



**State Procurement Office
Information on the Individual Procurement Jurisdictions
Requested by HCR 204 SD1, SLH 2015**

Submitted to
The Twenty-Eighth State Legislature
State of Hawaii
January 2016

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1 Executive Summary

The 2015 Hawaii State Legislative adopted a House Concurrent Resolution (HCR) 204 SD 1 requiring an assessment as to “whether each procurement jurisdiction is adequately staffed to meet mandated contract award and monitoring requirements.”

This Resolution essentially asked six (6) questions on various contract and staffing issues. The State Procurement Office (SPO), with minimal resources, committed to sending out a Data Call to all Agencies and Departments across the State.

Responses to the Data Call were disparate and ultimately did not lead to any real patterns that could be specifically talked to. However, the SPO does attempt to read through what information we did receive and also offer several recommendations as to steps going forward.

There is no easy formula to determine how many Procurement Specialists an Agency or Department needs, in comparison to the number or dollar threshold of a contract action. This depends on quantity, type, and complexity as well. What is clear, is that specialization and a respect of this professional field is imperative to achieving successful procurements and contract management.

The SPO is grateful for HCR 204 SD1 because it signifies that the Legislature is clearly aware of the pressing need to improve the way the State looks at procurement, the organizational structure, and the need for professionalizing the Procurement Workforce.

We anticipate that this report will allow for further discussion on this matter, and encourage all Agencies and Departments to consider how vital their Procurement Workforce is and how they can better utilize a specialized, skilled and experienced set of professionals for their procurements.

2 Background

House Concurrent Resolution (HCR) 204 SD 1 was adopted in final form on April 30, 2015 [Exhibit A].

The Senate Committee on Government Operations heard the Resolution, and issued its report stating the following:

“The committee on Government Operations finds that the decentralized nature of the state procurement system allows the various procurement jurisdictions to assign employees different job titles, tasks, and workloads. Such variances makes it difficult to assess whether each procurement jurisdiction is adequately staffed to meet mandated contract award and monitoring requirements. Gathering information from each procurement jurisdiction that allows staff positions, duties, work volume, and recommended staffing to be evaluated across procurement jurisdictions will be useful in determining how to strengthen the State’s procurement system.”

HCR 204 SD 1 directed the State Procurement Administrator to collect the following information from each of the individual procurement jurisdictions:

1. A breakout of each procurement jurisdiction to identify activities of each division within a large state department;
2. The current number of staffed positions and job titles within each procurement jurisdiction;
3. The identification of vacant positions within each procurement jurisdiction and status of recruitment;
4. The average annual number of contracts assigned to each procurement jurisdiction;
5. The current level of contract oversight required during the entire procurement process; and
6. The staffing recommendations needed to bring each procurement jurisdiction up to satisfactory performance levels.

As the State Procurement Office (SPO) testified on HCR 204, we recognize that there are great discrepancies in the numbers and skills of the current Procurement Workforce and that a workforce that has no organizational plan will not sufficiently support the state agencies and Departments in their mission.

With this said, HCR 204 SD 1’s purpose was clear, but the directive questions were vague. It was difficult to understand the rationale for each area of information to be collected and how it should be interpreted as far as determining the strength of the State’s procurement system. With the adoption of HCR 204 SD 1, the SPO interpreted their task as having to collect the information from each of the individual procurement jurisdictions relating to the identified six (6) information points.

On April 7, 2015 and on April 21, 2015, the SPO testified on HCR 204 that we support this measure with comments.

“If the intent of this bill is to have the Administrator of the SPO to conduct the study, SPO would have to rely on the various Chief Procurement Officer’s (CPO) submitting this information on their own accord. The SPO does not have adequate resources to collect the current status of each entire decentralized purchasing system, and would need additional resources to assist in assessing the data once collected.”

No additional resources were afforded to SPO, and therefore due to lack of resources, the SPO had to rely on information received from the Departments. Of the Data Call forms that were submitted, many were incomplete, information was vague in nature, forms were in the incorrect format, and still others contained incorrect dollar and number values.

3 The Data Call

On June 9, 2015 the SPO sent a letter to each CPO jurisdiction and Department Directors of the Executive Branch, also referred to as the Head of Purchasing Agency (HOPA), as part of its Statewide Data Call for information to be submitted to SPO no later than August 28, 2015 [Exhibit B]. Approximately 50% of the Departments and agencies responded to the request by the second week of September 2015.

On September 24, 2015, the SPO sent out a second letter to those who had not responded to the first request with a submittal deadline of September 30, 2015 [Exhibit C]. After the deadline had elapsed, at least six (6) Agencies/Departments were contacted via email or the telephone to submit Data Call forms to SPO. The last form, in part, was submitted to SPO on November 20, 2015 and the remaining portion was received about a week later.

The Data Call form was based on the SPO’s interpretation of the six (6) collection information points identified in HCR 204 SD 1, and was designed to fit on one page of an Excel spreadsheet [Exhibit D].

1. Blue - Major Division Name and Description of Activities
2. Green - Total Available Procurement Positions # and Official Position Description Title and Total Staffed Positions #
3. Orange - Total Vacant Positions # and Recruitment Status Notes
4. Gray - Average Annual # Assigned Contracts
5. Purple - Contract Oversight levels: Policies and Procedures
6. Yellow - Staffing Recommendations (if any)

4 Findings

These findings are based on the six (6) collection information points that were required by the HCR 204 SD1. This is a high-level summary of what the SPO found in each section [Exhibit E and F; for more details and associated charts, please refer to Exhibit G].

1. Collection information Point 1: Identification of “Major Divisions” and their “Description of Activities” for each Department/Agency.

The result of the Data Call reveals that the Executive Branch Departments have the highest number of divisions with contracts, with a total of 164. The number of divisions is substantially higher than the next largest CPO jurisdiction being the University of Hawaii at twelve (12) divisions. However, the information shows varying interpretations of what a “Division” is. For example, one Department reported having 25 major divisions with contracts, but according to the posted data on its official website, there are eight major divisions. Another Department reported 23 divisions with contracts; however this specific Department has only six (6) major divisions, according the Department of Budget and Finance State Organization Chart posted at <http://budget.hawaii.gov/budget/state-of-hawaii-background-information/state-of-hawaii-organization/>.

The other CPO jurisdictions have reported a smaller number of divisions ranging from one (1) through twelve (12), with about half of the jurisdictions having either one or two divisions. Still there are some Departments/Agencies that identify a division, but have no contracts associated with that division.

Divisions. It is clear that procurement touches many offices across the State. For those Departments with many divisions, there is a clear sense that contracts are procured and managed in a decentralized fashion.

2. Collection information Point 2: The current number of staffed positions and job titles within each procurement jurisdiction.

The SPO interpreted collection information Point 2 as reporting the total available procurement positions numbers, their official position description title, and their total staffed positions number.

The total procurement positions reported from the Data Call sheets is 1,509.25. Of this number, the Executive Branch totaled the highest with 834.25, which is over 50 percent of total procurement positions reported for the entire CPO jurisdictions. The various counties and Legislature reported the lowest number of procurement positions, ranging from 0 to 33.

The data received in this area may have major discrepancies. What is not known is how the Departments and Agencies interpreted the meaning of available procurement positions. Did they interpret the meaning to include all positions participating in procurement? Or did they count positions in which major functions are procurement? It seems the majority of

Departments and Agencies reported all their positions. For instance, within the Executive Branch not including the SPO, it is reported that out of 834.25 positions there were only ten (10) positions with the word “procurement” included in their title.

On the other hand, a Department did not submit any data, but stated that they do not have any dedicated procurement positions, and noted in their Data Call form that their various staff members, such as Program Administrators, Branch Managers, Secretaries, Office Assistants and other professional staff, have various levels of training and procurement responsibilities. Still other Agencies reported only positions that were directly involved in procurement.

The second-largest CPO jurisdiction, the University of Hawaii, reported that they have 301 procurement positions and reported that their number of positions does not represent full-time equivalents (FTEs) and these positions perform many other administrative duties in addition to procurement.

Staffed Positions. There are multiple interpretations as to what a staff position is for procurement. Since there is no State Organizational Personnel Plan for Procurement Professionals, and no formal recognition that Procurement is a Professional Career field, there are many hundreds of State personnel acting as Procurement Officers even though this is their additional duty and not their given job title. Procurement staffing positions should include titles such as Procurement Officers, Procurement Specialists, Purchasing Specialists, Purchasing Manager, Contract Administrators, and Contract Managers.

Typically, a Procurement Officer and their team of Procurement Specialists have the responsibility of procuring the contract, and processing any post-award contract modifications. A Contract Manager could also take the place of post-award contract responsibilities. A program manager or technical specialist will be available pre-award to write the specifications and assist in evaluation, as well as managing the program post-award. These personnel are not considered to be part of the procurement workforce.

3. Collection Information Point 3: The identification of vacant positions within each procurement jurisdiction and status of recruitment.

The SPO interpreted collection information Point 3 as the collection of total vacant positions and the recruitment status.

The reported number of vacant procurement positions for all CPO jurisdictions totaled 115.25 positions. The Executive Branch Department alone reported 99.25 positions or 86.12% of the total vacant positions. All the other CPO jurisdictions reported a vacancy range between 0 and 3. The jurisdiction with the highest vacancy rate is Hawaii Health System Corporation (HHSC) with approximately 20%. The jurisdiction with one of the lowest vacancy rate is the University of Hawaii, which displayed a high number of available procurement positions of 301 and with a very low vacancy number of 1 or about 0.33%.

The difficulty in determining the vacancy rate overall for the CPO jurisdictions is that the SPO was unable to verify the accuracy and completeness of the data submitted by the Departments and Agencies. The vacancy rate was calculated based on the number submitted in the total

available procurement positions column divided by the number submitted in the total vacant position columns. About 25% of the respondents call did not fill in the number of position columns and vacant position correctly, therefore, the vacancy rate becomes questionable. Note that in most cases if no number was submitted for the given field, SPO interpreted the non-answer as a zero (0).

Vacant Positions. The identification of vacant positions are only worth considering if they are actual procurement positions (as explained in information Point 2). Since there are varying interpretations on procurement positions, this point ultimately does not provide a complete picture of what is really vacant when it comes to procurement positions that are 100% used for procurement actions.

4. Collection information Point 4: The average annual number of contracts assigned to each procurement jurisdiction.

The top five (5) CPO jurisdictions in this category are: the University of Hawaii; the Executive Branch; the City and County of Honolulu; the County of Hawaii Department of Water; and HHSC.

The reported large disparity between CPO jurisdictions could be explained by the way the various departments and agencies interpreted the meaning of a contract, and should it include small purchases. For example, several of the Departments and Agencies commented that the figures submitted did not include small purchases because it would be too difficult to figure this out. This could explain the reason several Executive Branch Departments and CPO jurisdictions reported between two to six average active contracts per year, which could be considered a small amount of contracts in light of their small purchases.

The Data Call form also requested the average dollar value of each active contract per fiscal year. The results show that the Honolulu Authority for Rapid Transportation (HART) reported the highest amount at \$3.5 billion or about 42.5% of the dollar value of active contracts. The next four CPO jurisdictions with the highest average dollar active contracts are the Executive Branch at 40.8%; the City and County of Honolulu at 6.08%; the Department of Education at 3.69%; and the University of Hawaii at 2.04%.

By comparing the total average annual dollars with the average annual number of assigned contracts the average contract spend is determined. The CPO jurisdictions with the highest average contract spend are HART; Department of Education (DOE); County of Maui Finance Department; Executive Branch; and County of Maui Department of Water Supply. The results of this comparison show HART as having the largest dollar value of active contracts and the highest average contract spend.

Average annual number of contracts assigned. When considering the right mix of procurement positions for the procurement requirements of an Agency or Department, several factors must be considered. It is not enough to show that one Agency conducts a large number of procurements; therefore they should have many procurement positions. It also depends on numerous factors, including but not limited to the complexity of those procurements, the resources required to procure and manage those contracts, the type of system being used, if it is manual or digital procurement process, and if the internal process is cumbersome.

5. Collection information Point 5: The current level of contract oversight required during the entire procurement process.

The SPO interpreted the information to be collected as Policies and Procedures of the contract oversight levels for each Department/Agency.

The information submitted from the various CPO jurisdictions varied considerably, ranging from very broad procurement responsibilities statements, such as to follow “All procurement activities under Chapter 103D,” to a very detailed level of contract oversight submitted by the Department of Human Services and HART. The majority of the submittals were broad in nature and covered the following information:

- Procurement Delegation to each division/agency management and their responsibilities
- Following the Procurement Code for 103D and 103F, including the HAR and SPO Procurement Circulars
- The buyer’s oversight responsibilities
- Contract Administrator’s duties and responsibilities
- Procedures to initiate a contract

Contract Oversight. It is clear from many state and city audits, and the information collected at the SPO level that there are large gaps in the level of contract oversight, specifically in the post-award phase of the procurement life-cycle, that is, the contract management phase. Past experience has proven that Procurement Officers (POs) should practice a “Cradle-to-Grave: concept of handling a contract through procurement and thereafter manage any modifications and close out/re-procurement at the end. A Contract Log should be maintained at the Executive level of all Agencies/Departments showing at the minimum the start and end periods of all contracts. Oversight responsibilities post-award should fall to the technical representative or Program Manager for that contract. Day-to-day responsibilities include monitoring, deliverable reviews, and payments, as well as working in partnership with the PO in respect of any contract changes.

6. Collection information Point 6: The staffing recommendations needed to bring each procurement jurisdiction up to satisfactory performance levels.

Block 6 of the Data Call sheet requested Staffing Recommendations (if any) in which approximately 25% of the Executive Branch Departments and 70% of the other CPO jurisdictions did not provide staffing recommendations. See Exhibit E, “CPO Over-All Summary,” and Exhibit F “Executive Over-All Summary.”

Those CPO jurisdictions that submitted staffing recommendations focused on:

- Comments about their procurement staff situation and recruitment. Experiencing an increased number of both the number and the complexity of procurement requests, however due to budget constraints the procurement staffing remain the same.
- Vacant Procurement position is on continuous recruitment.

- A minimal number of annual formal contracts do not justify the hiring of additional specialized procurement personnel. Agency is adequately staffed.

The Executive Branch Departments that submitted staffing recommendations included the following recommendations:

- The State Administration and the Legislature should explore ways to centralize the procurement for the State so that complex solicitations are prepared by experienced procurement specialists instead by inexperienced program personnel.
- Create a system for the development and upward progression of contracting personnel to internally "grow" seasoned and experienced contracting personnel.
- Continual staff turnover and handling procurement on a part time, it is very difficult to do procurement with no dedicated procurement staff.
- Additional resources/staffing with procurement expertise to be allotted to the Department to assist in procurement activities.

Staffing Recommendations. The information that was submitted clearly shows that recruiting for and then keeping skilled and experienced procurement professionals is difficult. Lack of an organizational plan and low salaries will induce most Departments to have to hire on a junior level only.

Another point talks to no dedicated procurement staff, which leaves the procurement duties and responsibilities to those personnel who do not specialize in this area, creating a high risk for the success of any procurement action. There is no organizational plan that has developed a defined level of promotion in the area of procurement. Finally, there is no centralized surge team, either within Departments or at the Executive level that can assist on large procurements as and when they are in progress.

5 Errors in Findings

Many of the discrepancies found throughout the Data Call reports were directly related to how vague HCR 204 SD 1 was in defining how each data category should be interpreted and calculated. In addition, some of the data was either incorrect or missing.

Variances were also found due to confusion on:

- How divisions should be stated, that is, per the organizational charts, or rather, divisions that engaged most in procurement,
- Whether the listing of vacant positions should include all positions participating in procurement or to count only those positions whose day to day functions are procurement, and
- How the average annual number of contracts assigned to each procurement jurisdiction should be calculated.

The vacancy rate overall for some CPO jurisdictions could not be accurately determined because many of the data fields were not filled in or the numbers reported in the total vacant positions did not match with the Recruitment Status notes section of their Data Call.

6 Recommendations

Several of the Departments and CPO jurisdictions reported that the Procurement Life Cycle is complex. To be cost effective, the Departments/Agencies should have dedicated staff with the skill set to effectively realize tremendous cost savings to the State and Counties. Filling vacancies with qualified and experienced purchasing personnel is a challenge, and many Departments have recommended some centralized purchasing in order to increase efficiencies as well as to reduce the number of procurement violations. It seems these larger problems are more predominant in the Executive Branch versus the other smaller, and already centralized CPO jurisdictions.

