



**State of Hawaii**

**Department of Accounting and General Services**

**Hawaii Compliance Express**

***Digital Government: Government to Business***

## **B. Executive Summary**

Hawaii Compliance Express (HCE), an innovative new online service found at <http://vendors.ehawaii.gov>, provides cross-agency functionality that allows vendors (business and individuals) who provide services for state, county or city agencies in Hawaii to quickly and easily demonstrate they comply with all laws governing vendors' transactions with the state. Prior to the launch of HCE, this formidable process required companies to fill out forms for three state agencies and the Internal Revenue Service, drive to downtown Honolulu, find parking, and wait in long lines at multiple government buildings.

The State Procurement Office (SPO) led the effort to develop HCE by working with four different government agencies. Now, instead of filling out paper forms and driving downtown to obtain these clearances, businesses can register online through a simple wizard interface, and acquire a single "Certificate of Vendor Compliance" endorsed by all the respective agencies electronically. Better still, any government buyer can then go online and instantly see that the vendor is in compliance with statutory requirements.

HCE links three state agencies, one federal agency and thousands of vendors who do business with Hawaii state or county governments. It has also brought greater efficiency to the processes used by all of these agencies and the State Procurement Office.

HCE provides:

- Hawaii businesses with a simple, single web interface to apply for and maintain proof of compliance for a full year;
- Partner Agencies with customized administrative interfaces for the four government agencies to expedite clearances for many more businesses, without overloading existing staff;
- An intuitive, simple method for government buyers to confirm the level of compliance for their vendors.

HCE resulted in wins for everyone involved.

### **C. Description of the business problem and solution, including the length of time in operation**

In 2003, Hawaii State Public Procurement Code was changed. Act 52/2003 amendments required compliance. For any vendor who wishes to receive a contract greater than \$25,000 with the State of Hawaii or any of its counties is required 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 approving charge of the contract. 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

To streamline this cumbersome process, the State Procurement Office (SPO), the four partner agencies and the state's Internet portal manager, Hawaii Information Consortium, LLC (HIC), developed and launched the new online service titled Hawaii Compliance Express (HCE) in September 2005. The development process took ten months from conception to public deployment and was provided at no cost to the State. HCE was created to provide a convenient, 100% electronic, Internet-based application that simplifies the compliance process for vendors, agencies, and buyers. It allows online submission of compliance application by vendors, online compliance issuance by the agencies, and online compliance reviewing by buyers.

In order to create a high level of adoption at the beginning of the service launch, HIC and the four state partner agencies worked together to create awareness of this program to the vendors and state buyers. The SPO notified all buyers by newsletter regarding the rule change and highlighted HCE, which is a free service to buyers and 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. HIC also provided dedicated personnel to answer any questions that buyers may have, and promptly created and updated user accounts in order for buyers to access the system. In addition, there were press releases for the SPO and the Governor's office and printed colored marketing cards designed by HIC, were sent to the vendors directly to promote

HCE. These cards are also 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. During the latest State sponsored vendor conference, HIC provided over 10,000 cards for the event 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 contains HCE information that is sent to the applicant.

***Recap:***

- *Due to a law change in 2003, vendors in Hawaii are required to demonstrate compliance with four government agencies in order to do business with the State of Hawaii.*
- *Four agencies were tasked with increased work load while frustrated vendors were forced to wait in long lines.*
- *HCE was launched in September 2005. It is 100% electronic and allows vendors to submit compliance applications online, gives the agencies ability to issue the compliance, and allows buyers to review a vendor's compliance status.*
- *The State Procurement Office and HIC worked together to promote the service.*

#### **D. Significance to the improvement of the operation of government**

HCE requires **no vendor to visit agency offices** for compliance certificates. Instead of having vendors go to each of the four agencies to obtain paper compliance certificates, HCE makes the application process **painless**. The vendor **simply creates** a user account at the Hawaii.gov portal and registers his/her business. The vendor then answers a series of set questions and associates the application with his/her business registration information directly from the DCCA BREG business name search interface. The registration process is completed in ten steps with a payment of the \$12.00 annual fee. This annual **fee was lowered** from \$15.00 to \$12.00 on July 1, 2007. The final step for the vendor is to print a pre-populated IRS-8821 form, which must be signed and faxed to the IRS to authorize the compliance information to be released to HCE. 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.

