

Special Committee on the State of Hawaii Procurement (SCP)

August 18, 2021 1:00 PM

State Procurement Office (SPO) and Department of Health (DOH). State Procurement Officer Bonnie Kahakui. Director of Health Elizabeth Char; Deputy Director for Administration Cathy Ross; Health Resources Administration Deputy Director Danette Tomiyasu; Behavioral Health Administration Deputy Director Marian Tsuji; Environmental Health Administration Deputy Director Kathleen Ho; Administrative Services Office Chief Janis Morita; and Contract Procurement Services (CAPS) Supervisor Naomi Chinen (within the Administrative Services Office).

Documents Received

- Updated Spreadsheet of DOH Contracts
 - The initial award amount listed for some service projects are only for the initial year.

General Points

- DOH has cut about half of its processing time by going through a kaizen exercise in November 2015.
 - This is in part due to the DOH's Contract Genie, which generates contracts, and On-Line PO Web system, which generates purchase orders. These in-house digital workflow programs facilitate the review of the contracts/purchase orders.
- DOH has 474 employees with procurement delegation.
- Procurement at DOH is decentralized with the Administrative Services Office (ASO), which monitors and tracks its procurements.
 - ASO provides internal training once or twice a year and sends out a one-page quarterly newsletter to inform the program of any changes to its general policy and process, which includes changes in procurement.
 - ASO tracks this internal training.
 - Although ASO tapes its internal training for review, it is unable to determine whether the training has been viewed from an employee who has missed it.
 - DOH recommends that these employees retrain every five years.

- CAPS tracks the employees' progress through their copies of Form SPO-036, which is updated monthly.
- DOH tracks procurement violations and, if they are repeat offenders, will suspend the authority from the employee until they take the necessary classes from SPO.
- DOH does not provide updates of statutory changes to the procurement code, but is open to doing so, especially if the change was substantial.
- DOH is in constant contact with SPO, mostly through email.
- ASO does not track past performance of its vendors.
- DOH follows the SPO guidelines on small purchase procurement.
 - \$100K threshold for goods and services.
 - \$250K threshold for construction.
- DOH ensures that the scope for most of their contracts does not change.
- DOH's 103F (health and human services) contracts have options to extend, so the final cost of the project will exceed the amount awarded.
- DOH's recycling contracts are rate-structured contracts without a specific initial dollar amount.
 - Redemption centers:
 - Are exempt from procurement.
 - Are specially funded.
 - Weigh, package, and ship their containers to a certified recycle center on the mainland.
 - The Deposit Beverage Program is housed in DOH's environmental health administration.
 - The procurement officer for these recycling contracts is the person responsible for the solid and hazardous waste program.
 - In addition to the redemption fee, the vendors also charge an administration fee.
 - Most recycling contracts are for six years.

- DOH is developing a process to verify and audit the recycling reports it receives because of the March 2019 audit of the Deposit Beverage Program.
 - This report contains information on what and how much the recycling centers receive vs. what is shipped to the recyclers.
 - The verification process has not been completed because the program manager left in 2019, during the audit.
 - There has been limited monitoring of the redemption centers since the inception of the program.
- DOH has two different rate-structure contracts.
 - The first is budget-based with a certain amount of dollars over a set amount of time.
 - Many health and human service providers, such as audiologists and case managers, bill at an hourly rate.
 - These contracts have an amount to which the provider cannot exceed.
 - The programs managers are responsible for verifying that providers do not exceed their contract amounts.
- DOH encourages its programs to consult with the assigned Deputy Attorney General, especially for large protests.
- No protests were filed with DOH in FY 2019 and FY 2020. Two protests were filed in 2021 but were quickly resolved.
 - DOH attributes this in part to well-drafted specifications and clear proposals.
- DOH has found that some small purchase procurements should require a contract instead of a purchase order due to the nature/"risk" of the good or service procured.
 - DOH has internal training/guidelines where they encourage their programs to determine whether a contract is more appropriate for purchases between \$50K and \$100K.
- DOH has also noticed that they have the same vendors for the different programs within the department and the Department of Human Services, especially for 103F services.
 - At times, this causes vendors to avoid bidding on services that they don't want to provide.

- Sen. Moriwaki noted that the Behavioral Health Services Administration was trying to become more efficient and outcome driven by coordinating their resources for 103F services and reducing procurement duplication.
- DOH has an issue with inaccurate and incomplete insurance documents from its vendors.
- DOH's Memorandums of Agreement (MOAs) are generally with other state entities.

Information/Action Requested

- DOH will:
 - Update the spreadsheet submitted as the spreadsheet indicates that there are some multi-year contracts that have stayed within budget, whereas others have exceeded. In updating the spreadsheet, DOH will:
 - Work with its deputy directors to consistently list the contract award amount and break down the final costs of its projects by year to see what was provided and paid for.
 - Clarify whether the project is a multiyear award or has been extended.
 - Include the method of procurement for each contract in the submitted spreadsheet, along with the division and procurement officer responsible for each project.
 - Report on whether the increases in certain project costs are due to dollar amounts, increased period of performance, nature of multiple award contracts, etc.
 - Provide information on the person responsible for the solid and hazardous waste Branch and the person in charge of the Deposit Beverage Program. These individuals will help DOH answer the following questions, along with providing more information on the delay in the development and implementation of a monitoring program:
 - What are the bid criteria and scope of work for DOH's redemption contracts?
 - Who reviews and is responsible for these contracts?
 - How is the initial award amount of recycling contracts determined?
 - Who monitors the increases between the initial award amounts and the final cost of the project?

- What is the timetable to develop the monitoring program for the redemption centers?
 - What resources are needed to implement the monitoring?
- Confirm whether the State pays more for shipping recyclable containers than the cost of the recycled product shipped.
 - Report what it costs to recycle these containers and how much more are we paying to ship the containers now than previously.
- Ask Monster HI-5 & Tires, Inc. for detailed reports on the increase from the initial award amount to the final cost of the project.
- Have their deputy directors submit the policies and procedures on who and how their programs and multiyear contracts are assessed, including any consistent criteria used in 103F procurements.
- Provide:
 - The criteria used to request and approve change orders.
 - A different flowchart of the procurement process, including the execution and monitoring of the project, for each of the types of procurement under 103D and 103F that DOH uses, including sole source procurement.
 - This flowchart should also include a timeline.
 - A spreadsheet of their 474 employees with procurement authorization by division and branch, along with their level of authorization, when they were trained, and when they received procurement authority.
 - A full description of what functions the Contract Genie and On-Line PO Web system covers.
 - A copy of their criteria and any internal controls that they provide to their programs regarding small purchase procurements, including when to use a contract instead of a purchase order and the limits on small purchases to the same vendor in a year.
 - A list of small contracts that were awarded to the same vendor within a year.
 - Solutions to their issue of Certificates of Insurance that don't contain the right information/start dates.

- Any policies it uses to evaluate the performance of its contracts, especially its multiyear contracts.
- Information and criteria on how DOH's rate schedules are determined.
- Check with its programs as to whether they track past performance of its vendors.
- Check whether its MOAs are in lieu of contracts.
- DOH Director can respond as to whether they can implement a HAR that mandates retraining at certain periods.
- Behavioral Health Services Administration will provide a report on its efforts to scale its resources for procuring 103F services through group purchasing.