The State Procurement Office recognizes the need to improve Procurement across the State and identify the need to boost training and for the development of our procurement workforce.

All CPO jurisdictions and Executive Branch Departments should make an assessment of their various divisions for the purpose of creating positions dedicated towards a specialist in the procurement field. As procurement becomes more complex, the need for Procurement Specialists can no longer be considered as a position that can be subdivided into multiple duties and assigned to other positions in the Departments. Procurement Professionals can dedicate their time in delivering more tangible benefits such as effectively negotiating multi-million dollar contracts, developing innovative new processes on analytics and delivering rapid cost savings.

Recommendation 1: Specialize the Procurement Function. Many Departments have hundreds of personnel responsible for procurements. However, a minority of these personnel are actually hired as procurement professionals, and instead, procurement is their additional duty (sometimes their eighth duty). With hundreds of personnel involved in procurements, it means that typically these personnel may do one complex procurement once a year, or even less, allowing for no learning curve or knowledge retention.

For these Departments, the SPO recommends the HOPA conduct an internal analysis on their procurement requirements and level of staffing. Small purchases of goods can be purchased by those who have taken training but who are not necessarily procurement professionals. However, for services, hybrid goods and services, construction, IT systems, and other such complex, highly visible procurements, each Department should have a Procurement Officer of Record and a centralized team of personnel at the ASO level who will work procurements from cradle-to-grave, procuring and managing the contracts on a day-to-day, accumulating and retaining the Department mission procurement knowledge, leveraging their specialized skills, and focusing on procurement efficiencies and cost-savings.

Recommendation 2: Create a Procurement Surge Team. There are many small Departments in the Executive Branch that do not have any Procurement Specialists and do not have large procurements requiring regular management. However, when the time comes for these Departments to conduct a procurement, they have little help. Recommend creating a flexible surge team that will be able to move between departments, to assist and facilitate larger, more complex procurements. This team would be paid for by pooling the monies of the various Departments and basing it on the percentage of work for that period. Just as the Office of the Auditor outsources their audits, so could this same model work for the 'surge' team.

Recommendation 3: Each Agency/Department should have a formal organizational plan for their procurement professionals, to include promotional opportunities. Leaders must recognize that with the expenditure of over \$1.5 billion per annum for the Executive Branch alone, that procurement must be taken into account at the Strategic Planning Level. It is no longer viable to look at procurement as an after-the-fact action, and rather, must be factored into the Agency's fundamental mission. In order to attain a successful, price-reasonable, manageable procurement that responsibly balances tax-payer's monies with results, the Agencies must acknowledge the procurement workforce as a set of professionals. The State must be able to recruit those positions offering a promotion pathway, with fair salaries and a solid training certification program.

Part and parcel of a real organizational transformation for procurement positions with promotional opportunities is the need for market-competitive salaries. Market-competitive salaries will allow the State to recruit already-skilled, experienced procurement professionals, and also keep these professionals. For example, the SPO procurement position average salaries are only 70% of other state and county offices, less than 50% of federal procurement positions, and less than 25% when compared to contractor procurement positions. Yet the SPO staff are responsible for two jobs: procurement for the State, as well as procurement for the Executive Branch. This makes it very difficult to recruit and retain professionals who are supposed to be the experts for the whole state in procurement! Thus, this results in our hiring a workforce with no expertise and having to train them from scratch. This requires waiting several years before we can consider these personnel trained procurement professionals, and are thus unable to assist Departments in their procurements due to lack of experienced resources. (Refer to Exhibit H, "White Paper on the SPO Procurement Staffing.")

Recommendation 4: Develop the Hawaii Certified Procurement Professional (HCPP). The SPO is currently developing a robust training certification program for Procurement Professionals. Levels of certification will be required for authority to procure and will be based on types of purchases and dollar thresholds. Certification will require completion of consistent refresher training.

Organizational plans for procurement professionals should align closely with the certification program based on their areas of need, such as construction or health and human services procurements as examples.

The SPO is currently exploring opportunities to leverage community partnerships with UH Community Colleges, and also nationally-recognized procurement training organizations. A very necessary tool required for a robust certification program is a learning management system that

will allow the SPO to upgrade our training, track the training taken across the State, and allow for alerts and lists for those who need refresher or continuous learning credits.

7 Conclusion

Procurement can be a powerful tool for the State in attaining cost-savings, smart budgeting and most importantly, giving the Hawaii community the goods, services and infrastructure it needs. If procurement is not seen as a professional career field, then the results of this powerful tool can be waste, fraud, and abuse.

Agencies and Departments must consider procurement at the Mission-Strategy Level and begin looking at how to set up a centralized group of Procurement Specialists who will be able to add real value to the procurement goals.

Agencies and Departments must invest in their Procurement Workforce by giving them market-compatible salaries, a promotion path-way, and regular procurement training.

The SPO recognizes that the professionalizing of the Procurement Workforce must be the priority for the future success of procurement in Hawaii, which is why three out of four main SPO initiatives revolve around upgrading and facilitating the improvement of the Procurement Workforce and its tools (Ref: Exhibit I, "SPO Procurement Top Initiatives"). The SPO is open to participate, facilitate and assist any Agency or Department in the State of Hawaii who is ready to commit to their procurement workforce.

8 Exhibits

1. Exhibit A: HCR 204 SD1
2. Exhibit B: Data Call June 9, 2015 letter
3. Exhibit C: Data Call Sept. 24, 2015 letter
4. Exhibit D: Data Call Spread Sheet
5. Exhibit E: CPO Overall Summary
6. Exhibit F: Executive Department Overall Summary
7. Exhibit G: Charts
8. Exhibit H: White Paper on SPO Staffing
9. Exhibit I: SPO Procurement Top Initiatives

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EXHIBITS

HOUSE OF REPRESENTATIVES
TWENTY-EIGHTH LEGISLATURE, 2015
STATE OF HAWAII

H.C.R. NO. 204
S.D. 1

HOUSE CONCURRENT RESOLUTION

REQUESTING THE STATE PROCUREMENT ADMINISTRATOR TO COLLECT
INFORMATION ON EACH OF THE INDIVIDUAL PROCUREMENT
JURISDICTIONS.

1 WHEREAS, Hawaii's decentralized State procurement system
2 consists of the State Procurement Administrator who assists,
3 advises, and guides governmental bodies in matters relating to
4 procurement for twenty-one procurement jurisdictions; and
5

6 WHEREAS, each of the twenty-one procurement jurisdictions
7 is under the direction of an individual chief procurement
8 officer who administers all contracts with city, county, state,
9 and federal governments throughout the State; and
10

11 WHEREAS, each individual procurement jurisdiction has
12 numerous assigned employees with different job titles and
13 experience; and
14

15 WHEREAS, each individual procurement jurisdiction has a
16 variety of contracts to award and monitor with different degrees
17 of detail and associated tasks; and
18

19 WHEREAS, each individual procurement jurisdiction may not
20 be adequately staffed to meet the mandates of the contract award
21 and contract monitoring requirements; now, therefore,
22

23 BE IT RESOLVED by the House of Representatives of the
24 Twenty-eighth Legislature of the State of Hawaii, Regular
25 Session of 2015, the Senate concurring, that the State
26 Procurement Administrator is requested to collect information on
27 each of the individual procurement jurisdictions including but
28 not limited to the following areas:
29



- (1) A breakout of each procurement jurisdiction to identify activities of each division within a large state department;
- (2) The current number of staffed positions and job titles within each procurement jurisdiction;
- (3) The identification of vacant positions within each procurement jurisdiction and status of recruitment;
- (4) The average annual number of contracts assigned to each procurement jurisdiction;
- (5) The current level of contract oversight required during the entire procurement process; and
- (6) The staffing recommendations needed to bring each procurement jurisdiction up to satisfactory performance levels; and

BE IT FURTHER RESOLVED that the State Procurement Administrator submit findings and recommendations, including any proposed legislation, to the Legislature no later than twenty days prior to the convening of the Regular Session of 2016; and

BE IT FURTHER RESOLVED that certified copies of this Concurrent Resolution be transmitted to the Governor and the State Procurement Administrator.

Exhibit A



DAVID Y. IGE
GOVERNOR



HCR 204 SD 1

Exhibit B (Sent to All Exec.
Dept. and CPO Jurisdictions)

SARAH ALLEN
ADMINISTRATOR

PAULA A. YOUNGLING
ASSISTANT ADMINISTRATOR

**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

P.O. Box 119
Honolulu, Hawaii 96810-0119
Tel: (808) 587-4700
email: state.procurement.office@hawaii.gov
<http://spo.hawaii.gov>

In reply, refer to
SPO 15-323

June 9, 2015

The Honorable [REDACTED]
Director

[REDACTED]

SUBJECT: Statewide Data Call: Organizational Management Analysis
of Procurement Workforce

Dear Mr. [REDACTED]:

Further to this year's Legislative Session, House Concurrent Resolution (HCR) 204 SD 1 (attached) was adopted. The State Procurement Office (SPO) has been asked to submit findings and recommendations on how the State and Counties organize their procurement workforce.

Per the HCR noted above, we are requesting your help in collating data specific to your department.

To assist in the collection of data, please complete the attached Excel sheet and submit it electronically to Ruth.A.Baker@hawaii.gov no later than close of business on Friday, August 28, 2015. Thereafter, the SPO will submit a summary draft report for your comments prior to any submittal report to Legislature.

Thank you for your time taken in this regard. Should you have any questions, please do not hesitate to contact me directly.

Sincerely,

A handwritten signature in black ink, appearing to read "Sarah Allen".

Sarah Allen
Administrator

SA:rb

Attachments: House Concurrent Resolution 204 SD1
Data Call Form (Excel format)

DAVID Y. IGE
GOVERNOR



SARAH ALLEN
ADMINISTRATOR

PAULA A. YOUNGLING
ASSISTANT ADMINISTRATOR

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SPO 16-075

September 24, 2015

The Honorable [REDACTED]
Director
[REDACTED]
[REDACTED]
[REDACTED]

SUBJECT: Second Notice – Collecting Statewide Data: Organizational Management
Analysis of Procurement Workforce (HCR 204 SD1)

Dear Mr. [REDACTED]

This is to follow up on my correspondence to your office dated June 9, 2015, requesting data specific to your department.

The attached Data Call Form was requested to be submitted to the State Procurement Office (SPO) by August 28, 2015. As of the date of this letter, SPO has not received your Data Call Form. Please complete the attached excel sheet and submit it electronically to Kevin.S.Takaesu@hawaii.gov no later than close of business on Wednesday, September 30, 2015.

If you have already submitted the Data Call Form to SPO, we apologize for our misunderstanding in regards to the transferring of this data.

Again, thank you for your time and effort in this call for data. Should you have any questions, please do not hesitate to contact me directly at 587-4700.

Sincerely,

A handwritten signature in cursive script, appearing to read "Sarah Allen".
Sarah Allen
Administrator

Attachments: House Concurrent Resolution 204 SD1
Data Call Form (Excel format)
Request for information letter dated June 9, 2015

Agency:	XXX Please Place Your Department Name Here XXX
Primary Contact Name/Phone:	XXX Please Place Primary Contact/Phone Here XXX

(1)	Major Division Name	Description of Activities	(4)	Average Annual # Assigned Contracts	Average Annual \$ of Contracts Assigned
i)					
ii)					
iii)					
Etc.					

(2)	Total Available Procurement Positions #	Official Position Description Title (Examples: Purchasing Specialist, Contract Administrator, Program Administrator, Procurement Manager)	Total Staffed Positions #	(3)	Total Vacant Positions #	Recruitment Status Notes
i)						
ii)						
iii)						
Etc.						

(5)	Contract Oversight levels: Policies and Procedures

(6)	Staffing Recommendations (if any)

NOTE: The numbers correspond to those found on House Concurrent Resolution 204 SD1

CPO Jurisdictions.											
CPO Jurisdictions.											
#	Department	Dept Acronym	Number of Divisions with Contracts	Total Average Annual Number of Assigned Contracts	Total Average Annual \$ of Contract Assigned	Total Available Procurement Positions #	Total Staffed Position #	Total Vacant Positions #	Recruitment Status	Contract Oversight Levels: Policy and Procedures	Staffing Recommendations
1	City and County of Honolulu- City Council	HON COUNCIL	4	1	\$173,000	0	0	0	No plans to hire procurement spec.	Top to bottom: Council Chair (as Leg. CPO), Corporation Counsel (legal review), Executive Assistant to the Chair, Fiscal Officer (officer-in-charge).	None, as a minimal number of annual formal contracts does not justify the hiring of additional specialized procurement personnel.
2	City and County of Honolulu, Budget and Finance - Div. of Purchasing -Auditor - City Clerk	HON	6	8,003	\$500,656,000	33	31	2	Personal Property Management Specialist I, 1 position, has been deactivated and Procurement and Specifications Specialist II, 1 position, have remained vacant due to lack of funding.	Honolulu City agency staff administer the contracts once contract awards are made by the Division of Purchasing. Contract administration generally includes activities such as, but not limited to, contract management, coordination, expediting, inspection, receiving, payment, and performance review. The amount of staff involved in providing this oversight is unknown.	City Auditor and City Clerk: None. The nominal number of yearly procurements (formal contracts) does not justify the hiring of additional specialized procurement personnel.
3	County of Hawaii - Department of Water Supply	HAWAII WATER	6	773	\$11,788,847	5	4	1	None submitted	The responsibility of procurement for goods, services, and construction is delegated to the respective DWS Division representative. Then formulation of a contract or purchase order is typically completed by the Finance Division or Contracts Branch. Contracts are then executed by the Department's Chief Procurement Office (DWS's Manager-Chief Engineer), County of Hawaii Corporation Counsel, and the Water Board Chairperson for the Department of Water Supply.	None submitted.
4	County of Hawaii and County Council	HAWAII	2	530	\$105,276,771	10	10	0	None submitted	Each department is responsible for contract oversight from notice to proceed through contract closeout. Assistance from Pur. Div. is provided as needed.	None submitted.
5	County of Kauai: Department of Water	KAUAI WATER	3	31	\$437,609	13	13	1	No eligible applicants for Procurement Specialist	Presently the CPO, Manager and Chief Engineer and Assistant CPO, Waterworks Controller. We do not have a Procurement Specialist and tried recruiting for the position, but remains unsuccessful due to lack of eligible	The DOW's vacant Procurement position is on continuous recruitment until eligible applicants become available.
6	County of Maui- County Auditor	MAUI AUDIT	1	2	\$126,475	2	2	0	Not filled in	Position Level 1, pCard purchases: The County Auditor is the Head of the Purchasing Agency for the Office of the County Auditor, and has received written delegated procurement authority from the Chief Procurement Officer of the Legislative branch for the County of Maui (Council Chair). Position Level 2, purchasing from State Procurement Office Price and Vendor List Contracts, purchasing Intra and Out-of-State Travel, pCard purchases: Among other assigned duties, the Administrative Officer has received written delegation authority from the HOPA (County Auditor). Contracts are executed in conjunction with the County of Maui Department of Finance and Department of the Corporation Counsel.	Not filled in
7	County of Maui- County Clerk	MAUI COUNTY	1	2	\$185,000	0	0	0	Not filled in	Not sure exactly what you are looking for here. The Office of the County Clerk follows applicable HRS and HAR procurement provisions, and receives guidance from the County of Maui Purchasing Division, Department of the Corporation Counsel and other applicable entities. We also follow procurement direction established by our Council Chair which includes stricter guidance as to obtaining quotes and procurement thresholds.	Not filled in
8	County of Maui- Department of Water Supply	MAUI WATER	1	54	\$13,634,184	2	2	0	Not filled in	All procurement activities under Chapter 103D	Not filled in
9	County of Maui- Finance	MAUI FIN	1	300	\$100,000,000	8	7	1	Not filled in	Not exactly sure what you're looking for here. All procurement activities under Chapter 103D and 103F are overseen by the Purchasing Division. The Purchasing Division in turn delegates some of the small procurement through a pcard program. Also departments generally obtain their own quotes for small purchases. Approvals are centralized in that the Purchasing Division signs off on all procurements of any \$ threshold, and we spot audit the pcard procurements.	Not filled in

