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STATE OF HAWAII
REQUEST FOR EXEMPTION FROM CHAPTER 103D, HRS

STATE PROCUREMENT OFFICE
STATE OF HAWAII

TO: Chief Procurement Officer

FROM: 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:

Description of goods, services, or construction: See Attachment #1

Name of Vendor: CGI-AMS Inc. Address: 4000 Legato Road, Fairfax, Virginia 22033	Cost: Unknown
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Term of Contract: From: To: See Attachment #2	Prior Exemption Ref. No. (if applicable) n/a
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Explanation describing how procurement by competitive means is either not practicable or not advantageous to the State: See Attachment #3
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Details of the process or procedure to be followed in selecting the vendor to ensure maximum fair and open competition as practicable: We wish to contract CGI-AMS Inc. since we have no alternative vendor
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A description of the agency's internal controls and approval requirements for the exempted procurement:

The department shall follow Chapter 103D, HRS, and Chapter 3-122, HAR, as applicable with exempted procurements.

Preparation of contract documents shall be performed by our Administrative Services Officer. The contract shall then be reviewed and approved as to form by the department's Deputy Attorney General. Final review and execution of the contract shall be by the department's Director, Mr. Kurt Kawafuchi.

A list of agency personnel, by position title, who will be involved in the approval process and administration of the contract:

Deputy Director
 Administrative Services Officer
 Tax Services and Processing Division Chief

Direct questions to: S. Yahiro, Deputy Director	Phone Number: 587-1527
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This exemption should be considered for list of exemptions attached to Chapter 3-120, HAR: Yes No

I CERTIFY THAT THE INFORMATION PROVIDED ABOVE IS, TO THE BEST OF MY KNOWLEDGE, TRUE AND CORRECT.

S. Yahiro 12/5/05
 Department Head or Designee Date
 Deputy Director
 Title (If other than Department Head)

Chief Procurement Officer's Comments:

Procurement exemption approval is granted to December 31, 2008 with the understanding that DOTAX together with the City and County of Honolulu shall during this time, evaluate the Tax Central system for the development of a RFP for the selection of a vendor by July 2008.

Please ensure adherence to applicable administrative requirements.

APPROVED DISAPPROVED

James S. Fyfe 12/19/05
 Chief Procurement Officer Date

cc: Administrator,
 State Procurement Office

Attachment #1 (Description of goods, services, or construction)

Services: Vendor will provide services for "Tax Central". Tax Central will be a third party to serve as the conduit for the City and County of Honolulu and the State for the General Excise and County Surcharge tax forms and payment processing. This includes, but is not limited to: 1) receiving all general excise and surcharge forms (both hard copy and electronic copy) and money, 2) splitting forms and money, 3) depositing money into appropriate government account, 4) sending DOTAX and/or City forms and money, 5) providing some telephone inquiry capability from taxpayers.

Attachment #2 (Term of Contract)

It is expected that the contract would begin as soon as legislation is passed (2006 legislative session) to amend the statute to require the Counties to collect and administer their own 0.5% surcharge tax. This is anticipated as early as March 2006 or as late as July 2006.

The contract would end approximately December 31, 2008. This would allow for "Tax Central" to be operating for a full tax cycle (January 2007 to January 2008) and allow the State and City and County of Honolulu to make informed decisions on drafting Scope of Services for a subsequent Request for Proposals, advertising the RFP, selecting a vendor by July 2008, and allowing a new vendor, if selected, time to develop any necessary applications to begin services January 2009.

Attachment 3 (Explanation describing how procurement by competitive means is either not practicable or not advantageous to the State)

The State Legislature passed a bill last session to enact a .05% surcharge tax on top of the General Excise tax with subsequent approval by the City Council for the City and County of Honolulu (i.e. Oahu) effective January 2007. Currently, no funding has been allocated until after January 2007 with the responsibility placed on the State. An agreement was reached to modify the bill for "home rule" to have the responsibility placed on the City and County. Also, a source of funding needs to be provided in the modified bill to procure services for "Tax Central".

"Tax Central" will be a contracted 3rd party to serve as the conduit for the City and State for the General Excise and County Surcharge tax forms and payment processing. An outlined Request For Proposals, timeline, and Request For Information were initially pursued to procure a vendor, but given the current circumstances the City and State are now jointly seeking an exemption from procurement. CGI-AMS has recently implemented the State of Hawaii Department of Taxation's Integrated Tax Information Management System (ITIMS) computer tax system and has been deemed to be in the best position to successfully implement "Tax Central".

The following are reasons justifying the request for exemption:

- Proprietary nature – The ITIMS application was developed from baseline systems that CGI-AMS implemented in other states.
 - ITIMS was previously competitively procured.
 - Existing software is proprietary by CGI-AMS. State owns the software license but cannot give away or resell.
- Tight timeframe – The County Surcharge tax effective date is January 2007.
 - The mechanism (i.e. staffing and system) must be developed and ready for the administration of the tax in about 1 year.
 - Start ASAP, as compression of timetables will further increase costs.
- Business continuity – The ability to accelerate the delivery of functional requirements.
 - System advantages
 - ITIMS is configured specifically for State of Hawaii Tax rules.
 - Compliance, collection, audit components are already in place and can be made available to Tax Central.
 - Contractor advantages
 - CGI-AMS already has experience with tax intake, data entry, money management, and compliance.
 - Proven delivery with the State.
 - Trained CGI-AMS staff, plus the State staff are already familiar with the system.
 - Local subject matter experts and office presence on the island.
 - Familiar with Hawaii State Tax laws.

- Interoperability – The ability (e.g. easier, quicker) to exchange data and run operations between the City and State.
 - More seamless integration between the existing State Tax system and Tax Central.
- Efficiencies – The values gained by using the current State contractor.
 - Using ITIMS is likely less costly than developing from prototype with other contractor(s).
 - Using ITIMS already meets tax needs.
 - Lower risk to deploy in view of the magnitude of the project.
- Benefits-funded model – The procuring of contractor services whereby contractor only get paid when the City and/or State realize measurable benefits.
 - Questionable (i.e. time, risk) whether benefit-funded compensation basis is feasible for any other offerors.