

**1. What is a summary of where the money goes after a payment for a State of Hawaii service is made through the HIC eCommerce portals?**

Payments are collected via the third-party portal Transaction Processing Engine and all state and county funds are disbursed to the state or county agency's bank accounts as specified in the Statement of Work (SOW) documents.

When a citizen or business makes a credit card payment, the flow of funds is as follows:

- User of service uses the HIC Payment Gateway to enter information and submit payment.
- Information about the payment is provided to the Transaction Payment Engine.
- The Payment Processor (First Data) accepts or rejects payment.
- The funds are deposited into the NIC Merchant Bank account.
- The funds are disbursed to the state or county agency's bank account.

When a citizen or business makes an ACH (electronic check) payment, the flow of funds follows a similar path:

- User of service uses the HIC Payment Gateway to enter information and submit payment.
- Information about the payment is provided to the Transaction Payment Engine.
- ACH Express creates payment files. ACH Express (ACHX) is an ACH processing application developed by NIC. ACHX creates encrypted ACH NACHA (previously known as the National Automated Clearing House Association) payment files to be sent to banks via SFTP (Secure File Transfer Protocol) and pulls ACH Return files from banks via SFTP.
- The funds are deposited into the NIC Merchant Bank account.
- The funds are disbursed to the state or county agency's bank account.

**2. What accounts are being used to transfer the payments and does the AHC have access to these transactions as a part of its oversight functions? Is this account a Trust Account whereby the Access Hawaii Committee (AHC) can verify deposits, transfers, earned interest, etc.?**

HIC uses a Bank of Hawaii Merchant Account, which is non-interest bearing, to disperse payments to agencies. Data and reports to audit transactions are available to AHC to ensure accurate and timely oversight. These include detailed disbursement statements that accompany

every disbursement to a state or county agency, monthly and quarterly revenue reporting, thorough audit process by third parties, including quarterly PC/Compliance audits, and regular audits of the payment processing system.

- 3. How long does HIC actually hold payments before disbursements? The AHC website and recent documents show that the money is held from anywhere from 3-30 days. Is this correct? Is there any AHC or agency oversight in terms of confirming how long this money is held, agency by agency, before the individual agencies are paid?**

Funds are disbursed between 3 and 30 days per Statement of Work agreements. Terms, timeframes, and responsibilities are set by state or county government agencies in individual Statements of Work for every digital government service developed and managed by HIC. HIC processes undergo a thorough audit process by third parties, including quarterly PCI Compliance audits, as well as regular audits of the payment processing system.

- 4. How are payments distributed to the various agencies? Do payments flow to the agencies or the General Fund?**

Payments are distributed directly to agencies directly in 3 different ways, as agreed upon via individual Statement of Work (SOW) documents between HIC and the agency partners and approved by the Access Hawaii Committee (AHC).

- Automatic ACH: Payment via an electronic funds transfer file generated by the Transaction Payment Engine (TPE).
- Manual ACH: Payment via an electronic fund transfer that is manually initiated by HIC.
- Paper Check: Payment via paper check that is mailed to the agency via regular US mail.

- 5. Is there some possibility that the State of Hawaii's money can be routed to the State of Hawaii's accounts at the time of purchase?**

Yes, this is possible and in fact has been done previously with the Department of Taxation and the Department of Labor and Industrial Relations, who handle their own payment processes. Other departments have declined to go this route because the daily reconciliation processes involved, fiscal reporting, refund/chargeback issues, initial collection activities and all fiscal/customer service inquiries then fall entirely on the agency.

**6. Because of the volume of credit card charges, what is the average annual credit card processing fees charged to the State? Additionally, are the credit card processing fees are passed through at cost to the State of Hawaii?**

As part of the 2016 Statement of Work (SOW) template for all eHawaii.gov projects, and as set forth by the Office of Enterprise Technology Services, the State Procurement Office (SPO) and approved by the Access Hawaii Committee, the standard credit card rate of 2.78% is used for all portal credit card payment engagements. This amount may be paid by the service user or government agency, depending on the statement of work.

**7. Would it be an accurate statement to suggest that the services provided by HIC are at "no cost to the State of Hawaii?"**

The phrase "no cost" is outdated and the AHC is working with the portal vendor to ensure specific funding mechanisms for each service is clearly identified.