CPO Jurisdictions.											
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10	Department of Education (DOE)	DOE	2	312	\$304,000,000	16	13	2	Two Proc. & Contract Support Spec. currently on external recruitment; one as emergency hire; and one as T/A from Contracts Assistant II	The Contract Administrator is responsible for: · the terms, conditions, quantities, specifications, scope of services, other contract terms, and all decisions relating to the contract; · monitoring the Contractor's work, documenting that Contractor maintains the required insurance coverage (if applicable), resolving contract disputes and discrepancies, evaluating the work of the Contractor, assuring the services or goods are delivered as required in the contract, and processing payment for services rendered; and · notifying Procurement & Contracts Branch in the event of change in scope of work, change in the performance period, increase or decrease in total compensation, and/or changes in any other contract terms. Construction contract status is tracked in "Factrack" which is a database internal to the DOE.	None:
11	Executive	EXEC	164	10,292	\$3,361,916,207	834	716	99.25			
12	Hawaii Health Systems Corporation (HHSC) and Regional Hospitals	HHSC	6	715	\$86,000,000	15	12	3	3 open recruitment for Temp Sr. CM; and CMII	Contract oversight levels and defined roles and responsibilities are governed in accordance with HHSC Procurement Policies and Procedures. Each region has separate regional specific procurement policies and procedures and governance structure. HHSC CM's have procurement oversight from initial procurement request through the point of contract award/execution. Post contract award administration oversight resides with Technical Representative and the CM per policy. The HHSC Technical Representatives are required to provide vendor performance oversight (Vendor performance review/tracking and invoice verification of adequate and successful delivery of services). The CM is responsible for a host of contract oversight duties and works closely with the assigned Technical Representatives during contract performance.	None submitted.
13	Honolulu Authority for Rapid Transportation (HART)	HART	2	50	\$3,500,000,000	13	12	1	On going recruitment for Procurement and Specifications specialist	Procurement Division: Approvals are obtained as prescribed in and pursuant to the Hawaii Public Procurement Code. All required approvals by the "procurement officer" and "Chief Procurement Officer" are provided by HART's Chief Procurement Officer or his authorized designee given by his delegation of authority. Prior to obtaining the Chief Procurement/procurement officer's approval, the documentation is reviewed by the Director or Deputy Director of Procurement and Contracts Division. HART's contract oversight levels are followed pursuant to HART's Contract Change Procedures. Briefly, the summary of oversight levels are: the project manager (PM) is responsible for managing scope, schedule, and budget. The contract manager(CM) coordinates with the PM regarding the contract change order for compliance with contract terms and HART policies and procedures, reviews the merit determination and thenegotiations strategy for the change, including review of the contractor's change cost proposal and HART's independent cost estimate. The Director of Design and Construction oversees the engineering and construction technical aspects and will review the requests for change and the negotiation strategy. Finally, the Officer-in-Charge will review the recommended contract change order before it is presented to the Chief Procurement Officer for authorization.	None submitted.
14	Honolulu Board of Water Supply	HON WATER	1	600	\$70,000,000	5	5	0	None submitted	Contracts over \$25K require Chief Procurement Officer approval. Contracts \$1K to \$24,999.99 can be approved by the Procurement & Specifications Specialist VI.	None submitted.
15	House of Representatives	HSE	1	14	\$450,000	4	4	0	None submitted	For most contracts, we have either two or three levels of oversight. First is the buyer who will solicit the quotes or put together the RFP/IFB. Second level will be the Chief Clerk, who will authorize the purchase or review and sign the contract. For larger contracts, third level is the Speaker of the House as the Chief Procurement officer, who will authorize the procurement or sign the contract after review by the Chief Clerk. Also for larger contracts, we will seek the review by the House Chief Attorney, who will serve as an extra level of oversight.	None submitted.
16	Judiciary, State of Hawaii	JUD	15	615	\$325,954	229	227	3	1- ADR Dir. - Currently recruiting; 1- Chief Adjudicator - Currently recruiting; 1- Print Shop Supervisor - Recruit at a later date.	Judiciary Financial Administration Manual; 42F, 103D, 103F and 104 Hawaii Revised Statutes; Hawaii Administrative Rules.	Supreme Court: Due to retirement Account Clerk IV position was vacant in 2008 and was abolished by the Legislature. Account Clerk III position was funded in 2013 but the position is only temporary and not permanent. Require minimum of two positions in a fiscal office to maintain internal controls. Account Clerk position should be converted to permanent. B12

CPO Jurisdictions.											
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17	Kauai County and Council	KAUAI	1	200	\$12,300,000	9	9	0	All positions filled	Responsible for maintaining control of all original contracts for various goods, services, construction, leases, and rentals. Works in close coordination with the Office of the County Attorney to ensure legal conformance. Confirms fund certification pursuant to law. Duties and responsibilities of the Division conform with the requirements of HRS 103D and the associated administraitve rules, the County Charter and various departmental proceodural memoranda that are issued to lend required guidance, training and support.	The DoP is adequately staffed well into the future based on internal efficiencies acquried through the use of technology.
18	Office of Hawaiian Affairs (OHA)	OHA	8	276	\$452,930	7	6	1	Procurement Spec. vacant as of June 30, 2015, but filled as of September 9, 2015.	<p>The BOT Chair is the Chief Procurement Officer (CPO) for the Office of Hawaiian Affairs (OHA), and has delegated authority to the OHA Chief Operating Officer (CEO) as the Head of the Purchasing Agency (HOPA) to oversee the procurements conducted by OHA. All procurements conducted under 103D and 103F Hawaii Revised Statues, and in accordance the Hawai'i Administrative Rule, as amended.</p> <p>The HOPA had delegated responsibility to the Chief Financial Officer and Controller to oversee the OHA Procurement Unit. The HOPA has delegated procurement authority for the Procurement Unit to conduct procurement for OHA. The Procurement Manager also supervises and manages the day to day operations of the Procurement Unit.</p> <p>All contracts are reviewed and approved to form by the OHA Corporate Counsel.</p>	In past few years, OHA has experienced increases in both the number and the complexity of procurements requested. This is primarily due to increased responsibilities of the agency as a land owner (both commercial and legacy properties), in addition to launching new initiatives such as nation building efforts. In the mean time, the procurement staffing remained the same due to budget constraints, which has posed some challenges especially during the busy peak season (April through June) or when not fully staffed. Procurement Manager has been covering much of the vacant Procurement Specialist's duties, which impacted her capacity to focus on daily management of the unit as well having to delay certain priority projects (i.e. updating SOP, researching procurement management application software, etc.). As OHA's procurement unit is once again fully staffed as of September 9, 2015, we are hopeful and have made specific plans to focus these items.
19	Senate	SEN	1	16	\$350,000	3	3	0	None submitted	(1) Buyers (most often the Supply Manager or IT Systems Analyst) solicit quotes for small purchases through an RFQ. Chief Clerk will issue IFBs/RFPs. (2) Chief Clerk or the Senate President (Chief Procurement Officer) authorize purchases and approve contracts. (3) Attorneys from the Senate Majority Research office will review larger contracts before CPO approval.	None submitted.
20	University of Hawaii (UH)	UH	12	25,313	\$168,047,625	301	300	1	None filled in	Purchases of goods, services, and construction for the University system in amounts less than \$25,000 pursuant to Executive Policy E8.107. All procurements are governed by UH Administrative Procedures A8.200 - A8.295.	None submitted.
		Total	238	48,099	\$8,236,120,602	1,509	1,376	115			

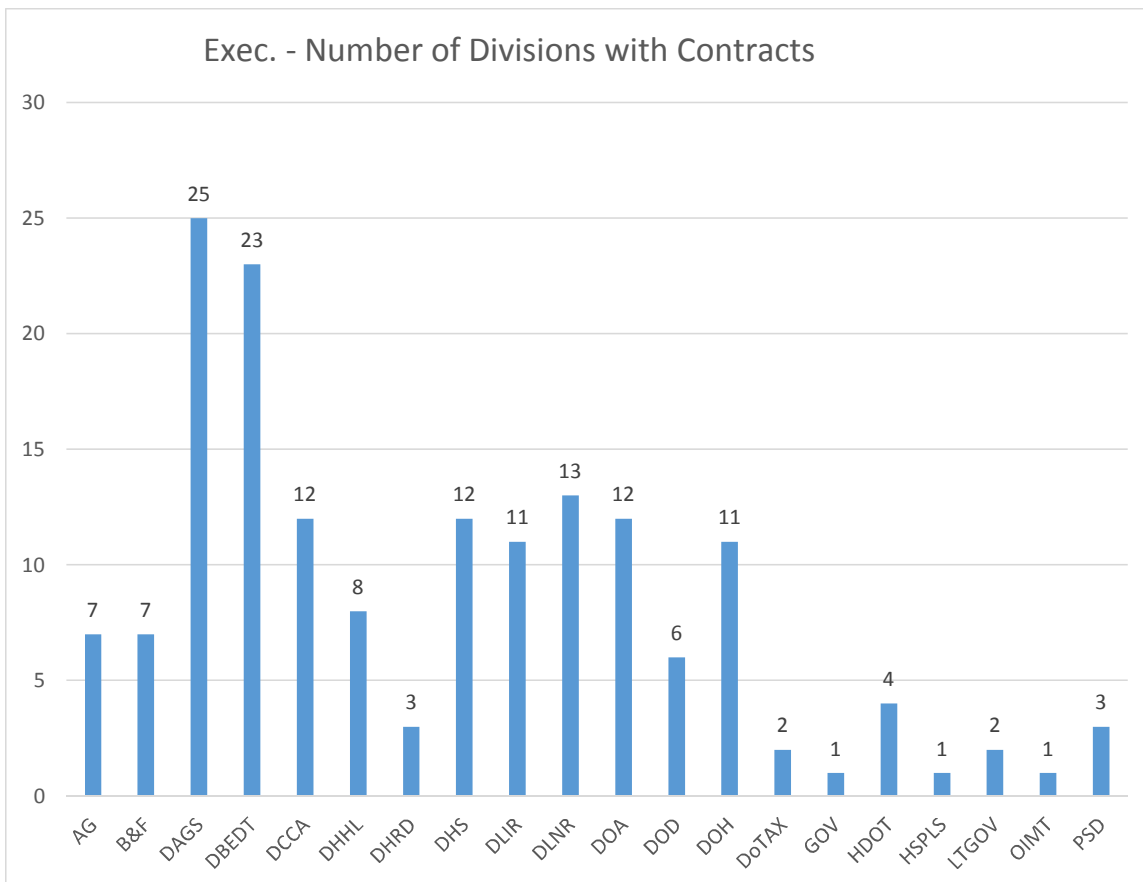
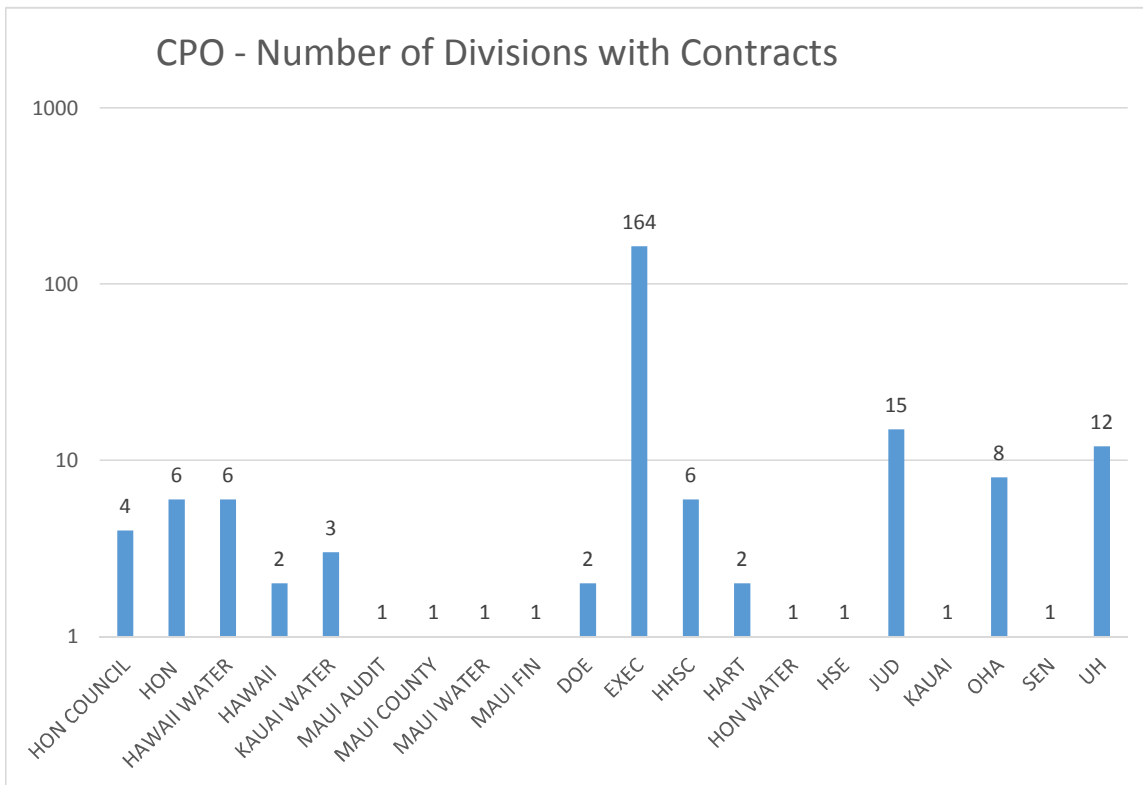
Executive Branch									Executive Branch		
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1	Attorney General (AG)	AG	7	113	\$13,445,000	8	8	0	All Filled	Total Oversight processes in accordance with State Procurement Policies and Procedures. Contracts are reviewed in form and content by the Office of the Attorney General through the Administration Division, the First Deputy Attorney General, and the Administrative Services Manager.	The Department of the Attorney General had submitted and will continue to submit a request to have a Contract Administrator or Management Analyst position to oversee the Department's contracts and procurement requirements.
2	Budget and Finance (B&F)	B&F	7	55	\$861,822,809	15	15	0	None reported	The department follows policies, procedures, and oversight activities in accordance with the State Procurement Office policies procedures and directives	None.
3	Department of Account and General Services (DAGS)	DAGS	25	7277	\$348,753,410	223	211	2	2 Vacancies for positions with an official title as procurement/contract specialists. OIMT Procurement Specialist -candidate selected; position to be filled mid-September. OIMT Contracting and Procurement Specialist - recruitment notice posted on DHRD website.	Because of the complex 103D HRS procurement code which was probably developed for a centralized procurement federal agency, adherence to all procurement policies, procedures, and statutes are difficult for State employees. Subsequent changes to the procurement code by the legislature over the years has added to this complexity. Additionally, transparency posting requirements, etc. have made it more challenging for our staff. Rather than staffing each department with adequate personnel to meet the mandates of the contract award and contract monitoring requirements, the DAGS-Administrative Services Office recommends that the administration and legislature consider centralizing some of the procurement duties and responsibilities within the State Procurement Office.	DAGS-Administrative Services Office Recommendations: Currently the Department of Accounting and General Services have approximately 250 employees (includes pCard holders) or 35% of the total departmental staff involved in procurement activities. Some of them procure only once a year. This pattern probably holds true for all State departments. We recommend that the Administration and the legislature explore ways to centralize the procurement for the State so that complex solicitations are prepared by experienced procurement specialists instead by inexperienced program personnel. In 2011, the State Procurement Office submitted a biennium budget request for 21 permanent positions to centralize some of the procurement responsibilities of the executive branch (excludes UH, DOE, HHC, and OHA). Unfortunately the administration/legislature only approved seven positions which were positions that were eliminated in the previous years. A similar budget request like the attached Form A (2011 budget request for the fiscal biennium 2011 – 13) should be submitted for the 2016-17 supplemental budget. By centralizing some of the procurement activities, the State will become more efficient and realize tremendous cost savings through: 1) the consolidation of departmental solicitations (volume leverage) equals cost savings; 2) the availability of more SPO price/vendor lists; 3) the improvement of staff productivity by leaving procurement to experts, thus allowing staff to perform duties and responsibilities they were hired for; and 4) the reduction of procurement violations which will result in fewer late vendor payments because of less errors in the procurement process. The objective would be cost savings, fewer exceptions, and full compliance to procurement policies and statutes, therefore minimizing extra work and frustration for all involved.
4	Department of Agriculture (DOA)	DOA	12	67	\$57,350,000	None reported	0	0	None reported	Agency attached their accounting and policy procedures created in March 2006 that Covering contract administration, contract file, goods services received, progress payments, extension of time, complaint to vendor, suspension or debarment of bidders from a bidding process, breach of contract, completion of contract, and unrequired contract encumbrance advice.	At a minimum, one purchasing specialist and one contract administrator would be desired for the department to provide guidance for staff.
5	Department of Business and Economic Development (DBEDT)	DBEDT	23	311	\$274,661,860	95	100	7	Request submitted to the Governor to fill 1 position; recruitment in process for 5 positions	Summarized: Follow all SPO & DBEDT rules, policies and procedures. Executive Director is responsible for overseeing compliance in the procurement process. Director's Office and DAGS pre-audit review of all contracts. Monitors Vendor's compliance; terms of contract; milestones; and address any issues during the term of contract. Business Manager: Position Level 2. Chapter 103D, HRS: Conducts/Participates-All. HlePRO- Approver/Buyer-All . Procurement Officers - The Executive Director and the Planning Branch Chief have been designated Procurement Officers who have the authority to approve procurement processes and execute contracts pursuant to procurement delegation of authority from SPO and DBEDT.	Periodic Training/refresher training would be helpful.
6	Department of Commerce and Consumer Affairs (DCCA)	DCCA	12	228	\$9,068,900	85	80	6	Recruiting for 6 positions	Employee's are delegated procurement authority; procurement training is obtained before they can procure; ASO maintains the delegation /training date; Each Div. has delegated procurement officer; Staff is responsible for following all State policies, procedures, laws, rules, and regulations. All formal contracts are executed by the Director. Fiscal Office Pre-Audit review contracts for completeness and compliance with HRS 103D and Accounting policies and procedures.	Overall, the department recommends the creation of a procurement specialist position within DCCA to specialize in and oversee procurement impacting all DCCA divisions and programs. This position would have the expertise and skills devoted exclusively to understanding the applicable procurement policies and procedures and laws, and would also be responsible for administering and overseeing the actual procurement process. Related to the creation of a DCCA procurement specialist position, some divisions note that procurement is currently being conducted by a limited number of individuals with basic training – though not specialized – in handling procurement functions. Divisions go on to indicate that, in their experience, because the department doesn't have a dedicated procurement position, almost all purchases are made from pricelists which don't necessarily have the best pricing. By having a dedicated procurement position, more time could be spent researching purchase requests for better solutions and searching for better pricing.

