

2009 Innovations Awards Program APPLICATION

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ID # (assigned by CSG): 09-W-06HI

Please provide the following information, adding space as necessary:

State: Hawaii

Assign Program Category (applicant): Government Operations - Administration
(Use list at end of application)

1. Program Name: *Hawaii Compliance Express*
2. Administering Agency: *Department of Accounting and General Services, State Procurement Office*
3. Contact Person (Name and Title): *Aaron Fujioka, Administrator*
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7. E-mail Address: aaron.fujioka@hawaii.gov
8. Web site Address: <https://vendors.ehawaii.gov>
9. Please provide a two-sentence description of the program.

Hawaii Compliance Express (HCE) improves government service and operational efficiency by connecting three state agencies, one federal agency and thousands of vendors who do business with Hawaii state or county governments by eliminating paper submission and approval process.

10. How long has this program been operational (month and year)? Note: the program must be between 9 months and 5 years old on March 2, 2009 to be considered.

The program was launched in September 2005. It has been operational for three years and six months.

11. Why was the program created? What problem[s] or issue[s] was it designed to address?

In 2003, Hawaii State Public Procurement Code was changed. Act 52/2003 amendments required vendor who wishes to receive a contract greater than \$25,000 with the State of Hawaii or any of its counties to provide proof of compliance. This effectively required businesses to show proof of the following to the procurement officer (buyer) when entering a contract or to receive a final payment: a Tax Clearance Certificate from the Hawaii Department of Taxation (DoTax), a Certificate of Compliance from the Department of Labor and Industrial Relations (DLIR), a Tax Clearance Compliance from the Internal Revenue Service (IRS), and a Certificate of Good Standing (COGS) from the Department of Commerce and Consumer Affairs Business Registrations Division (DCCA BREG). Of the four compliances, three of them are only valid for a six-month period; therefore they are required to be renewed twice a year.

As a result, vendors who wanted to provide business services to the state had staff visit each of the agencies' offices to obtain a paper clearance document and present them to the person in charge of approving the contract (buyer). This resulted in:

- *Unproductive time at agency offices for vendors' staff*
- *Higher costs for vendors*
- *Frustration and confusion for vendors and buyers*
- *Greatly increased work load for agency staff*

12. Describe the specific activities and operations of the program in chronological order.

In late 2004, the State Procurement Office (SPO) led the effort to develop the Hawaii Compliance Express (HCE) by working with four partner agencies and the state's internet portal manager, Hawaii Information Consortium, LLC (HIC).

*HCE was launched in September 2005, ten months after its inception. It is 100% electronic and allows **vendors** to submit compliance applications online, gives the **agencies** ability to grant compliance and issue certification electronically; and allows **buyers** to review a vendor's compliance status.*

Marketing for HCE included mailings, conference participation and training for buyers, vendors, and the SPO. The SPO informed all state buyers regarding the rule change through the October 2005 government newsletter highlighting HCE as a free service to buyers that allows them to log into the system and review the status of compliance for a vendor. HIC created user manuals and provided them to the buyers during the scheduled training session. To assist with initial adoption and currently, HIC provided customer support online chat links directly on the application pages as well as traditional phone customer support personnel to answer any buyer questions and promptly created and update user accounts in order for buyers to access the system. HIC provided press releases for the SPO and the Governor's office. Vendors were sent colorful postcards designed by HIC to promote HCE. These cards are currently available at the four agencies' service counters. While vendors wait in line, they can see the cards and instead of waiting in line, they can get online.

HIC provided over 10,000 cards for the State sponsored vendor conference in January 2006, and vendors were encouraged to get online and submit their applications. Cross selling was also conducted among other HIC owned online business services. For example, after a person has successfully registered a business, a thank you email containing HCE information is sent to the applicant.

Vendors are no longer required to visit agency offices but instead can conduct all of their transactions online with HCE.. Vendors complete the application process in three simple steps; create a user account, register the business, pays the \$12.00 annual fee, This annual fee was lowered from \$15.00 to \$12.00 on July 1, 2007. Three agencies are electronically notified of the new application, with DCCA BREG COGS status issued in an instant real-time verification process. The vendor is notified by email when the status is updated and they also have the option to log in to HCE at anytime to review their compliance status. When it is time to complete the renewal for their compliance with a specific agency; all they need to do is log in to their account and select the 'Renew' button to complete the process.

HCE allows state buyers to log in to HCE and review a vendors' compliance in real-time. Buyers no longer need to ask vendors to provide paper certificates, instead, the buyer logs in to their HCE user account, searches for the business name and reviews the compliance status for the vendor. Both the buyers and the vendors share the same compliance certificate view, and buyers can print the certificate as the proof of compliance in awarding a contract or approving a final payment.

