Taxation's systems, but also to improve
8 taxpayer services and ensure the enforcement of tax laws for the
9 taxpayers of Hawaii; and
10

11 WHEREAS, in 2016, the State entered into a contract with a
12 private organization, AdvanTech, LLC (AdvanTech), under a
13 \$1,431,000 contract to oversee the \$60,000,000 project; and
14

15 WHEREAS, AdvanTech was hired as an independent verification
16 and validation consultant to ensure that the tax system
17 modernization project progresses as planned and that the systems
18 work as promised by the contractors; and
19

20 WHEREAS, in its October 2017 Year 2, Assessment 3, report,
21 AdvanTech stated that a Department of Taxation official had
22 instructed AdvanTech on which topics of the tax system
23 modernization project should and should not be addressed in the
24 report; and
25

26 WHEREAS, the report further states that a Department of
27 Taxation official had requested changes be made to the report
28 prior to full disclosure to the public - a practice that is
29 considered "not the norm" for AdvanTech; and
30



1 WHEREAS, the interference from the Department of Taxation
2 of the contents of the report indicates a lack of credibility of
3 the report, and confusion ensued as to why the interference from
4 the Department of Taxation was permitted; and
5

6 WHEREAS, the lack of credibility in the report has resulted
7 in the termination of the contract with AdvanTech, and this body
8 finds that an audit of the current tax system modification
9 project should be conducted; now, therefore,
10

11 BE IT RESOLVED by the Senate of the Twenty-ninth
12 Legislature of the State of Hawaii, Regular Session of 2018, the
13 House of Representatives concurring, that the Auditor, in
14 collaboration with the State Procurement Office, if necessary,
15 is requested to conduct a financial and management audit of the
16 tax system modernization project of the Department of Taxation,
17 focusing on the project's contracts to ensure that appropriate
18 procurement procedures are being executed; and
19

20 BE IT FURTHER RESOLVED that in the investigation of the tax
21 system modernization project of the Department of Taxation, the
22 Auditor is urged to use all powers granted to the Auditor by the
23 Hawaii State Constitution and Hawaii Revised Statutes, including
24 the power to issue subpoenas to compel the appearance of
25 witnesses and the production of documents, to the fullest extent
26 necessary to fulfill the purposes of the management and
27 financial audit; and
28

29 BE IT FURTHER RESOLVED that the Department of Taxation is
30 requested to cooperate with the Auditor to the fullest extent
31 possible during the conduct of the financial and management
32 audit; and
33

34 BE IT FURTHER RESOLVED that the Auditor is requested to
35 submit a report of findings and recommendations of the audit to
36 the Legislature no later than twenty days prior to the convening
37 of the Regular Session of 2019; and
38
39



1 BE IT FURTHER RESOLVED that certified copies of this
2 Concurrent Resolution be transmitted to the Auditor and Director
3 of Taxation.
4
5
6

OFFERED BY:

James J. McCarthy, Jr.
Daniel J. McCarthy
Elmer J. McCarthy
Anthony J. McCarthy
Breene J. McCarthy
Yvonne J. McCarthy
Rose E. McCarthy
Michael J. McCarthy
James J. McCarthy