Executive Branch									Executive Branch		
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7	Department of Defense (DOD)	DOD	6	152	\$28,856,988	9	5.32	0	None reported. For staffed position- four positions reported their involvement in procurements are a small percent of their responsibilities.	All state contracting for the Department of Defense (DOD) is centralized at the department level and administered by the departments Engineering Office, under direction of the Chief Engineering Officer. Internal developed policies/policy directives and procedures to implement and execute state contracts in accordance with HRS 103D and 103F, and HAR Chapter 3. An internal Contract Request Form (CRF) is required to initiate a contract and requires signature approval by the division's fund manager, the department Fiscal Officer, the department Chief Engineering Officer and the Adjutant General (TAG) prior to being able to initiate a contract's execution. The department also does annual state contract training. Signature authority for State contracts at the DOD has been delegated by the TAG to the Deputy Adjutant General (DAG). The DAG is the only signator that can approve and execute a DOD state contract. The small purchases are handled by each division and processed by the Procurment Techs following SPO procedures. All POs are processed by the Purchasing Techs, authorized by the fund manager and approved by the BMO.	Recommendation: Create a system that helps manage the development and upward progression of contracting personnel. This is need so that the state can internally "grow" seasoned and experienced contracting personnel. In the past, the DOD has had difficulty finding qualified applicants to apply for the Contracting Assistant I and II positions due to lack of qualified applicants available in the state. Note: Unlike small purchases/procurement (which is decentralized), state contracting at the Department of Defense is centralized at the department level. All state contracts for the department are administered for the Adjutant General by the Engineering Office and the department's Chief Engineering Officer. Similarly, the Purchasing Tech is a unique position and an in house development program would be beneficial for promotions and retaining employees.
8	Department of Hawaiian Home Lands (DHHL)	DHHL	8	80	\$1,332,531	110	71	39	None reported	DHHL has drafted a procurement manual which models HRS 103D and HAR 3-122. Generally, DHHL follows HRS Part III. Source Selection and Contract Formation. More specifically, DHHL professional staff is designated to monitor a contract until completion by an administrator of a division or office. The contract administrator is involved during the planning stages prior to procurement to ensure adequate knowledge and consistency in the project.	Note: Item (4), the contract list contains certified contract only. No purchase orders have been included. Item (2), the position description shows DHHL capable of practicing procurement. These positions may or may not have procurement delegated authority (including vacant positions).
9	Department of Health (DOH)	DOH	11	515	\$9,645,145	10	1	9	Waiting to re-describe one position prior to hiring; In recruitment for Division Accountant; PD will be reclassified before recruitment efforts begin to fill the position for Grants Management Specialists IV; Interviewing Hawaii Pathways Project coordinator; and In recruitment Public Health Preparedness Accountant III	None: Reported	Additional deputy AG assigned for review; Additional ASO contract specialists assigned per division; streamline processes and timeline for review and modification of contract documents-- shouldn't take 3-4 ; Additional Contract Specialist positions at Departmental level and assignment of a Deputy AG to DOH to assure timely review of contracts. months to get a contract executed; Streamline timeline and process of encumbrances and allotments for contracts – shouldn't take 3-4 months to get a fully executed contract to Provider; in addition to staffing, what would be extremely helpful is make the required courses to conduct procurement activities more frequently and regularly available (or available at all). Often, we might have non-Accountant staff willing to process procurement files and documents; however, because of requirements to have completed specific SPO trainings/courses which often aren't even offered, we're unable to utilize such staff.
10	Department of Labor and Industrial Relations (DLIR)	DLIR	11	228	\$57,164,000	21	5.1	1	1 Pending redescription	The Business Management officer overseas the entire procurement process for the Dept. with the assistance of the Management Analyst V. Each Division/Agency head is responsible for their own procurement from provider slection. The program specialist of each division/agency perform program monitoring and contract tracking. At the level of Division, staff initiating procurement review invoices for receipts of goods/services, HCE compliance before sending to ASO for payment processing. ASO responsible for contract encumbrance and certification. and finalizes Dept. payment processing for DAGS to issue payment checks.	Due to the continuing staff turn over and handling procurement on a part time or as needed basis, it is very difficult to do procurement with no dedicated procurement staff.
11	Department of Land and Natural Resources (DLNR)	DLNR	13	332	\$45,597,065	4.25	4	0.25	Engineer V recruitment completed, start date to be completed	Land-Various levels of checks and balances within the division leading to supervisory review; BOC- Oversight done by management with the assistance of the Administrative Services Assistant. No division policies and procedures in place; HP-prepared by contract specialist, reviewed and approved by Administrator, sent for final execution to Chair/Gov. Some go through BLNR; ENG-Project managers prepare/manage contracts for work assigned. When filled,part of the Engineer V's duties will include serving as teh division's procurement point-person to review/monitor all contracting by the division. SP-- needs its own procurement specialist, especially to address new UPW/DHRD personnel agreement regarding on-going maintenance contracts; DAR-no comments; DOFAW-Build/Assemble contracts, handle contract approval process with vendors, AG and Chairperson's Office; contract tracking, payment tracking; DOCARE-limited to approved staff; DOBOR-District Managers and DOBOR engineering solicit, procure and execute contracts. Administrator review for form and compliance; CWRM-Indiv contracts monitored by staff project managers, otherwise follow SPO policy; IT-provide technical oversite to divisions; KIRC-Act 244, 2013 KIRC procurement exemption for food & fuel products; OCCL-OA received invoices, Administrator signs off authorization of invoices & Fiscal office prepares amount to be paid to contractor.	Additional resources/staffing with procurement expertise to be allotted to the Department to assist in procurement activities. SHPD & Parks need their own procurement specialist. DOBOR- Inventory responsibilities also a problem. District manager turnovers are a problem because the new person has to come up to speed and take appropriate procurement classes.
12	Department of Taxation (DoTAX)	DoTAX	2	16	\$1,078,267	6	5	1	Pending recommendation (Administrative Services Officer, currently being TA'd)	All solicitations and contracts are reviewed by the Administrative Services Officer and by AG. The Department references HRS, HAR, procurement circulars and procurement directives on the SPO website as well as the contract submittal checklist from DAGS.	The Department recommends having solicitation and contract templates for each type of procurement method available on the SPO website.
13	Department of Transportation	HDOT	4	205	\$769,195,656	156	131	25	Left blank	The current level of contract oversight required during the procurement process: High level, stringent oversight. For example, for a construction project, any decision involving approval of payment or revisions to the scope must be approved by the individual project engineer. Another example is oversight for federal and state compliance, I.e., payment of state/federal wage rates, EEO and applicable civil rights compliance, OSHA, to name a few.	Procurement Specialist in the Harbors Division. General Professional VI / Assistant Contracts Officer and clerical support in the Administration Division Contracts Office.
14	Dept. of Public Safety (PSD)	PSD	3	75	\$91,200,000	23	20	0	None	The Department of Public Safety has a centralized process for executing 103F and complicated 103D contracts. That responsibility is within the Administration Division under the Administrative Services Office/ Procurement and Contracts Unit. This unit works with programs needing to solicit 103F and 103D contract services. Once awarded and executed, the program managers are responsible for monitoring their contracts. Fiscal positions at each program are responsible for the processing of payment of services.	The Department of Public Safety will need 1.0 additional technical staff and 1.0 professional staff under the Procurement and Contracts Unit. Have 3 Procurement & Supply Specialist with no vacant position.
15	Hawaii State Public Library System (HSPLS)	HSPLS	1	10	\$1,300,000	1	1	0	N/A	Sections develop/prepare specifications and/or scope of services. Accountant V reviews, approves, conducts/administers solicitation. Offers are reviewed/selected by sections/Administrative Services Branch. Small purchases approved and signed by Accountant/Administrative Services Officer. Purchases \$100,000+ are approved and signed by State Librarian or Administrative Services Officer.	None.
16	Human Resources Development (DHRD)	DHRD	3	3	\$120,375	Reported: None	Not filled in	0	Reported: Not Applicable	i) Employees who use the services of the contract provider are given a questionnaire at their final appointment for completion. The Personnel Program Manager also receives monthly and quarterly reports from the contractor that summarize the services provided. ii) The Personnel Program Administrator and staff participate in quarterly on-line performance measurement surveys that enable the department to monitor and provide feedback to the contractor.	Recommend resources be provided to the State Procurement Office so that they can conduct procurement activities for the smaller departments that may not be able to justify procurement specialists.

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17	Human Services (DHS)	DHS	12	545	\$780,213,114	58	51	7	1 External Recruitment for Prog. Specialist 8/15/15; 2 Current pending recruitment Prgm Spclt IV; 1 Purchasing Technician in external recruitment; 1 Children & Youth Program Specialist is currently vacant. But an applicant has accepted the position and should start in the near future; 1 vacant position in process being established; 1 position filled and 1 Position in continuos recruitment.	<p>i. Policies and procedures for monitoring of contracts established within BESSD and also dependent on the contract services. Monitoring activities may also be included in the contract (scope of services and compensation & payment and reporting requirements). The program specialists will monitor the providers of contract services through on-going contacts with the providers, including telephone, meetings, emails, and formal correspondence, as needed. Program specialists will also review reports submitted by the providers each quarter and review invoices submitted by the providers and follow-up with the providers if any questions or issues are noted. ia). Policies and procedures for monitoring of contracts established within BESSD and may also be dependent on the type of contract services and funding source. Monitoring activities include, but are not limited to, performance and fiscal oversight. The program specialists will monitor the providers of contract services and funding through site visits, case record review, program reports and expenditure reports. Programs specialists also review quarterly reports and monthly invoices submitted by the providers and follow-up with the providers if any questions or issues are noted. On average each Program Specialists is responsible for 9 on-going contracts. Semi annually the program specialists conduct a Work Program Verificationnm case record review of the First to Work Program.</p> <p>ib). Policies and procedures for contract oversight established within BESSD. The contract also includes monitoring activities such as deliverables, reporting requirements and problem esclation procedures.</p> <p>ic). HPO uses a risk assessment tool as a basis to create a monitoring schedule for the year. Becuase of historical levels of understaffing, HPO could not monitor every contract</p> <p>id). Minimal oversight needed for routine small purchases. For procurement that are competitive sealed bid or competitive sealed bids and proposals. All other staff listed are limited to small purchases. Also, as a side note, all secretaries within BESSD/SB may participate in small purchases under \$5000.</p> <p>ie). BESSD Administrator and Financial Assistance Program Administrator</p> <p>iiia). All 7 positions are level 2 on the SPO Procurement delegation from (SPO-036). The Governor approves our request for exemption to the budget execution policy that limits the departments Director's delegation of procurement authority to only one person in the department. We then obtain procurement delegation from the department director on SPO-036 form. Our Executive Director is a level delegated procurement officer and executes all of our contracts for the fiscal year.</p> <p>iiia). The HPHA maintains a 3-year folling advanced procurement plan for recurring contracts (e.g., refuse collection, security services). Additionally, the Contract and Procurement (CPO) meets with each Branch prior to the fiscal year to determine procurement needs and establish a purchasing calendar in accordance with HUD guidelines. Occasionally, a contract for goods, services or construction is necessary to respond tro an emergency or priority situation. Each Branch will develop the scope of services or identify the work needed. The Fiscal Office conducts fiscal review to determine if funds are available. The CPO will draft the solicitation and obtain review by the AG's office. the office of the Executive Director will review and approve issuance of the solicitation. Once a contractor is selected, a contract is executed and the Branch is responsible to administer and monitor contract activities and process paymengts. CPO and the Compliance Officer will monitor the Branch to ensure proper contract monitoring is occurring. Office fo the Executive Director reviews montly reports and must approve all contract payments. CPO will conducts refresher training for staff on State and Fededal procurement rules on a regular basis.</p> <p>va). 1. Contract: Contracts are procured, monitored and evaluated by the Purchase of Services Specialist (POS Specialist). POS ensures that services are delivered and contractors are reimbursed according to a) contract terms, b) applicable laws, rules and regulations, and c) sound social work principles and methods.</p> <p>2. Monitoring</p> <p>Programmatic Oversight</p> <p>a) The POS ensures the provider is providing the services in accordance with the contract agreement, and is compliant with appropriate federal and state laws, rules and regulations. The provider must submit monthly freports on the services delivered and clients served.</p> <p>b) The POS conducts monthly, quarterly or annual audits when determined appropriate or necessary.</p> <p>c) The provider is required to prepare and submit applicable reports in accordance with the contract agreement.</p> <p>d) On-site evaluations of the contractor and program are conducted by team of POS, Program Development Administrators, and program social workers to ensure that services are appropriate, effective and beneficial for clients. Program, contract compliance and administration are evaluated.</p> <p>Fiscal Oversight</p> <p>a) The POS ensures that the provider submits monthly income and expenditure reports specifying the amount due and certifying that services requested under the contract agreement have been performed satisfactorily in accordance with the agreed upon terms and conditions.</p> <p>b) The POS ensures expenditures are in accordance with the State of Hawaii, State Procurement Office, Chapter 103F, HRS-Cost Principles Purchases of Health and Human Services and when applicable in accordance with the Office of Management and Budget Federal Cost Principals.</p> <p>via) Contractor Administrator: Aside from polcies and procedures, conducts the RFI and RFP process along with the development of the contracts. Contrctors Managers: Conducts desk and field monitoring of assigned contracts.</p> <p>via) Contract oversight (monitoring) is the responsibility of a different Branch within the Division. The Procurement and Supply Specialist ensures contractor in compliance with insurance, Compliance Express requirements.</p>	<p>CCPO has sufficient staffing to monitor its contracts. It should be noted that the Child Care Eligibility and Payment Services contract requires at least 3 staff to monitor the provider and conduct on-going Quality Assurance case reviews of cases to assess provider's performance measures of the contract.</p> <p>ia). Filling the one (1) vacant program specialist positions will bring ETPO to a satisfactory staffing level to provide adequate contract oversight.</p> <p>ib). SORS has sufficient staffing to monitor contracts.</p> <p>ic). N/A</p> <p>id). N/A</p> <p>ie). N/A</p> <p>iiia). Prior to the 2009 RIF, our office had 15 positions for the procurement process, 10 children & youth program specialists, the Corrections program specialist, the juvenile justice program coordinator, and the contractr assistant. 13 positions in total were abolished. In addition we lost 6 administrative support staff positions that assist the procurement process. We have since regained some of the positions that were lost. Our contract output both in numbers and amounts have remained the same from 2008 until now.</p> <p>iiia). The HPHA needs to fill vacant positions</p> <p>iva) Two</p> <p>via) Considering reorganization to provide contract administrator with support staff.</p> <p>viiia) The Division currently has only one position to handle all the procurements for the Division. Recommend one additional Procurement and Supply Specialist that would ensure Contractor in compliance, Compliance Express requirements, etc.</p>
18	Office of Information Management and Technology (OIMT)	OIMT	1	72	\$11,000,000	8	6	2	1 Candidate selected; position to be filled mid-September. 1 Recruitment notice postecd on DHRD website	A request to purchase is reviewed by Supervisor or Project Manager prior to submittal to Administrative Services Office. Requests for solicitation is assigned to procurement specialist to post solicitation. Administrative Services Officer reviews solicitation prior to posting. Once bids received, Program Manager reviews for technical content, and Administrative Services Officer reviews prior to award	None
19	Office of the Governor	GOV	1	6	\$60,000	1	1	0	N/A	Contracts in our office are mostly limited to those for office services such as copy machines and equipment maintenance. As such, oversight is mostly limited to monitoring whether services are received once the contract is finalized.	None