Designated agency users are notified by email when an application is submitted. Users from three of the four agencies (IRS, DOTAX, and DLIR) can log in to their own administrative module in HCE with their username and password. HCE has access to the DCCA BREG business information service, therefore it is able to retrieve good standing status in real-time, therefore, no further actions are required by BREG staff. The other users of the three agencies' can log in to HCE and review applications within the assigned queue, i.e. New submissions, Pending, Compliant, Not Compliant, For Six Month Review, and for One Year Review. Upon reviewing the status of the application, users update the status within HCE. Vendors are notified electronically when the status of applications are updated. If non-compliance is issued, then user can contact the specific agency to inquire as to the necessary steps to correct the compliance status.

13. Why is the program a new and creative approach or method?

HCE provides cross-boundary functionality that allows vendors (business and individuals) who do business with state and local agencies in Hawaii to quickly and easily demonstrate they comply with all laws governing entities doing business with the state. The electronic submission and processing has eliminated the need for vendors to apply for clearances with the four separate agencies while waiting in line, saves multiple trips to each agency for renewal purposes each year, has saved compliance issuing agencies staff time and resources (issuing paper certificates, long lines and overtime), and has done away with the need for buyers to collect paper certificates from vendors.

Value to Vendors: *While the technology underlying HCE is complex, for the vendors it is a simple to use, dynamic application that shields them from having to know specific information about each of the partner agencies, and, because it is completely Internet-based, does not require any visits to government offices. Now in a five-minute process, a vendor simply creates a user account on the portal at eHawaii.gov, completes a single online application and pays a \$12 annual registration fee. If a vendor is already registered with DCCA BREG, their company information is automatically populated into HCE via a web service to the state business registry. This ensures that the data in HCE is fully consistent with official state business records. When the online form is submitted, HCE automatically checks the compliance status of the vendor with DCCA BREG, DOTAX, DLIR, and IRS and displays their "Certificate of Vendor Compliance" in PDF format. The vendor can return to HCE at anytime, login, and view their Certificate, which displays their up-to-the-minute status all four agencies via active linkages to the database tables. For all registered vendors, anytime one of the agencies changes the status of a vendor; the vendor is notified via email immediately. This allows them to contact the agency immediately to rectify the situation and avoid losing any contract opportunities because they are not 100% in compliance. Vendors are also notified by email if their annual registration is going to expire.*

Value to Agencies: *When a vendor registers with HCE, the various agencies receive an email notification that an application has been submitted. Once inundated with requests for paper clearance documents, they now access a custom HCE administrative module and review the online application, check their records on the business, and click a checkbox corresponding to the business's compliance status. Each agency's web interface was designed specifically with and for that agency, in an effort to make an intuitive administrative toolkit to administer vendor clearances. Thus, they can change the status of a vendor from "compliant" to "not compliant" with a single mouse-click. This is instantly reflected on the Certificate of Vendor Compliance the next time it is viewed by a buyer or the vendor. Agencies who were at first overwhelmed with clearance requests now handle the requests efficiently and in a timely manner.*

Value to Buyers: *Government buyers have access to the vendor records via the Internet free of charge. They no longer have to track paper certifications, handle and file multiple documents, or deal with frustrated vendors waiting for payment. HCE gives the buyers one click access to current information so they can easily check the compliance status of a vendor throughout the procurement and after contract award.*

HCE was developed using cutting edge Java web technologies such as Tomcat, Spring, Hibernate and Freemarker which made the application logic easy to develop, test and maintain. A custom workflow engine made the management of applications by the partner agencies simple to use. Data interfaces to three state agencies and one federal agency enables the speedy processing of all requests.

In summary, HCE provides business a simple single interface to apply for and maintain proof of compliance; four agency interfaces to provide clearances for many more businesses, without overloading existing staff and causing delays in the office; and an intuitive, simple method for buyers to confirm the level of compliance for their vendors. HCE resulted in wins for everyone involved.

14. What were the program's start-up costs? (Provide details about specific purchases for this program, staffing needs and other financial expenditures, as well as existing materials, technology and staff already in place.)

The development of HCE did not require any funds from the state or county because HIC follows a self-funded model including development of the application. The state portal manager, Hawaii Information Consortium, LLC (HIC) was able to use existing hardware and existing contacts and system interfaces with all of the agencies affected by this legislation. Existing agency staff was trained to use the online system. Marketing campaigns were included with existing agency outreach mailings and events.

