

Top News

State will press claims over failed DOT computer project despite bankruptcy filing

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Posted April 19, 2017

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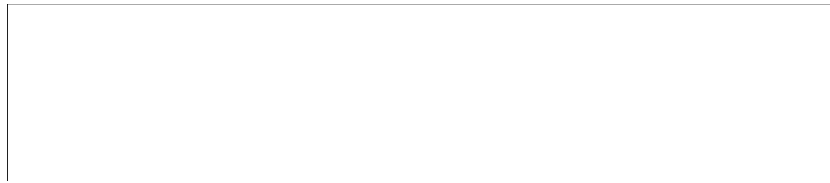
Updated April 19, 2017 4:41pm

An information technology firm that is battling the state in court over a failed state Department of Transportation computer project has filed for bankruptcy, but transportation officials say they plan to pursue their claims against the company.

The state sued Ciber Inc. alleging fraud, false claims, breach of contract and unfair competition in connection with the failed implementation of a new financial software system for the transportation department's Highways Division.

The state paid Ciber and other consultants working on what was known as the Financial Accounting System Transportation a total of \$13.88 million, but the new system didn't work. The state claimed the new system was unable to perform even simple tasks, and federal highway officials refused to certify it. Gov. David Ige scrapped the entire project in 2015.

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Last week Ciber filed a Chapter 11 bankruptcy proceeding in federal court in Wilmington, Delaware, meaning the company is seeking court protection from its creditors while it reorganizes.

The state alleges Ciber abandoned the Hawaii project in 2014, leaving the department with an unfinished software system that was “unable to carry out essential HDOT functions,” according to a statement from the transportation department.

The lawsuit revealed that Ciber’s managers admitted in internal company reports that Ciber had submitted fraudulent and erroneous invoices and payment demands to the state, according to transportation officials. In those internal Ciber documents, senior Ciber managers acknowledged submitting “erroneous invoices and fictitious change orders,” state officials said.

The court documents also allegedly show the company billed the department for work that Ciber knew was of no value, and demonstrate Ciber deliberately under-staffed the Hawaii project to meet Ciber’s internal profitability benchmarks, according to a statement released today from the transportation department.

State officials also allege that the court case turned up documents showing that Ciber “substantially underreported to the Hawaii State Ethics Commission certain lobbying expenditures.”

“Ciber’s bankruptcy filing is a vindication of HDOT’s decision to resist Ciber’s demands for payment, given that the system Ciber attempted to deliver was incomplete and defective,” said Hawaii Department of Transportation Director Ford Fuchigami in a written statement.

“HDOT will take all necessary steps to preserve its claims in Ciber’s bankruptcy case, and will consider additional measures to ensure that vendors and others who violate the public trust will be held accountable for their misconduct, and that the people of Hawaii will be protected,” Fuchigami said.

The bankruptcy filing will cause the Hawaii lawsuit against the company to be temporarily suspended, but First Deputy Attorney General Russell Suzuki said his office is “actively looking into every legal option to make the state whole.”

The state is seeking tens of millions of dollars in damages, including fees it paid to Ciber, fees paid to third parties, and the cost of replacing the existing software system. Ciber could also face possible punitive damages, and the state is making false claims and unfair competition allegations that could expose Ciber to trebled damages.

The state alleges Ciber used “bait and switch” tactics by misrepresenting its capabilities in order to land a contract to replace the existing Highways Division computer system with a new system to run the state’s highway financial management operations.

The state alleges Ciber was unable to design and implement a system that could perform the necessary functions, including obtaining reimbursements from the Federal Highway Administration.

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