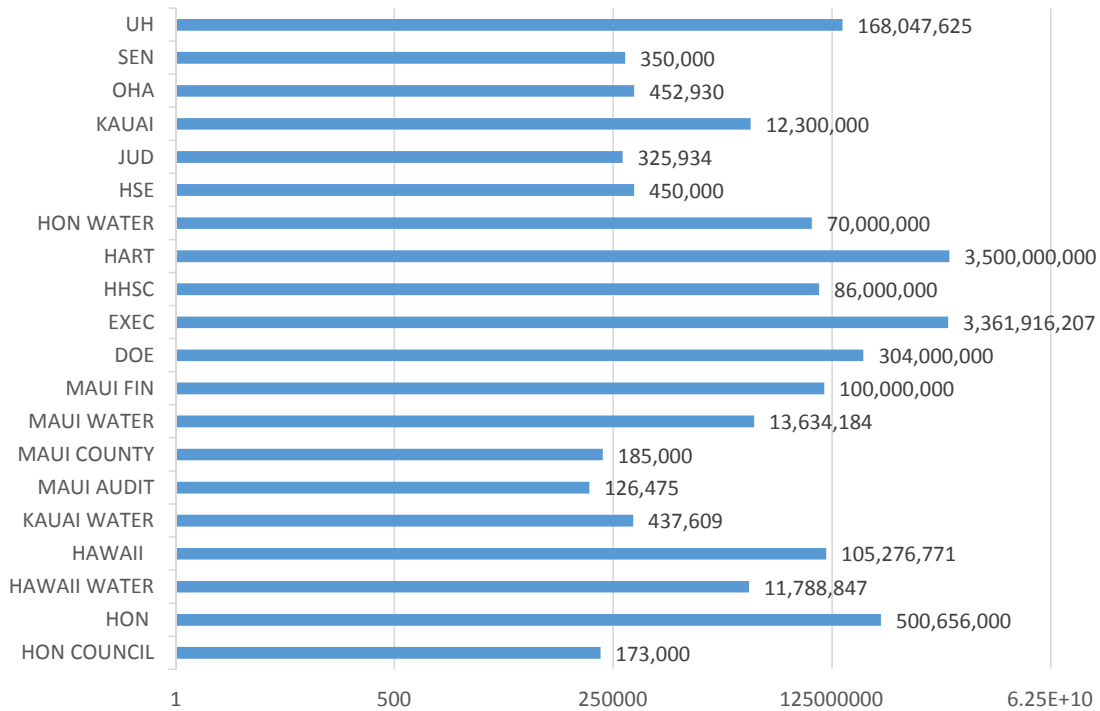
Executive Branch									Executive Branch		
#	Department	Dept Acronym	Number of Divisions with Contracts	Total Average Annual Number of Assigned Contracts	Total Average Annual \$ of Contract Assigned	Total Available Procurement Positions #	Total Staffed Position #	Total Vacant Positions #	Recruitment Status	Contract Oversight Levels: Policy and Procedures	Staffing Recommendations
20	Office of the Lieutenant Governor	LTGOV	2	2	\$51,087	1	1	0	N/A	(i) The Office has worked with the assistance of SPO throughout the entire procurement process to procure vehicle lease contracts for the Lieutenant Governor. Monitoring and compliance is conducted by the Chief of Staff and Deputy Chief of Staff. (ii) OIP- Secretary to Director is authorized to process procurement paperwork and handles all office purchases and payments to vendors. OIP Director and Open Data Staff Attorney (in OIP Director's absence) have the authority to approve Secretary's purchases and payments. Both OIP Director and Secretary to Director have pCard administrator rights.	Due to the small size of the Department, the low volume of contracts executed, and a lack of positions and resources there are no positions dedicated solely to procurement. The duties instead fall under the responsibilities of the Chief of Staff and Deputy Chief of Staff. The low volume and experience with procurement can be challenging for our office on the rare occasion it must follow the procurement process. The assistance of the expertise of the SPO has proved valuable to our small and inexperienced department.
Total			164	10,292	\$3,361,916,207	834.25	716.42	99.25			

HCR 204 SD 1 Report to 2016 Legislative Session
Exhibit G (page 1)

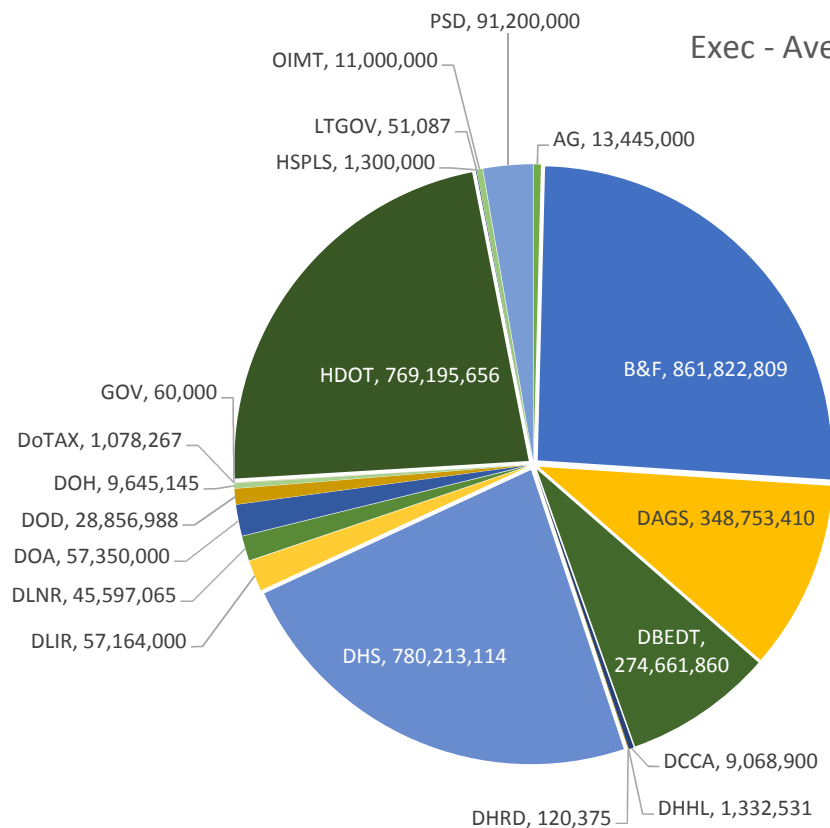


HCR 204 SD 1 Report to 2016 Legislative Session
Exhibit G (page 2)

CPO - Average \$ Active Contract per FY

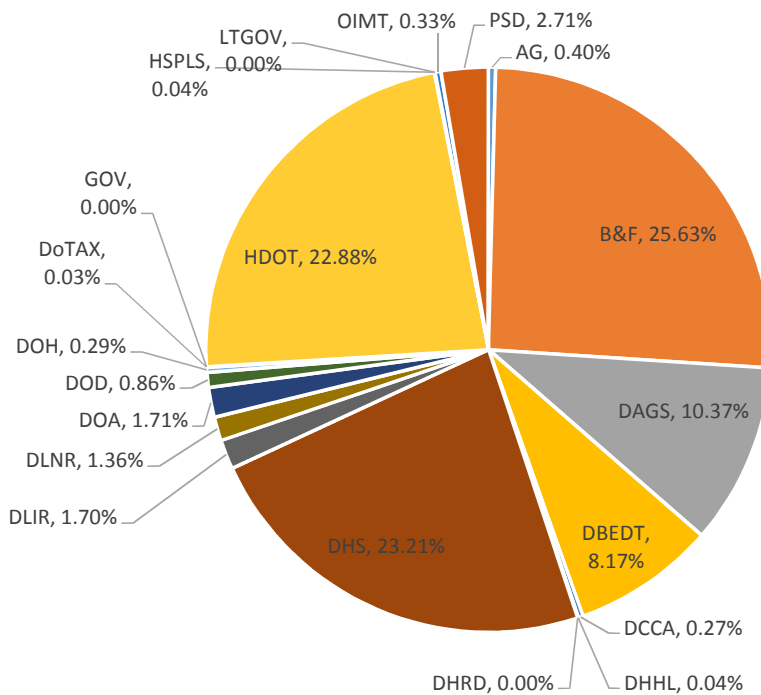


Exec - Ave \$ Active Contracts per FY

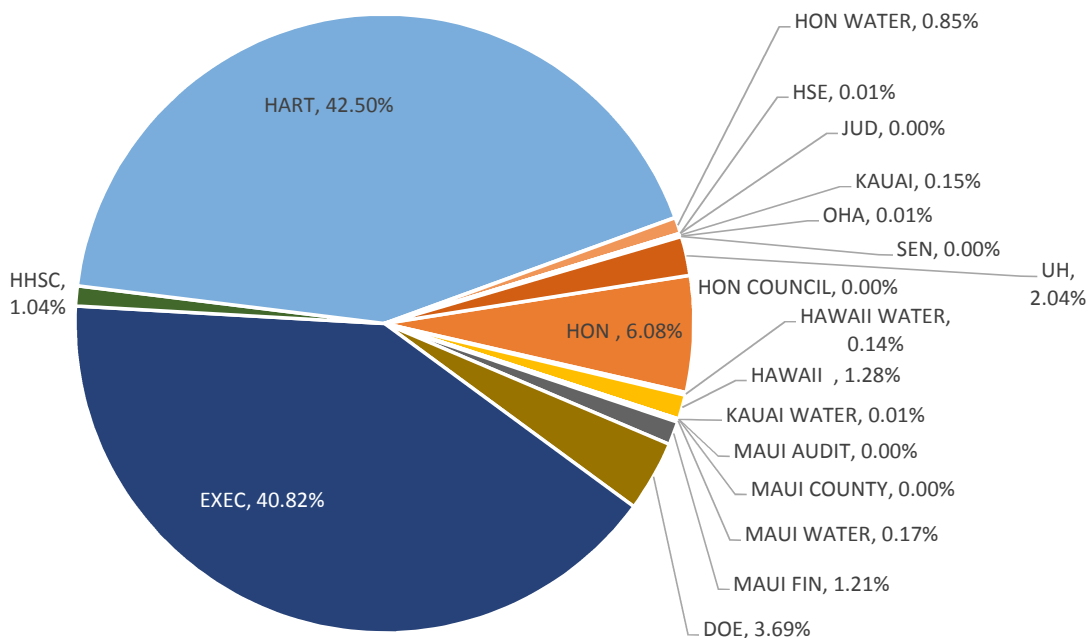


HCR 204 SD 1 Report to 2016 Legislative Session
Exhibit G (page 3)

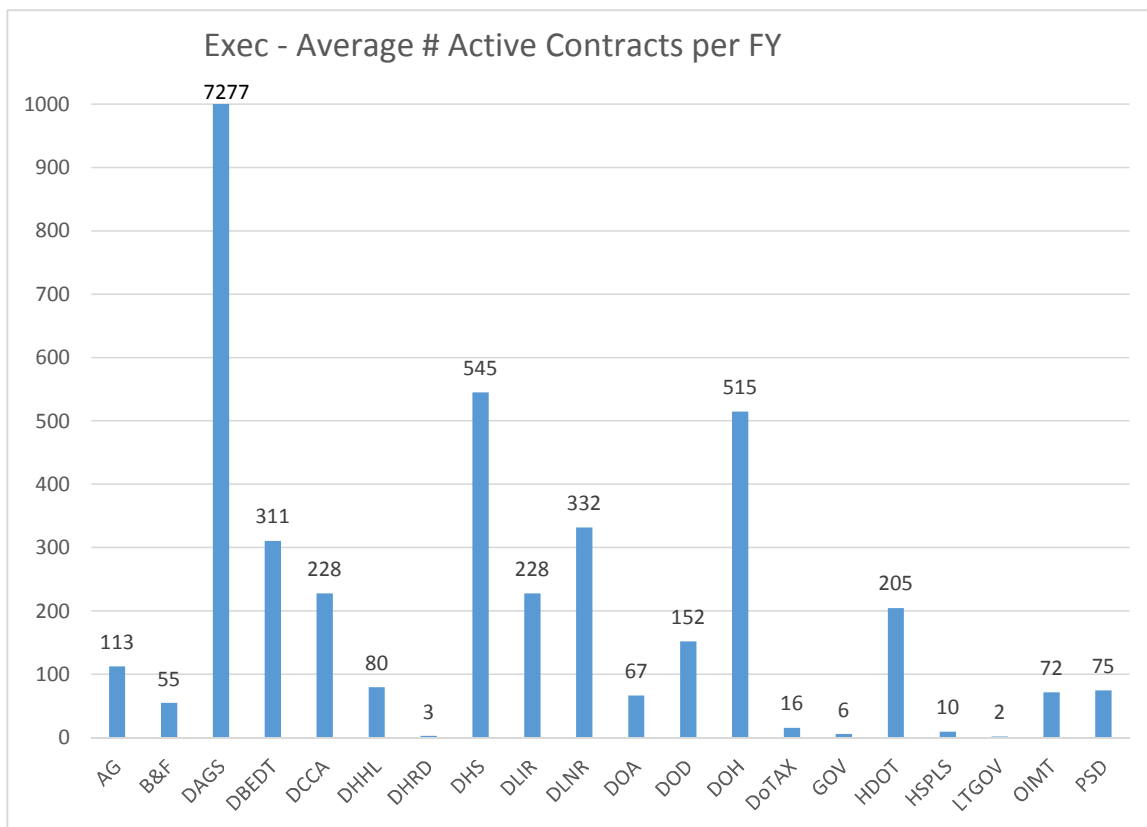
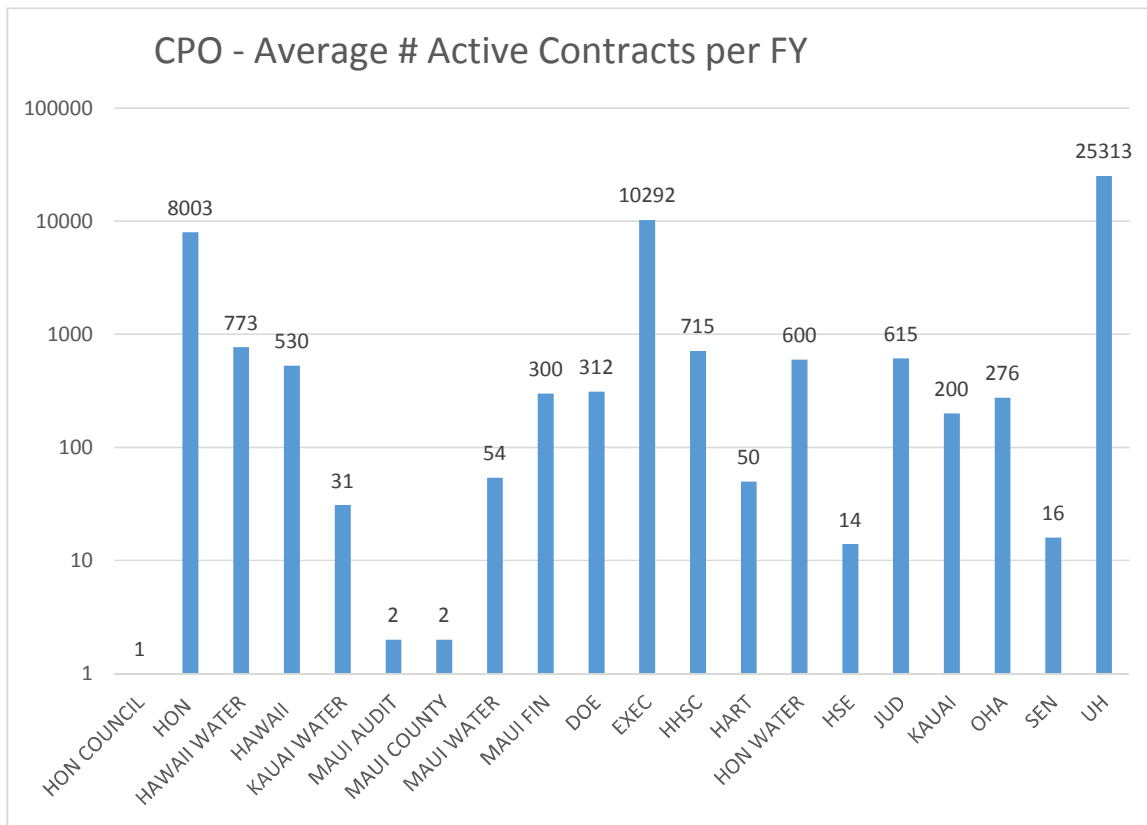
Exec - Total Avg % of Contract Assigned