15. What are the program's annual operational costs?

The HCE program is developed, maintained, and hosted by the State's internet portal manager, Hawaii Information Consortium, LLC (HIC) at no cost to the state or tax payers.

16. How is the program funded?

The program follows a self-funded model, the portal manager HIC retains the annual subscription fees collected to fund the daily operation and maintenance of the HCE system.

17. Did this program require the passage of legislation, executive order or regulations? If YES, please indicate the citation number.

Yes, the program was created following a legislation change to the state procurement laws, Hawaii Revised Statute No 0103D-0310.

18. What equipment, technology and software are used to operate and administer this program?

The HCE is a Java web application built on state-of-the-art web application framework Spring and Object/Relation Mapping service Hibernate. It is hosted on Apache web servers and all transactions are securely transmitted through OpenSSL(v3). The backend is supported by an Oracle database. The network traffic is load balanced and protected by a Cisco Pix Firewall.

To ensure security, the portal also goes through vigorous and periodical internal and third party audit guarantee that we are Payment Card Industry PCI compliant. Our network passes external scan by an independent third party quarterly and more frequent internal scans. Automatic updates of the latest patches for all the web servers and database servers to minimize the exploits of vulnerability by attackers.

19. To the best of your knowledge, did this program originate in your state? If YES, please indicate the innovator's name, present address, telephone number and e-mail address.

Yes, this program is unique to Hawaii. It was a team effort between the State Procurement Office, Department of Commerce and Consumer Affairs, Department of Labor and Industrial Relations, Department of Taxation, Internal Revenue Services, and state portal manager, Hawaii Information Consortium, LLC.

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20. Are you aware of similar programs in other states? If YES, which ones and how does this program differ?

No, we are not aware of similar programs in other states.

21. Has the program been fully implemented? If NO, what actions remain to be taken?

Yes, the program has been fully implemented.

22. Briefly evaluate (pro and con) the program's effectiveness in addressing the defined problem[s] or issue[s]. Provide tangible examples.

The most important cost savings were the decreased burden on the partner agencies and the simplicity by which vendors can work with procurement staff in Hawaii. The partner agencies have reported that HCE is clear success. The Department of Taxation reported that over 20% of all tax clearances are handled electronically. The same set of clearance data are also being used to verify applicant's tax status during their license renewal process. The DLIR reported that one third of all labor clearances issued are via HCE. The DCCA BREG Division reported that the number of requests for Certificates of Good Standing has decreased by 35% since the deployment of HCE. The IRS reported a significant decrease in foot traffic. HCE makes working with the government a more transparent and less intimidating process for businesses of all sizes and more efficient in the government operations.

23. How has the program grown and/or changed since its inception?

During the first year, 100% of SPO identified vendors signed up and over 63% of the vendors obtained and maintained a compliant status. As of March 1, 2009, HCE has over 3700 registered vendors and 786 state agency buyers who use the system to review vendor compliance. HCE continues to surpass expectations. In fact HCE has been so successful that the SPO and Governor's office lowered the contract threshold from \$25,000 to \$15,000 in July 1, 2007. The SPO is currently considering requiring all government contracting vendors to demonstrate compliance.

24. What limitations or obstacles might other states expect to encounter if they attempt to adopt this program?

The decentralized nature of Hawaii's state agencies makes the Service-Oriented Architecture (SOA) an appropriate, viable and powerful framework. SOA allows distributed data sources, business logic and functionality interoperate via simple predefined interfaces such as XML or SOAP. The availability of many of these services made the extremely short development period possible and acted as further realization that the state-wide move to SOA was a wise one. For other states with a centralized infrastructure, the opportunity for utilizing this SOA model and the workflow engine might be limited.

2009 Innovations Awards Program Program Categories and Subcategories

Use these as guidelines to determine the appropriate Program Category for your state's submission and list that program category on page one of this application. Choose only one.

Infrastructure and Economic Development

- Business/Commerce
- Economic Development
- Transportation

Government Operations

- **Administration**
- Elections
- Public Information
- Revenue

Health & Human Services

- Aging
- Children & Families
- Health Services
- Housing
- Human Services

Human Resources/Education

- Education
- Labor
- Management
- Personnel
- Training and Development
- Workforce Development

Natural Resources

- Agriculture
- Energy
- Environment
- Environmental Protection
- Natural Resources
- Parks & Recreation
- Water Resources

Public Safety/Corrections

- Corrections
- Courts
- Criminal Justice
- Drugs
- Emergency Management
- Public Safety

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CSG Innovations Awards 2009
The Council of State Governments
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This application is also available at www.csg.org, in the Programs section.

Deadline: March 23, 2009