



## DEPARTMENT OF THE ATTORNEY GENERAL

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### STATE'S CASE AGAINST CIBER, INC. INSURERS WILL PROCEED IN HAWAII

*HDOT has already received \$11 million on its claim against Ciber, Inc., and seeks additional compensation from Ciber's insurers*

HONOLULU – Attorney General Russell Suzuki announced that litigation arising from the failure of Ciber, Inc. (Ciber) to deliver a working financial services computer system under a contract with the Hawaii Department of Transportation (HDOT), will continue in Hawaii after the State defeated a recent attempt by Ciber's insurers to move the lawsuit out of state.

Earlier this year, at the State's demand, Ciber assigned HDOT the rights to Ciber's other insurance policies to ensure that the State can seek further recovery from Ciber's other insurers. The State filed suit against those insurers in Hawaii court in March, seeking to recover the cost of a new HDOT computer system as well as other HDOT losses. On Friday, June 22, following a contested hearing, the court denied the insurers' attempt to move the litigation out of Hawaii.

According to **Attorney General Suzuki**, "Having the case remain in Hawaii is important to maintain the State's ability to control the procurement process and makes it easier to enforce these contract requirements in court. Moving the litigation to a jurisdiction on the mainland would have added significantly to the cost of pursuing the case against the insurers because all of the State's witnesses and evidence are here in Hawaii."

The State has already recovered \$11 million in the litigation, including \$1 million from Ciber and \$10 million from one of Ciber's insurers. That \$11 million recovery exceeds the amount HDOT paid Ciber for the failed computer system, and far exceeds the amount that other states with similar claims have recovered from Ciber, which is now in bankruptcy proceedings.

This latest victory is a result of the aggressive approach to the litigation based on direction from the Office of the Governor. "We're pleased that these claims will be heard

in Hawaii, and the State will pursue all available means to ensure that Ciber's insurers pay the amounts that are due," said **Governor David Y. Ige**. "This is a yet another vindication of our decision to hold the vendor accountable for failing to deliver on what was promised."

HDOT hired Ciber in 2008 to design and build a new financial services software system for HDOT's Highways Division. After obtaining \$7 million in fees from the State, Ciber abandoned the project in 2014 even though the software system was unfinished and unable to carry out essential HDOT functions. When HDOT demanded that Ciber complete the project for the agreed-to price, Ciber refused.

After abandoning the project, Ciber sued the State for breach of contract. The State defended those claims and pursued its own counterclaims against Ciber for fraud, false claims, breach of contract and unfair competition, even after Ciber filed for bankruptcy in April 2017. HDOT's case described, among other contentions, how internal Ciber documents reflected that Ciber managers had admitted that Ciber's team lacked necessary technical skills, made critical mistakes during the project, and misled HDOT about the quality of Ciber's work and the ability of Ciber's team to deliver a working system.

The State is working with the law firm Kasowitz Benson Torres LLP in pursuing the additional compensation for the people of Hawaii.

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