CPO - Average Active Contracts % per FY

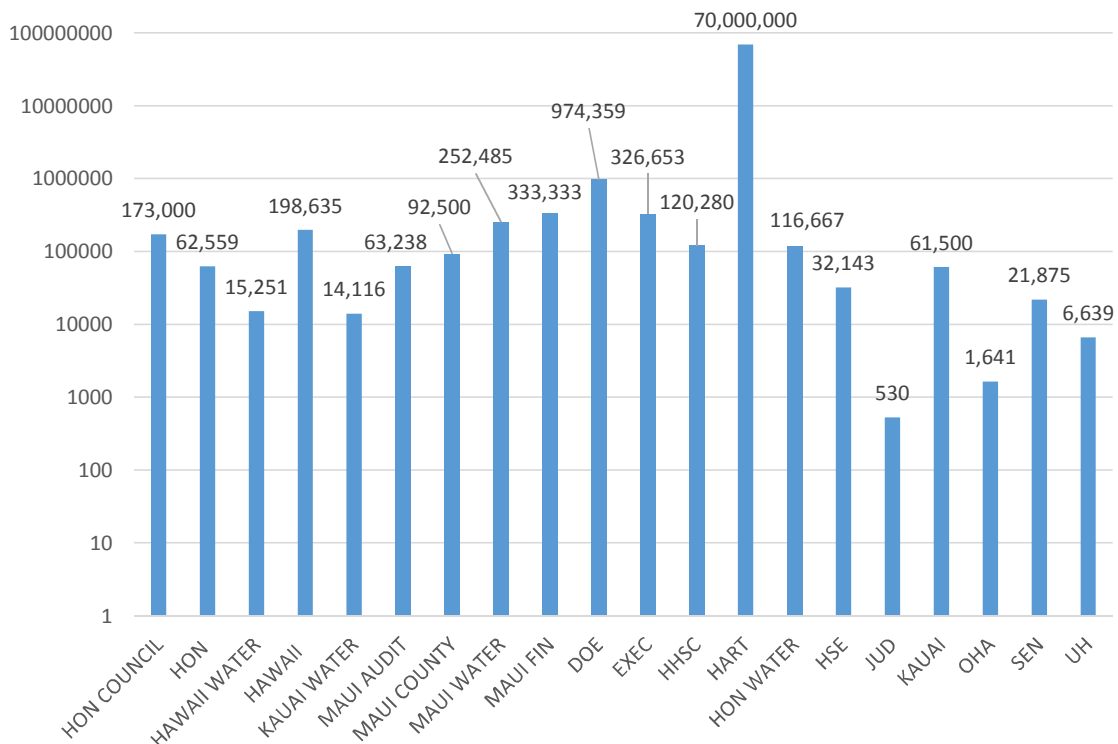


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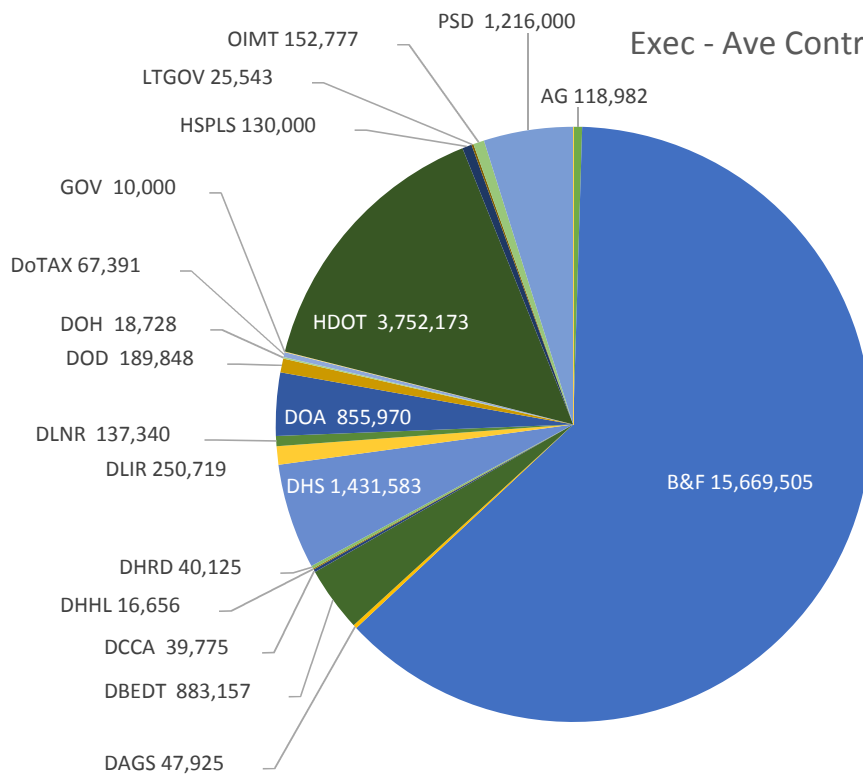


HCR 204 SD 1 Report to 2016 Legislative Session
Exhibit G (page 5)

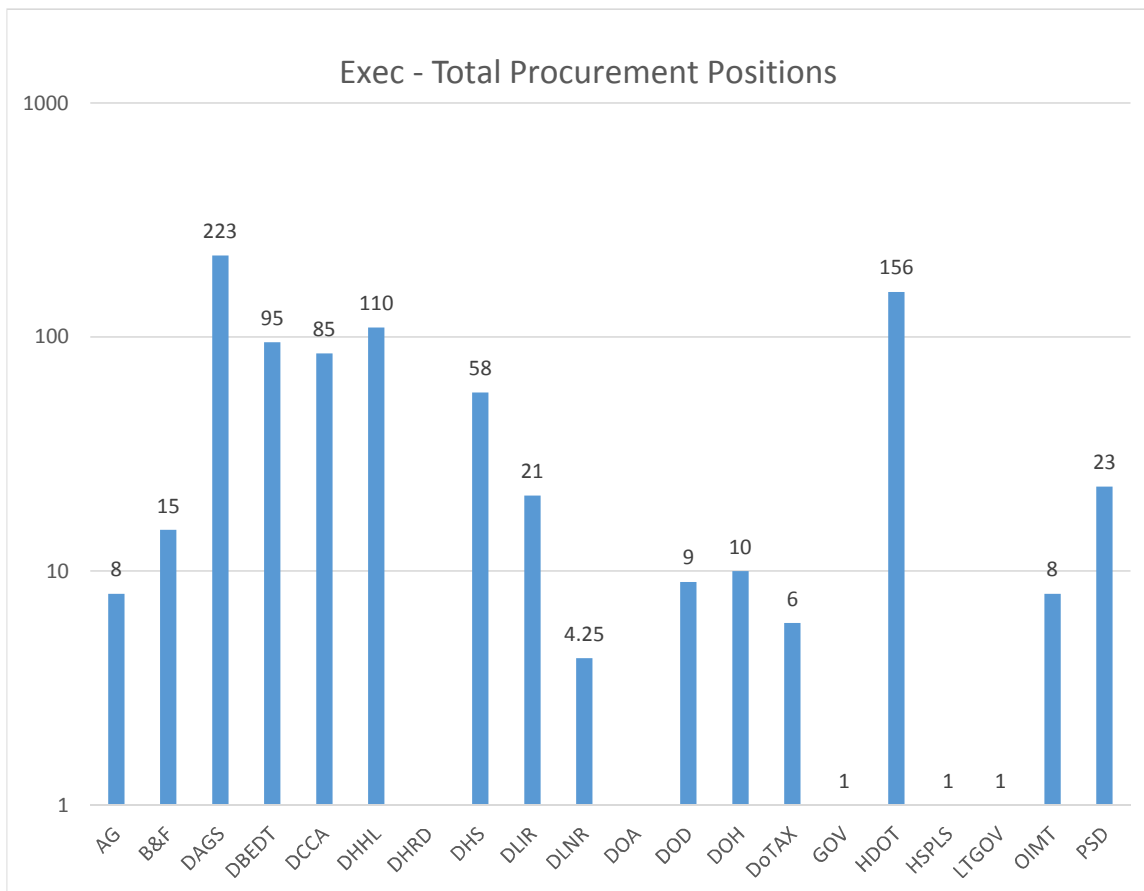
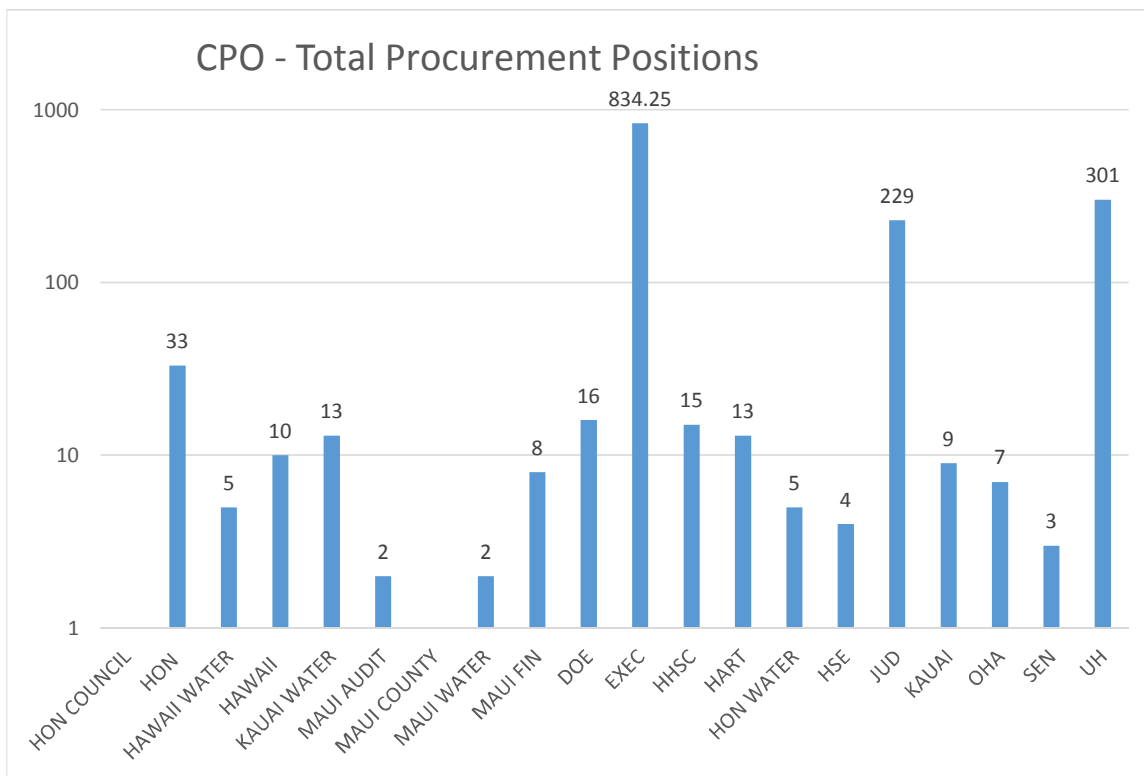
CPO - Ave \$ per Contract



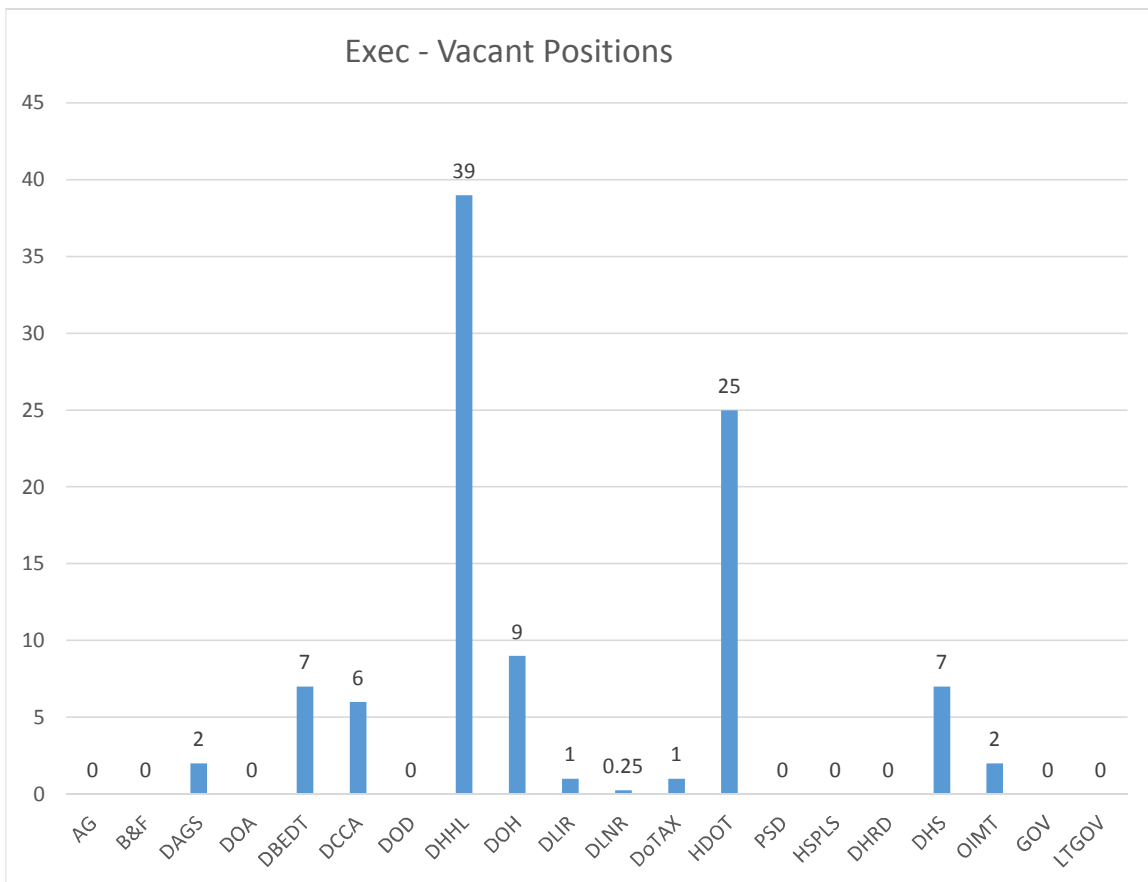
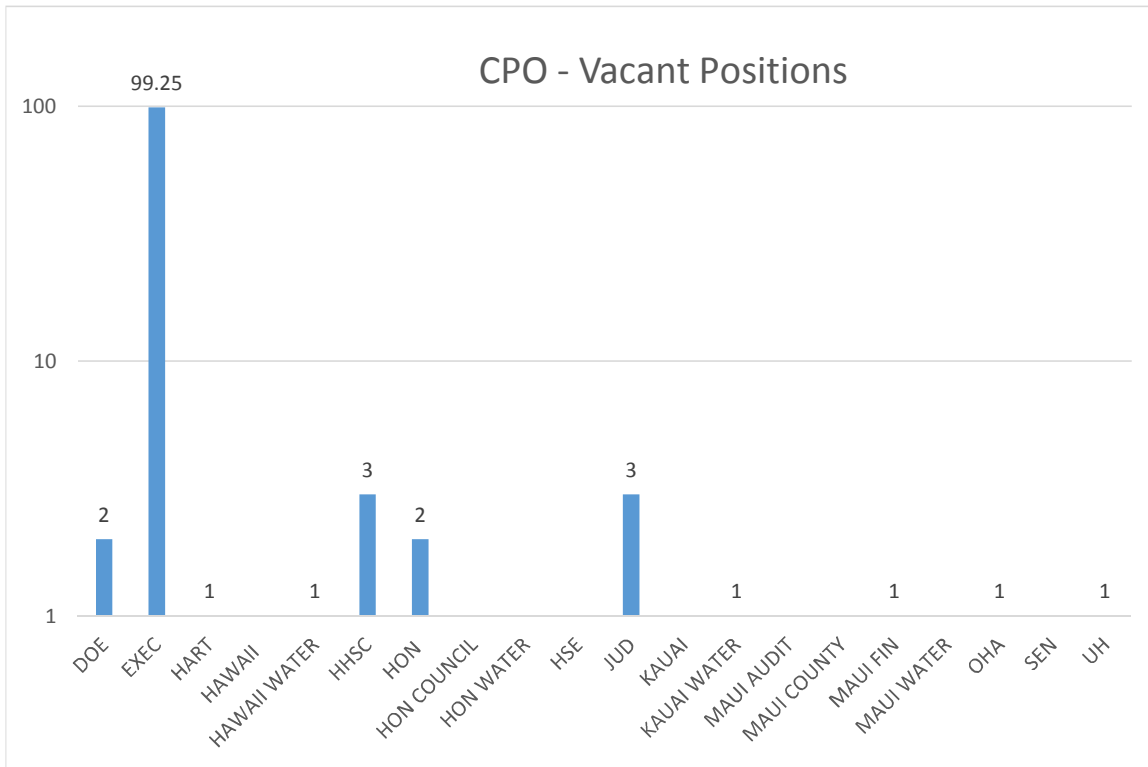
Exec - Ave Contract Spend



