
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
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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
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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
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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
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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
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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
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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
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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; and
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11 WHEREAS, the interference by Department of Taxation
12 personnel in the conduct of an independent review of the tax
13 system modernization project also heightens other concerns
14 regarding management and personnel decisions by the Department;
15 and
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17 WHEREAS, the now full-time project manager of the tax
18 system modification project lacks expertise and pertinent
19 educational background in information technology, a concern
20 which has previously been brought to the attention of the
21 Department of Taxation regarding previous management hires but
22 has not been appropriately addressed; and
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24 WHEREAS, prior to taking over as project manager full-time,
25 the current project manager was inexplicably working as a full-
26 time employee under the Department of Labor and Industrial
27 Relations while simultaneously working with the Department of
28 Taxation as the sometimes project manager for the tax system
29 modernization project; and
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31 WHEREAS, there have also been significant, unexplained
32 shifts in personnel relating to the tax modernization project,
33 including the shifting of six project management office
34 personnel from the control of the Department of Taxation to the
35 control of the Office of Enterprise Technology Services and a
36 subsequent request for a return of those personnel back to the
37 Department of Taxation, all within a six-month period; now,
38 therefore,
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40 BE IT RESOLVED by the Senate of the Twenty-ninth
41 Legislature of the State of Hawaii, Regular Session of 2018, the
42 House of Representatives concurring, that the Auditor, in



1 collaboration with the State Procurement Office, if necessary,
2 is requested to conduct a financial and management audit of the
3 tax system modernization project of the Department of Taxation,
4 focusing on the project's contracts to ensure that appropriate
5 procurement procedures are being executed; and
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7 BE IT FURTHER RESOLVED that the Auditor is requested to
8 investigate any contractual or liability concerns stemming from
9 the contracted vendor, AdvanTech, being asked to alter an
10 independent, contractually-mandated report by state personnel,
11 including which parties, if any, may be held responsible for
12 violating the agreement and any other possible outcomes; and
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14 BE IT FURTHER RESOLVED that in the investigation of the tax
15 system modernization project of the Department of Taxation, the
16 Auditor is urged to use all powers granted to the Auditor by the
17 Hawaii State Constitution and Hawaii Revised Statutes, including
18 the power to issue subpoenas to compel the appearance of
19 witnesses and the production of documents, to the fullest extent
20 necessary to fulfill the purposes of the management and
21 financial audit; and
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23 BE IT FURTHER RESOLVED that the Department of Taxation is
24 requested to cooperate with the Auditor to the fullest extent
25 possible during the conduct of the financial and management
26 audit; and
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28 BE IT FURTHER RESOLVED that the Auditor is requested to
29 submit a report of findings and recommendations of the audit to
30 the Legislature no later than twenty days prior to the convening
31 of the Regular Session of 2019; and
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33 BE IT FURTHER RESOLVED that certified copies of this
34 Concurrent Resolution be transmitted to the Auditor and Director
35 of Taxation.