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.**

**Recap:**

- *HCE allows vendors to register their business and submit compliance requests to four different agencies through a single online application, eliminating the need to visit four separate offices and wait in line.*
- *Vendors may renew their application annually to maintain their status and are notified by email when their compliance status is updated.*
- *System can be accessed 24X7.*
- *Buyers and vendors share the same compliance view, eliminating any possible confusion with statuses.*
- *Agency partners can simultaneously access the system securely and review and issue compliance status online in real-time. A multi-thread approval process expedites the application process.*

**E. Benefit of the Project - In this section please address the financial and non-financial reasons why this project was worthy of the investment made**

While the technology underlying HCE is complex, for the users it is a **simple to use**, dynamic application that **shields them from having to know specific information about each of the partner agencies**. HCE is **completely Internet-based** and does **not require any visits to government offices**. In **10 minutes or less**, a vendor can complete a single online application which will be **routed to the four agencies**. By automatically checking company information via a web service to the state business registry, HCE ensures that the data in HCE is **fully consistent** with official state business records.

Vendors may return to HCE at any time to view their certificate, which displays their **up-to-the-minute status** with all four agencies. For all registered vendors, any time one of the agencies changes the status of a vendor; the vendor is **notified via email immediately**. This allows them to contact the agency and rectify the situation, thereby **avoiding loss of contract opportunities** because they are not 100% in compliance. Vendors are also notified by email if their annual registration is going to expire. As a result of HCE vendors no longer need to purchase the Certificate of Good Standing from BREG at the cost of \$7.50 each, because proof of good standing is now part of the overall compliance issued by HCE.

Once inundated with requests for paper clearance documents, most state agencies now access a custom HCE administrative module and review the online application, check their records on the business, and select 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. Agency users can change the status of a vendor from "compliant" to "not compliant" with **a single mouse-click**. This change 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**.

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.

The most important benefit was 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 **a clear success**. The Department of Taxation reported that **over 10% of all tax clearances** are now handled electronically, with plans to drive more of the public to use the system for non-procurement related clearances in the near future. 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 and the IRS has 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.

The development of HCE **did not require any funds** from the state or county. The state portal manager, Hawaii Information Consortium, LLC (HIC), partnered with the SPO and developed HCE under the **self-funded business model**. The entire annual registration fee collected goes to the development and maintenance of HCE. As of April 15, 2008, HCE has **over 2553 registered vendors and over 639 state agency buyers** who use the system to review vendor compliance. During the first year, **100%** of SPO identified vendors signed up and **over 63%** of the vendors obtained and maintained a compliant

status. HCE has an average of 79 vendors signing up per month. During the peak month of the starting/ending of the State fiscal year, over 100 vendors signed up during June 2007. HCE was nominated and won the 2006 NASPO Cronin Information Technology Gold Award.

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. This resulted in **twice as many** registered vendors as it was initially projected.

The calculations below demonstrate the amount of money HCE has saved for the participating vendors on a yearly basis. It clearly shows the efficiency and cost saving provided to the vendors. This ultimately saves money and time spent on issuing paper certificates by the agencies.

The average cost of maintaining a compliance certificate for a year before HCE:

Purchase COGS @ \$7.50 each semi-annually:	2 x \$7.50 = \$15.00
Acquire DOTAX, DLIR, and IRS clearances:	Free
Parking in downtown @ \$25.00 per day per semi-annually: 2 x \$25.00 = \$50.00	
<u>Time wasted while waiting in line:</u>	<u>Priceless</u>
Total money spent:	\$75.00
<u>HCE annual fee:</u>	<u>\$12.00</u>
Net savings:	\$63.00

**Total savings per year for 2,553 vendors: \$160,839.00**

**Recap:**

- *HCE is easy to use and saves vendors from going to four different agencies to obtain compliance certificates.*
- *HCE ensures data consistency with official state records.*
- *Instant notifications keep the vendors informed on the application process, assisting vendors from missing any contracting opportunities.*
- *Agencies can review vendor profiles securely and issue compliance with a simple click of the mouse.*
- *Multi-thread processing allows each application to be processed efficiently and timely.*
- *Partner agencies reported decreased foot traffic by as much as 35%.*
- *HCE costs \$0.00 to the tax payers of the State of Hawaii.*
- *SPO lowered procurement limit due to the success of HCE.*
- *Over 2,553 vendors are using HCE for a savings of \$160K.*