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STATE PROCUREMENT OFFICE
NOTICE OF AND REQUEST FOR EXEMPTION
FROM CHAPTER 103D, HRS

1. TO: Chief Procurement Officer
2. FROM: Sandi Yahiro, Deputy Director, Department of Taxation

Department/Division/Agency

Pursuant to §103D-102(b)(4), HRS, and Chapter 3-120, HAR, the Department requests a procurement exemption to purchase the following:

3. Description of goods, services or construction: See Attachment #1	
4. Name of Vendor: CGI Technologies and Solutions, Inc. Address: 4000 Legato Rd., Fairfax, Virginia 22033	5. Price: \$See Attachment #2
6. Term of Contract: From: See Attach 2 To: See Attach 2	7. Prior Exemption Ref. No.
8. Explanation describing how procurement by competitive means is either not practicable or not advantageous to the State: See Attachment #2	
9. Details of the process or procedures to be followed in selecting the vendor to ensure maximum fair and open competition as practicable: See Attachment #2	
10. A description of the agency's internal controls and approval requirements for the exempted procurement: See Attachment #2	

REQUEST FOR EXEMPTION FROM CHAPTER 103D, HRS (Cont.)

12. A list of agency personnel, by position, who will be involved in the approval process and administration of the contract:		
Name	Position	Involvement in Process
Sandi Yahiro	Deputy Director	<input checked="" type="checkbox"/> Approval <input checked="" type="checkbox"/> Administration
Ronald Randall	Compliance Div. Chief	<input type="checkbox"/> Approval <input checked="" type="checkbox"/> Administration
Joan Bolte	Taxpayer Serv & Proc. Div. Chief	<input type="checkbox"/> Approval <input checked="" type="checkbox"/> Administration
		<input type="checkbox"/> Approval <input type="checkbox"/> Administration
		<input type="checkbox"/> Approval <input type="checkbox"/> Administration
		<input type="checkbox"/> Approval <input type="checkbox"/> Administration

13. Direct inquiries to:	Department: Dept. of Taxation Contact Name: Sandi Yahiro Phone Number: 587-1527 Fax Number: 587-1560
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Agency shall ensure adherence to applicable administrative and statutory requirements

14. *I certify that the information provided above is, to the best of my knowledge, true and correct.*

S. Yahiro
4/11/09
 Department Head Date

Reserved for SPO Use Only
15. Date Notice Posted <u>5/18/09 dk</u> The Chief Procurement Officer is in the process of reviewing this request for exemption from Chapter 103D, HRS. Submit written objections to this notice to issue an exemption from Chapter 103D, HRS, within seven calendar days or as otherwise allowed from the above posted date to: Chief Procurement Officer State Procurement Office P.O. Box 119 Honolulu, Hawaii 96810-0119 Chief Procurement Officer's comments: This approval is granted based on the DOTAX's representation that CGI Technologies (CGI) is the current contractor for DOTAX and is best able to propose the additional components needed that would be compatible with the existing overall system. This approval is for the solicitation process only, HRS section 103D-310(c) and HAR section 3-122-112, shall apply.

16. APPROVED DISAPPROVED NO ACTION REQUIRED

A. S. Aguiar
6/22/09
 Chief Procurement Officer Date

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Attachment #1

3. Description of Goods, Services, or Construction

The Dept. of Taxation is amending the scope of services of its current contract with CGI Technologies and Solutions, Inc.. The current contract received Sole Source approval (No. 08-006-C) and the Department now requests that some of the proposed initiatives receive exemption from Chapter 103D, HRS, instead of sole source. As such, the following initiatives in the *modified/amended* contract are being requested as a procurement exemption:

- **Enhanced Audit Data Warehouse Tool:** A data warehouse tool to support the audit process will be purchased, installed and configured that will allow the Department to better identify potential field and office audit cases.
- **Additional Electronic Data Sources for Data Warehouse:** Additional data sources will be integrated into the audit data warehouse, such as IRS information, W-2 Data, K-1 Data, 1099 Data, etc.
- **Additional Reports to Support Audit:** New reports out of ITPS and ICS will be generated to provide information about prior audits to help identify trends which could be used to prioritize future audit selections.
- **Data Entry Support:** Analysis, programming and testing support will be provided to migrate data entry from Unisys key entry to the ITIMS Imaging System.
- **Modernized e-File:** This will implement an upgrade of the current Joint Electronic Filing application and is required by the federal government so that the Department will be able to continue to accept jointly filed electronic returns.

Added
per S. Yabino
5/18/09
ddk

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Attachment #2

#6 Term of Contract: the original contract was signed January 2008 and ends June 2011. The contract amendment is expected to be signed May 2009 and the end date remains unchanged (June 2011).

#8 Explanation Describing How Procurement by Competitive Means Is Either Not Practicle or Not Advantegous to the State:

- DOTAX would not be able to support multiple vendors within this timeframe
 - o If a new vendor was brought into DOTAX, they would need to be trained on the State's existing systems, databases, and applications in order to implement the 4 initiatives described in Attachment #1. This would take significant State staffing that the department does not have available given other priorities.
 - o If a second vendor was hired to do the data warehouse while CGI was in place doing other work on the same systems, DOTAX would have the project management responsibility to coordinate their activities, and help determine which requirements would be implemented by each vendor. This would be an additional burden that would be difficult to provide given other priorities such as the multiple tax law changes that was passed by the 2009 Legislature.
- Given the tight deadlines and the need of the State to accelerate new revenues, another vendor would significantly delay this work.
 - o Another vendor would need to be trained on the State's systems, databases, and infrastructure.
 - o This learning curve, and the lack of staff who are trained on the ITIMS system would delay that vendor's ability to implement the new initiatives.
- The new work is closely associated with the existing work that is under contract, and therefore the State would realize efficiencies by having one vendor perform the work.

For example, for the audit data warehouse initiative, CGI could implement the total solution as a package for less than each cost of implementing the various pieces individually. The State is planning to build a new audit data warehouse, and integrate it with its existing ITIMS system for case management. Given the synergies of the two pieces, a single vendor would be able to implement both pieces for significantly less than two vendors could implement and integrate the two pieces. Given the proprietary nature of ITIMS, the department is not in a position to have another vendor implement

the ITIMS enhancements, therefore it is in the best financial interest of the State to have one vendor implement both pieces.

- Given the contingency fee nature of CGI's contract, the State is best served having CGI implement the highest priority items for the State
 - o Under the contingency fee contract, CGI will generate significant revenues for the State, and only be paid out of the increases in revenues
 - o In addition to the financial benefits associated with the contract, CGI is obligated to provide the State with significant IT support related to ITIMS. It is therefore in the State's best interest to have CGI fulfill this obligation with the highest priority work possible.

#9 Details of the process or procedures to be followed in selecting the vendor to ensure maximum fair and open competition:

DOTAX wishes to utilize CGI for reasons stated in #8 above.

#10 A description of the Agency's Internal Controls and Approval Requirements for the Exempted Procurement:

The Deputy Director of the Department will be involved in oversight of the entire contract. The Deputy Director conferred with the Attorney General's office and the State Procurement Office to be sure proper procedures were followed. The Deputy Director will be signing the contract modification/amendment.

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Attachment #2

6. Term of Contract

From: Effective date of Contract Modification To: June 2011

#5 Price
2 ask amended per S. Yahirol 5/18/09
0-\$1,000,000*, depending on which initiative, if any, DOTAX wishes CGI to implement.

*\$1,000,000 is included in the price indicated on the Amendment to Notice of Sole Source Contract dated 5/11/09.