HCR 204 SD 1 Report to 2016 Legislative Session
Exhibit G (page 6)



HCR 204 SD 1 Report to 2016 Legislative Session
Exhibit G (page 7)



HCR 204 SD 1 Report to 2016 Legislative Session
Exhibit G (page 8)

Exhibit G: CPO - Vacancy Rate

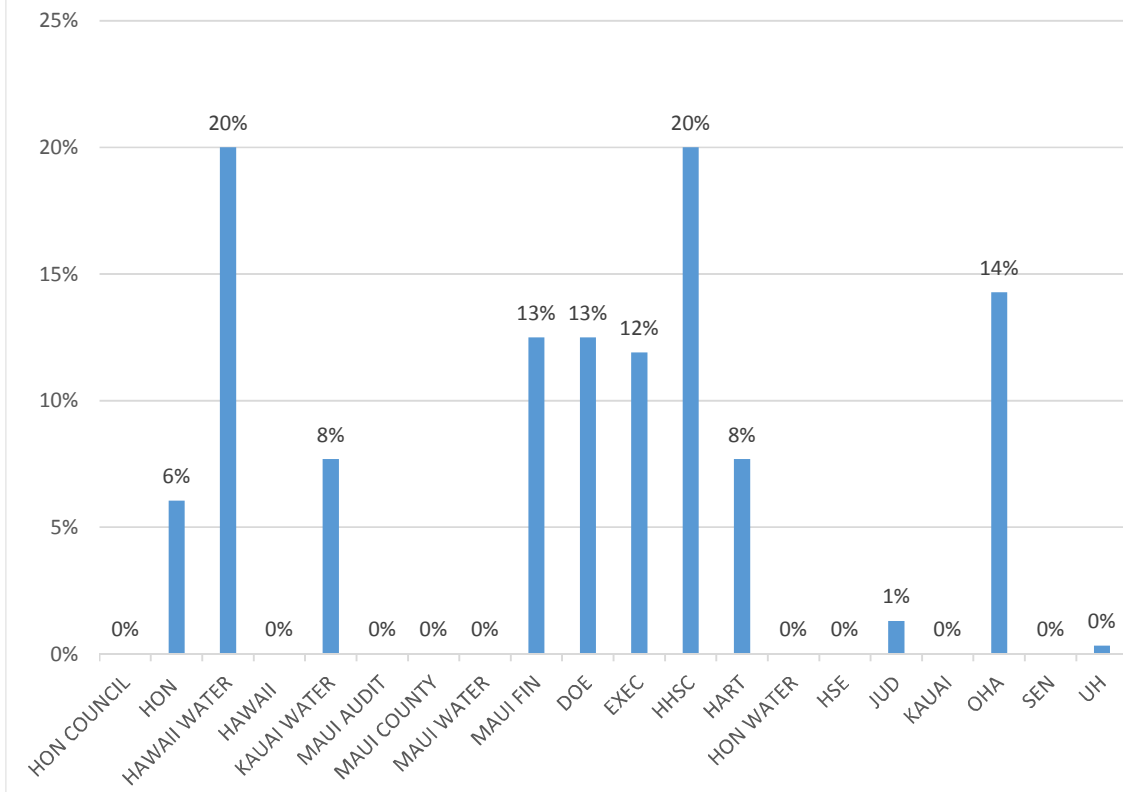
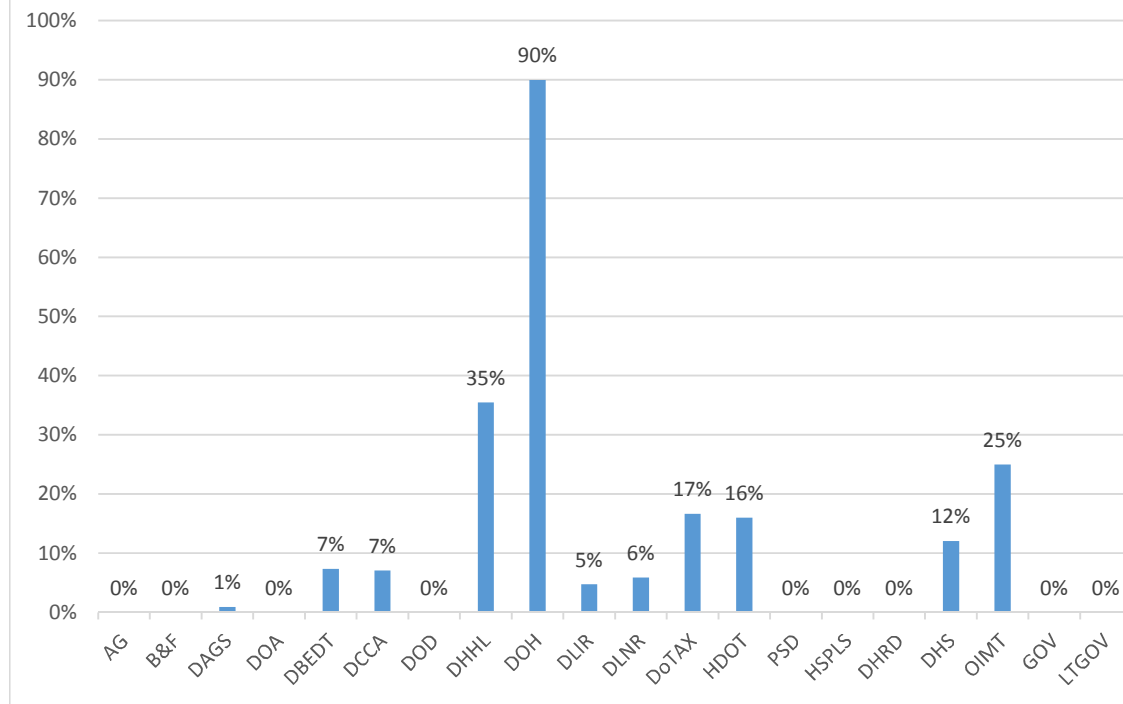


Exhibit G: Exec - Vacancy Rate



State Procurement Office Professional Workforce

Introduction

Funds were requested to better support the State Procurement Office (SPO) high-performing workforce by adjusting the salaries of its Purchasing Specialist positions to better align with industry standards and increased duties. This funding request did not make the Budget for the 2016 Legislative Session.

Duties of a Purchasing Specialist

The Purchasing Specialist position series reflects the core professional positions located in the SPO the duties of which involve performing and/or supervising and managing the purchasing of a wide variety of goods and services for the departments throughout the State through the use of formal purchasing methods requiring the development of detailed, technical specifications as well as the dual duty of Chief Procurement Officer duties and responsibilities for the Executive Branch. The SPO plans, organizes, directs, and coordinates the various procurement activities within its powers under chapter 103D and chapter 103F of the Hawaii Revised Statutes, and develops rules, regulations, policies, and procedures to implement the procurement law for all governmental bodies, including the several counties. Services rendered by Purchasing Specialists include:

- Statewide contracts, procurement and contract management for the whole state (\$253 million annually)
- High Dollar, Complex System Contracts, procurement and contract management for the Executive Branch (\$173 million annually)
- High visibility contracts, procurement and contract management for the whole state (\$183 million)
- Procurement strategy support services, high-level strategy planning and review services for the Executive Branch (about \$55 million annually)
- Development of a State Contingency Category List of vendors who are able to provide emergency services during a disaster (25 vendors as of 2015)
- pCard procurement and contract management for the whole state (\$110 million total spend, \$1.5 million rebate, 305,367 transactions in FY15)
- Travel procurement and contract management for the whole state (\$15.1 million)
- Hawaii Compliance Express – HelpDesk for the whole state (10,278 customers helped in FY15)
- Development, implementation, and maintenance of State of Hawaii Electronic Procurement System (\$67 million awarded, 904 transactions in FY15)
- Development, implementation, and maintenance of Procurement Awards, Notices, and Solicitations system (\$1.8 billion awarded, 4,728 transactions, 256 hours spent in FY15)
- Procurement certification and training development and continuous upkeep for the whole state (8,682 certifications in FY15)

- Procurement Delegation implementation and upkeep for the Executive Branch (2,825 employees delegated procurement authority as of 2015)
- Development and maintenance of Digital Procurement Manual, website, updated templates, samples, guidance and policy for the State and the Executive Branch (19 Executive Branch Departments and 21 CPO Jurisdictions)
- CPO Reviews: reviews and approvals for all sole source, exemption, emergency requests, procurement violations and contract extensions across the Executive Branch (387 total CPO reviews in FY15)
- Statute and Rule development and implementation of the Procurement Code for the whole State, to include development of directives, community and agency facilitation (1,150 hours spent on this annually, plus \$6,000 for the publishing of rules)
- Board administration of Procurement Policy Board for the whole state. Facilitation of board meetings, research of policy, bills and rules. Development of white papers, analysis and benchmarking. Clerical and procurement services. (about 900 hours spent by SPO annually)
- Contract reviews based on legislative, departmental or anonymous reviews for the whole state (260 hours spent annually)
- Policy development and implementation for the State and the Executive branch such as the facilitation of the small business set-aside program and other vital programs for economic growth of Hawaii.
- Development and involvement in innovative programs to increase transparency and ease of doing business in Hawaii such as the promotion of a One-Stop-Shop for all State solicitations. (for all 21 CPO jurisdictions)
- Development and implementation of various tools to uplift and create a more consistent, transparent procurement system across the Executive Branch (affecting 19 Departments)

The SPO working environment is evolving and changing dramatically with new initiatives, focused on improving procurement across the State in support of the Governor's strategic plan. The SPO, in addition to providing the services listed above, is currently working to develop a robust online electronic procurement system, a statewide procurement training and certification learning management system, and an online procurement manual based around the procurement lifecycle acting as a wizard to bring best practices, learning lessons, templates, samples, guidance, training and regulations to one multi-faceted library. However, without sufficient and qualified staffing, success of these initiatives will be placed in serious jeopardy. Impact falls upon the agencies and vendor community that constantly seek SPO services, assistance, and knowledge bank. The procurement knowledge of personnel purchasing commodities and services across the State will deteriorate further without qualified personnel to provide the training and also to keep current the online procurement wizard. Without a strategic organization to who is certified to perform procurements and how procurement expertise is attained, procurement problems will increase statewide as untrained personnel expend public funds in a manner that may not be compliant with applicable statutes, rules, and policies.

Addressing the Challenges

During the 2009 and 2010 legislative sessions, six (6) employment authorizations were eliminated from the SPO. To best support its customer requirements, SPO prioritized and redistributed workloads, leveraged new technological systems and applications, and greatly expanded the number and scope of

its training courses. Act 164, SLH 2011, added five (5) new employment authorizations to the program's FY 2012 budget, however it also included an \$80,000 legislative adjustment to reduce funds from SPO's FY 2012 and FY 2013 budgets due to fiscal constraints. This reduction in funding has yet to be restored to the SPO. In fact, the negative adjustment has been increasing steadily each year. As it stands now, this adjustment will inflate up to \$101,086 by the FY17 budget.

A national survey in 2014 by the U.S. Bureau of Labor Statistics found that the annual average salary for Purchasing Managers was \$111,810, with the top 10% of earners receiving salaries in excess of \$169,000. Within Hawaii, the survey found that the annual average salary for Purchasing Managers was \$87,410.¹ The SPO has three Purchasing Specialist V's serving in management roles and their annual average salary is \$61,688, which is about 70% of the state average and only 55% of the national average.

As Figure 1 below illustrates, the SPO ranks last in average salary when compared to the County of Kauai Division of Purchasing, City and County of Honolulu Division of Purchasing, and the County of Maui Purchasing Division. This is palpably disconcerting to SPO's Purchasing Specialists who are the central authority on procurement in the State and tasked to advise governmental bodies, including the counties, in matters relating to procurement.

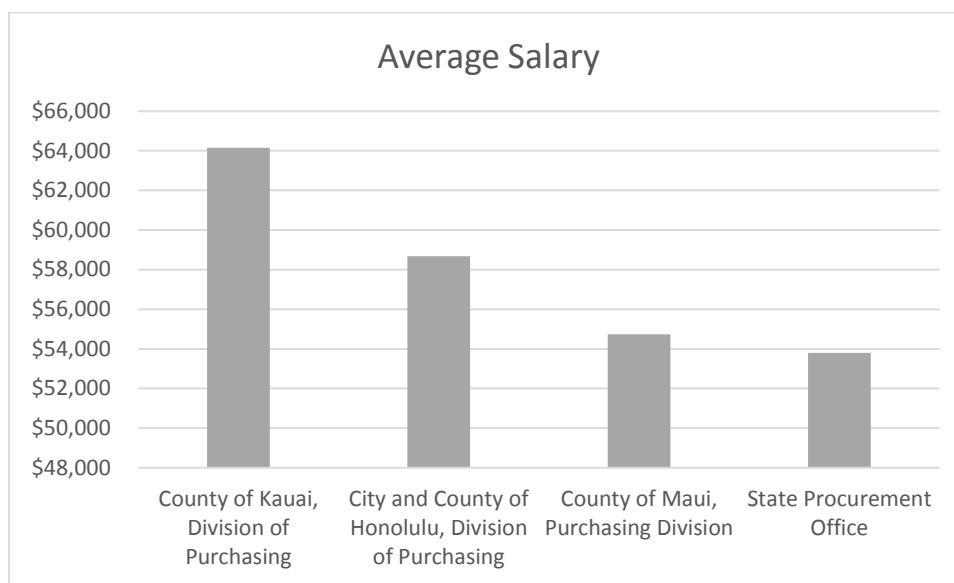


Figure 1. Average salary according to FY16 budget appropriations.

