

Honolulu, Hawaii

MAR 22 2013

RE: H.B. No. 114  
H.D. 3  
S.D. 1

Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2013  
State of Hawaii

Madam:

Your Committees on Higher Education and Economic Development,  
Government Operations and Housing, to which was referred H.B.  
No. 114, H.D. 3, entitled:

"A BILL FOR AN ACT RELATING TO HIGHER EDUCATION,"

beg leave to report as follows:

The purpose and intent of this measure is to:

- (1) Require the Administrator of the State Procurement Office, rather than the President of the University of Hawaii System, to serve as the chief procurement officer for the University of Hawaii for construction contracts and professional services related to construction contracts; and
- (2) Establish the Independent Audit Committee within the Board of Regents of the University of Hawaii.

Your Committees received testimony in opposition to this measure from the University of Hawai'i System. Your Committees received comments on this measure from the State Procurement Office and the University of Hawaii Office of Internal Audit.

Your Committees find that there are concerns with oversight of the University of Hawaii's construction projects under its current chief procurement officer, the University President. In 2010, when the University of Hawaii was provided an exemption from



certain parts of the procurement code, construction projects went from a design-bid method to a design-assist method. With that change came the opportunity to allow individuals to choose which firms would be part of the design teams. Your Committees believe this process led to the appearance that certain companies may have received favorable selection.

Your Committees further find that there are concerns about the Board of Regents' role in the oversight, accountability, and transparency of the University of Hawaii's fiscal and operational administration, including enterprise risk management. This measure will assist the Board of Regents in discharging its constitutional duties to ensure the responsible use of fiscal resources by the University through the establishment of an Independent Audit Committee within the Board of Regents.

Your Committees have amended this measure by:

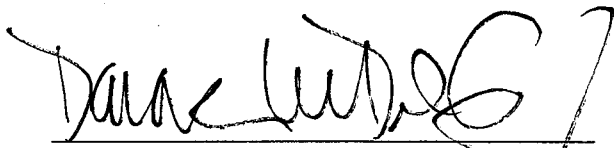
- (1) Deleting language requiring the Administrator of the State Procurement Office, rather than the President of the University of Hawaii System, to serve as chief procurement officer for the University of Hawaii for construction contracts and professional services related to construction contracts;
- (2) Deleting language removing the Board of Regents' authority to develop internal policies and procedures for the procurement of contracts for construction and professional services furnished by licensees under chapter 464, Hawaii Revised Statutes;
- (3) Adding language requiring that until July 1, 2015, all procurements of the University of Hawaii for construction, including consultant services necessary for construction, shall be subject to the control of, and be performed by, the Department of Accounting and General Services on behalf of the University, subject to certain limitations;
- (4) Removing language exempting the Independent Audit Committee of the Board of Regents from chapter 91, Hawaii Revised Statutes, and part I of chapter 92, Hawaii Revised Statutes;



- (5) Adding language requiring the Administrator of the State Procurement Office to report to the Legislature findings or recommendations, including any proposed legislation, relating to the transparency, efficiency, and compliance of the University of Hawaii for procurement of construction contracts and construction-related consultant services contracts pursuant to chapter 103D, Hawaii Revised Statutes, and improvement, if any, in adhering to the requirements of paragraph (3); and
- (6) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Higher Education and Economic Development, Government Operations and Housing that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 114, H.D. 3, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 114, H.D. 3, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on behalf of the members of the Committees on Higher Education and Economic Development, Government Operations and Housing,



DONOVAN M. DELA CRUZ, Chair

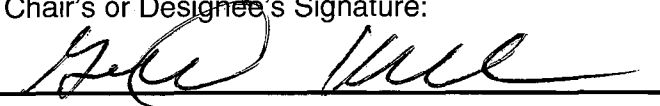


BRIAN T. TANIGUCHI, Chair



The Senate  
 Twenty-Seventh Legislature  
 State of Hawai'i

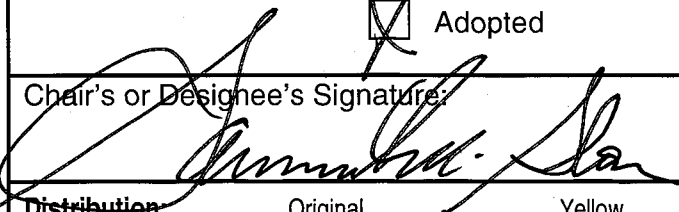
**Record of Votes**  
**Committee on Higher Education**  
**HRE**

Bill / Resolution No.:*	Committee Referral:	Date:
HB 114, HD 3	HRE/EGH, WAM	3/21/2013
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____		
The Recommendation is:		
<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310
<input type="checkbox"/> Recommit 2313		
Members	Aye	Aye (WR)
	Nay	Excused
TANIGUCHI, Brian T. (C)	✓	
KAHELE, Gilbert (VC)	✓	
KEITH-AGARAN, Gilbert S.C.	✓	<del>✓</del>
IGE, David Y.		✓
KIDANI, Michelle N.	✓	
TOKUDA, Jill N.		✓
SLOM, Sam	✓	
<b>TOTAL</b>	5	2
Recommendation:		
<input checked="" type="checkbox"/> Adopted	<input type="checkbox"/> Not Adopted	
Chair's or Designee's Signature:		
		
Distribution:		
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency
		Goldenrod Committee File Copy

\*Only one measure per Record of Votes

The Senate  
 Twenty-Seventh Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Economic Development, Government Operations and Housing**  
**EGH**

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 114 HD3	HRE/EGH, WAM	3/21/13		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
SLOM, Sam (VC)	X			
BAKER, Rosalyn H.	X			
CHUN OAKLAND, Suzanne				X
ENGLISH, J. Kalani	X			
THIELEN, Laura H.				X
WAKAI, Glenn	X			
<b>TOTAL</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>2</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution:            Original                      Yellow                      Pink                      Goldenrod File with Committee Report    Clerk's Office            Drafting Agency        Committee File Copy				

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