- Historically, when a State or County agency works with the portal vendor to develop a new service, using the self-funded model, there may be no or very little upfront cost for development. HIC and the agencies collaborate to come up with sustainable solutions. In these cases, HIC absorbs the risk and cost of developing the service in return for future revenue over the life cycle of the service to recover costs and maintain and support the service. Fee structures are contingent upon review and approval by the AHC and can be renegotiated.
- When transaction fees are not feasible, the portal vendor can still offer services with contract hourly development rates. In most cases, this funding model is used when an agency wants to develop an online service that has an existing funding model (i.e. federal grants) or the service doesn't generate any revenue but requires significant development and maintenance.
- Some agencies leverage portal hosting services for website hosting or for HIC developed web applications that have no revenue base. In certain scenarios, an agency may already have an application developed that only needs hosting service to continue providing service to the public. Fees for this service are negotiable.
- The portal vendor also develops some applications at no direct attributable cost where appropriate. Most of these applications have no way to generate revenue. HIC recovers

its costs for development, deployment, hosting, and maintenance through portal administration fees from other self-funded services.

**8. Are there any real or apparent conflicts of interest having to do with the oversight of the State of Hawaii's business with regard to AHC, HIC and the State of Hawaii because many of those on the oversight committee are themselves Directors or Administrators of the same State of Hawaii or County agencies that are doing business with HIC?**

The language in Hawaii Revised Statutes 27G provides the legal framework for the AHC to fulfill its purpose. The AHC is charged with review and approval of agreements between government agencies and associated charges, and with review of the outsourced portal provider's annual reports. In this way, the AHC can make sure that the services offered through the portal, and the operation of the portal, are structured to provide sustainability and an equitable distribution of the costs and financial benefits of this way of conducting the government's business.

The membership of the Access Hawaii Committee is defined in HRS, Chapter 27G, as well. The language in the statute suggests that the composition of the Committee seeks a balance between representation of the various governmental business interests, such as representatives from the courts, the legislature, and agencies involved with portal services, and process or technology interests, such as the State Procurement Officer and IT administrators or CIO's. The members of the AHC are chosen because they have an interest in the service their agencies provide the public, but this does not create a conflict of interest. Agencies are free to develop applications without using the Access Hawaii Committee or HIC.

**9. What interests of the taxpayers are being well-served by the business relationship between AHC, HIC and the State of Hawaii? Is the oversight function satisfactory?**

Constituent interests have been well-served by the portal procurement vehicle, enabling e-business capabilities to agencies, counties, the legislature, and judiciary where none previously existed. Adequate oversight mechanisms are currently in place, and the AHC will continue to require the portal vendor to provide innovative e-business capabilities and enhance the overall digital experience to the constituents in a sustainable, cost-effective manner. The use of the

AHC and HIC are not mandatory, and some agencies have developed public-facing portals on their own or with the use of other contractors.

**10. Is the business relationship between the State of Hawaii and HIC consistent with other States and municipalities that their parent company, NIC, is serving?**

Yes, NIC, the parent company of HIC, has 34 offices nationwide. While each state or municipality contract may vary in the details, the overall business relationships, processes, audits and oversight mechanisms are consistent.

**11. Are all the various Statements of Work (SOW) available for the public via the AHC website?**

While the SOWs are public records, not all of the SOWs are posted online. Requests for a SOW may be made to the engaging agency. We recognize the inconsistency of making the information public, therefore, efforts are currently underway to post SOWs for all active portal services on the AHC website.

**12. What are the plans for the current portal contract?**

SPO Vendor List Contract No. 08-13 INTERNET PORTAL MANAGER AND SERVICES PROVIDER expires on January 3, 2020, at which time the State can elect to extend for another three (3) year term or any portion thereof; issue a new Request for Proposal (RFP); or choose not to extend. In the event there is no extension, AHC can opt to require portal vendor to operate under a transition period for a period up to 12 additional months.

**13. How is the position of the state employee who serves as the Portal Program Manager funded?**

The salary of the state's Portal Program Manager is funded by the Access Hawaii Committee special fund pursuant to HRS section 27G-6 using a portion of revenue collected for state or county agencies.

**14. Are HIC employee's part of a government entity? If not, should they communicate with .gov email address?**

ETS owns the ehawaii.gov domain. HIC works on behalf of State of Hawaii but is not a government agency. HIC has changed the email addresses for its employees to egov.com at the direction of ETS.