Also indicative of the need to correct Purchasing Specialist salaries is the difficulty the SPO has experienced recruiting qualified candidates. Within the last two years, eight (8) applicants were offered Purchasing Specialist positions within the SPO, but all eight (8) declined citing that the salary was too low. This number doesn't include the countless potential qualified candidates who decided against applying for Purchasing Specialist positions due to the low salary.

¹ United State Department of Labor, Bureau of Labor Statistics. Occupational Employment Statistics. May 2014. <http://www.bls.gov/oes/current/oes113061.htm>

With an already limited pool of qualified candidates and insufficient funding, the SPO has struggled to retain adequate staffing levels. The SPO's current vacancy rate of purchasing positions is alarmingly high at 43%. There are currently fourteen (14) employment authorizations for purchasing personnel in the SPO. Of the fourteen (14) authorized positions, six (6) vacancies exist. The impact of not filling these vacancies falls directly upon SPO's customers statewide to include departments, agencies, counties, and the business/vendor community. Inadequate staffing has necessarily led to reduced solicitations for agency requirements, impaired procurement training and appreciably slower responses to requests for reviews/approvals, consultation and advisory services. For the SPO staff assigned more duties and responsibilities, prolonged stressful working conditions.

Procurements limited to department or agency requirements are not being supported. Adverse impacts in this area clearly fall upon the agencies as they assume more procurement responsibilities while absorbing resource reductions.

The SPO has done more with less. Personnel have responded to the challenges of meeting increasing responsibilities with diminishing resources. They have accepted more work and also different kinds of assignments, intensifying stress, requiring continuous learning and demanding flexibility. Without relief, it would not be unexpected if burnouts start occurring, impacting high achievement employees and SPO's customers.

The risk of waiting will undoubtedly have statewide implications with opportunities missed for cost reductions, contractual compliance, leverage solicitations and knowledge sharing, precision specifications, avoidance of litigation, and more. Similarly, program operations and results will suffer as complex solicitations are prepared by program personnel not properly trained and with limited technical consultation support from knowledgeable and experienced procurement specialists.

Solution

The SPO requests funding to adjust the salaries of its Purchasing Specialist positions to better align with industry standards and increased duties. The SPO's proposed changes to its Purchasing Specialist budget for FY17 are detailed in the table below. This would upgrade each position by two SR levels (i.e. current SR-24 to SR-26, etc.) and it would lift the SPO's average salary to align more closely with the county averages. This request would also eliminate the \$101,086 negative adjustment, thereby enabling the SPO fill its remaining vacant positions and operate at full capacity.

Position Title	Pos. No.	Current FY17 Budget	Current SR	Proposed FY17 Budget	Proposed SR	Difference
Purchasing Specialist III	92	\$44,406	SR-20	\$49,056	SR-22	\$4,650
Purchasing Specialist IV	12957	\$56,202	SR-22	\$62,112	SR-24	\$5,910
Purchasing Specialist III	15016	\$51,930	SR-20	\$49,056	SR-22	\$(2,874)
Purchasing Specialist IV	15018	\$56,202	SR-22	\$57,432	SR-24	\$1,230
Purchasing Specialist IV	18933	\$49,914	SR-22	\$59,736	SR-24	\$9,822
Purchasing Specialist III	33366	\$51,930	SR-20	\$49,056	SR-22	\$(2,874)
Purchasing Specialist V	102618	\$73,614	SR-24	\$64,608	SR-26	\$(9,006)

Purchasing Specialist V ²	110943	\$82,272	SR-24	\$85,020	SR-26	\$2,748
Purchasing Specialist IV	110944	\$62,724	SR-22	\$81,756	SR-24	\$19,032
Purchasing Specialist V	120801	\$68,364	SR-24	\$75,588	SR-26	\$7,224
Purchasing Specialist V	120807	\$63,198	SR-24	\$69,876	SR-26	\$6,678
Purchasing Specialist IV	120808	\$49,914	SR-22	\$55,236	SR-24	\$5,322
Purchasing Specialist III	120824	\$42,696	SR-20	\$49,056	SR-22	\$6,360
Purchasing Specialist IV	120848	\$54,030	SR-22	\$55,236	SR-24	\$1,206
Adjustment		\$(101,086)				\$101,086
Total		\$706,310		\$862,824		\$156,514

Expected Benefits

The ability to recruit and retain sufficient and qualified personnel will enable the SPO to better equip departmental personnel having procurement responsibilities, especially those related to difficult and complex procurements. Equipping will be provided in the form professional and responsive technical advisory services; timely review and feedback of requests for procurement exemptions, waivers, violations and sole source solicitations; management reviews of procurement practices linked with follow-on training; expansion of the number of requirements contracts to leverage volume purchasing in price and vendor list contracts as well as in NASPO ValuePoint contracts; introduction of new and improved procurement platforms and processes; interface with Legislators; promulgation of procurement related administrative rules; and issuance of timely and relevant procurement directives and circulars.

Moreover, this funding will enable the SPO to improve procurement across the State with several key initiatives supporting the Governor's strategic plan. For example, the SPO will be able to develop a robust online electronic procurement system for issuing solicitations, receiving responses, and issuing notices of award. The system would allow for the establishment of statewide catalogs, sourcing management, and spend analysis. These areas would increase the level of transparency and give decision makers the necessary business analytics to make well-informed, smart choices.

Another strategic initiative for the SPO is the development of a statewide procurement training and certification learning management system (LMS), which will allow state and county procurement personnel to register online, take relevant procurement courses on-demand, and receive certification by passing quizzes. The LMS will improve SPO's training program by offering a centralized source of learning, automating data-keeping and reporting procedures, bolstering knowledge retention, and simplifying the learning process.

The SPO will also be equipped to develop an online procurement manual based around the procurement lifecycle acting as a wizard to bring best practices, learning lessons, templates, samples,

² Position number 110943 is currently a State Procurement Manager, but will be converted to a Purchasing Specialist V by FY17.

guidance, training and regulations to one multi-faceted library. Accessible to both the State procurement workforce and the community, this initiative will become the foundation of the State's knowledge management program for procurement.

Conclusion

The SPO is the highest level office for procurement across the State. Agencies and Departments must have faith in the SPO Team to be able to provide the most experienced, most effective advice for procurement questions of all types. The SPO Team doubles as the team for the State as well as for the Executive Branch, essentially employed to do two very wide-ranging jobs. In order to attract and keep the very best procurement professionals for the top jobs in state procurement, we must acknowledge the industry salaries and respect that procurement is a professional career field, and thus we must be able to pay these professionals an industry wage. This small investment per year will give a 120% return on investment with the additional, experienced procurement staff who will work to uplift and radically improve procurement processes and ultimately induce major cost savings across this state.



State Procurement Office Strategic Plan

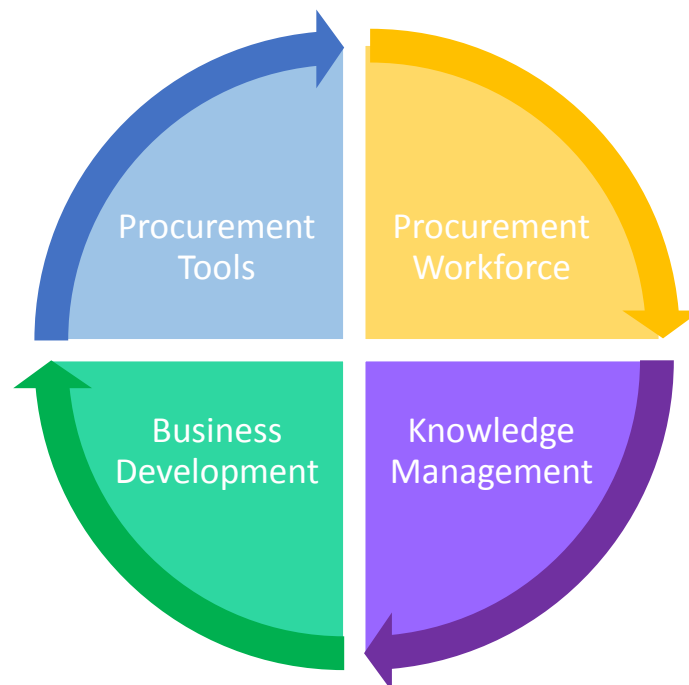
Procurement Top Initiatives

The State Procurement Office (SPO) recognizes the need to improve Procurement across the State. There are four major areas, which if focused on, will greatly aid the success of procurements in cost savings, improved efficiencies and innovation.

What and how the state purchases has great impact on our economy. We need to make the most of what we have. For Hawaii to catch up we need training and development of our procurement workforce for all state agencies and departments. We also need to be an incubator of Acquisition innovation and leverage these cutting-edge ideas to enhance the overall business environment and economic growth of Hawaii.

The SPO recommends four areas of focus in this strategic initiative:

1. Procurement Tools
2. Procurement Workforce
3. Business Development
4. Knowledge Management



1. Procurement Tools

Consistency – Among the 19 Departments that fall under the Executive Branch CPO, there is very little consistency with the way procurement solicitations go out, and with what is expected from vendor proposals. The inconsistencies and incongruent processes increase procurement processing time per requirement, which increases time spent by State Buyers, reducing efficiency of procuring personnel, and increasing confusion and money spent by Vendors. The ability to create one set of templates and expectations for doing business with the Executive Branch will incentivize more businesses to want to do business with the State, enhance competition, and reduce the costs that vendors must consider with bid and proposal costs.

Transparency – There is currently very little transparency on the Executive Branch Procurement Spend. This lack of transparency leads to probable duplication of effort and redundancy in procurements, failure to leverage economies of scale, very little data for decision-making and ultimately, increased costs to the State Budget.

SPO Initiative: eProcurement System

A robust online electronic procurement system for issuing solicitations, receiving responses, and issuing notices of award will improve the consistency and transparency of procurements conducted by the 19 Departments under the Executive Branch CPO. In addition, an eProcurement system would allow for establishment of state-wide catalogs, sourcing management and spend analysis. These areas would increase the level of transparency and give decision-makers the necessary business analytics to make well-informed, smart choices. Moreover, the State will achieve significant cost savings and tangible benefits including:

- Increased competition,
- Leveraged economies of scale,
- Improved cost and pricing methods,
- Improved negotiation standing,
- Decreased processes and leveraged learning curve and specialization,
- Reduced turnover time to award, and
- Reduced interest payments to vendors for late payments.

Measurements for Success:

- Estimated cost savings by agencies utilizing SPO statewide contracts
- Estimated cost savings of Electronic Procurement System awards
- Number of Electronic Procurement System solicitations
- Number of registered vendors
- Total reduction in procurement Lead Time

2. Procurement Workforce: The Hawaii Certified Procurement Professional (HCPP)

Proficiency – There is little to no strategic organization to ‘who’ is delegated to perform procurements and how procurement expertise is attained, developed and leveraged. Many State Departments and Agencies have hundreds of non-procurement personnel conducting procurements on all levels of complexity.

The Procurement Specialist and Procurement Officer skills, expertise and abilities must be increased to a level of professionalism due the career field. Procurement Professionals have expertise in business, accounting, finance, legal issues, negotiating, marketing, customer service and cross-functional team management, and this is the State’s Body of Business Advisors on strategic and tactical levels of procurement.

To decrease procurement problems and increase compliance and assure smooth and successful procurements to take place, the Procurement Workforce level of knowledge must be raised. The Procurement Workforce must be recognized across the State as professionals in their field.

Compliance – A large area of procurement problems fall under compliance. Without a skilled, focused workforce, and few controls, there is a push to find a work-around the procurement code versus working within that code. Ethics and procurement integrity must be considered by Leadership as a vital part of the procurement process in order for the workforce to understand its importance.

SPO Initiative: Procurement Training & Certification Learning Management System

A statewide procurement training and certification learning management system (LMS) is a vital tool to ensuring the State of Hawaii develops a proficient workforce of procurement professionals who expend public funds in a manner that is compliant with applicable statutes, rules, and policies.

“Certification is the process by which an individual demonstrates meeting specific qualifications (eligibility requirements) and an established level of knowledge (examination) necessary to competently perform a specific job. UPPCC Certifications reflect established standards and competencies for those engaged in government procurement, and attest to the designee's ability to obtain maximum value for the taxpayer's dollar.”¹

The SPO will develop a Hawaii State Procurement Certification process that will guide the career field within the State, to allow for certified levels of trained journeymen and experts.

The LMS will allow state and county procurement personnel to register online, take relevant procurement courses on-demand, and receive certification by passing quizzes. The LMS will further improve SPO’s training program by:

- Offering a centralized source of learning,
- Automating data-keeping and reporting procedures,
- Bolstering knowledge retention with evaluation capabilities, and
- Simplifying the learning process.

Measurements for Success:

- Number of users registered in the LMS
- Number of certifications issued by the LMS
- Percentage of evaluations with meaningful and practical ratings by attendees of procurement training workshops

HCR 204 SD 1 Exhibit I

¹ Universal Public Procurement Certification Council (UPPCC.org), 8/31/15

3. Business Development: Procurement Visibility

- a. Economic Sustainability – The State of Hawaii supports the economic growth and sustainability of small business. Included in that focus is the need to improve the ease of doing business with the State. Many factors effect this metric, one of which is promotion of a State Small Business Program. This program would nurture emerging Hawaii industries, increase competition by broadening the local contractor base, enhance the ability of local small businesses, and increase local worker employment opportunities.

SPO Initiative: Promote the development & implementation of this Program

The SPO supports the creation of an independent/autonomous Hawaii Small Business Office (HSBO), which is comprised of subject matter experts who can guide the CPOs and small business owners through policy and guidance to support this set-aside program. The HSBO must be an independent office, to ensure no conflict of interest or agency influence or control over their mission. These small business experts will be integral in working with the community to develop rules for State implementation.

Measurements for Success:

- Number of increase in vendor registrations of small business owners
- Achieving at least 5% capture of state contracts per fiscal year accumulating as the program grows to achieve the mandated 20% goal (as a prime or sub-contractor)

- b. Accessibility – Currently, there are over 40 sites that vendors have to visit daily in order to determine what solicitations are available to their doing business in Hawaii. This creates confusion for vendors on where to look for work and confusion for State Buyers on where to post. This lack of accessibility reduces the State's outreach to the market, which reduces our reach to competition. Smaller competition or complete lack thereof, creates increased overall costs of State procurements.

SPO Initiative: Procurement One-Stop-Shop

In order to enable business growth and economic development in Hawaii, a One-Stop-Shop site should be developed. Unlike the eProcurement system (which is limited to the 19 Executive Departments that fall under the Executive Branch CPO), the One-Stop-Shop site will pull all solicitation and notice information from across the 21 CPO jurisdictions including UH, DOE, the Legislative and Judiciary Branches, the Counties, and the 19 Executive Departments) to one page that can be accessed by all interested vendors. Not only will this create a more responsive vendor market, but it will also give the State meaningful business analytics on the state of procurement across Hawaii.

Measurements for Success:

- Number of increase in published solicitations
- Ease of doing business with the State – vendor survey before and yearly thereafter
- Number of increase in vendor registrations
- Number of hits on site

4. Knowledge Management: Procurement Wizard

Procurement in Hawaii has been deeply affected by two factors in the last five to ten years: loss of existing knowledgebase and increasingly complex changes in procurement. Temporary cuts in benefits, inability to hire new staff and the high volume of retiring Baby Boomers, have led to a huge loss in the knowledgebase. This loss has been exacerbated by lack of experience opportunities for newer personnel.

The field of Procurement has undergone considerable change in the last few years. This is attributable to a number of factors including the necessity to research and implement strategies to realize cost savings due to an austere economy and advances in the use of technology and ability to collect and analyze data. Even the manner in which procurement is perceived has changed. It has become a high level strategic function rather than a lower level process function.

SPO Initiative: Procurement Wizard

An online, digital procurement manual, based around the Procurement Lifecycle acting as a Wizard to bring best practices, learning lessons, templates, samples, guidance, training and regulations to one multi-faceted library. Accessible to both the State Procurement Workforce and the Community, this initiative will become the foundation of the State's Knowledge Management program for procurement.

Measurements for Success:

- Number of hits on site
- Customer Service survey before and yearly thereafter
- Number of increase in vendor registrations