

DAVID Y. IGE  
GOVERNOR



SARAH ALLEN  
ADMINISTRATOR  
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ASSISTANT ADMINISTRATOR

**STATE OF HAWAII  
STATE PROCUREMENT OFFICE**

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TESTIMONY  
OF  
SARAH ALLEN, ADMINISTRATOR  
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE  
ON  
LABOR AND PUBLIC EMPLOYMENT  
February 2, 2017, 9:00 AM

HOUSE BILL 1387  
PROCUREMENT; FINANCIAL INFORMATION  
RELATING TO PROCUREMENT

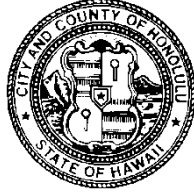
Chair Johanson, Vice-Chair Holt, and members of the committee, thank you for the opportunity to submit testimony on House Bill 1387.

SPO is opposed to this measure. Requiring financial documents, accounting books and records to be reviewed for every construction project to receive state funding is too burdensome for state agencies. Agencies do not currently have the expertise to conduct audits, nor do they have the personnel to conduct the number that would be required.

The determination of whether a company is flourishing is also a major obstacle. Will it be based on liquidity ratios or profitability ratios? How will determination be based if a company is not a public company. We might only have access to tax returns. This is a voluminous request that covers thousands of construction contracts a year, would require resources in the millions to comply. Lastly, it is unclear what the legislature would be able to do with information.

Thank you.

KIRK CALDWELL  
MAYOR



NELSON H. KOYANAGI, JR.  
DIRECTOR

GARY T. KUOKAWA  
DEPUTY DIRECTOR

TESTIMONY OF NELSON H. KOYANAGI, JR.  
DIRECTOR OF BUDGET AND FISCAL SERVICES  
CITY AND COUNTY OF HONOLULU  
BEFORE THE HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT  
February 2, 2017, 9:00 AM, Conference Room 309

TO: The Honorable Aaron Ling Johanson, Chair  
and Members of the Committee on Labor & Public Employment

RE: OPPOSITION TO HOUSE BILL 1387, "RELATING TO PROCUREMENT"

The Department of Budget and Fiscal Services, City and County of Honolulu (City), **opposes** House Bill No. 1387, Relating to Procurement.

Requiring bidders to submit all relevant financial and accounting books and records for construction or design-build projects, and requiring the purchasing agency to audit the books and records when performing cost and pricing analysis will cause significant time delays and place unnecessary administrative burdens on bidders and the City.

Mahalo for the opportunity to testify on this bill. Should you have any questions or concerns, please feel free to contact the Department of Budget & Fiscal Services' Division of Purchasing at 808-768-5535 or [bfspurchasing@honolulu.gov](mailto:bfspurchasing@honolulu.gov).

**Hawaii Procurement Institute**  
1099 Alakea Street, Suite 2530  
Honolulu, Hawaii 96813

To: House Committee on Labor and Public Employment

Date: February 2, 2017

Time: 9:00 a.m.

Room: Capitol Room 309

RE: Testimony in Opposition to HB 1387, Relating to Procurement

Aloha Chairs Johanson, Vice Chair Holt and Members of the Committee:

On behalf of the Hawaii Procurement Institute, we are writing to respectfully oppose HB 1387, relating to procurement. This bill would require, among other things, bidders on construction or design-build projects to submit financial and accounting books and records detailing financial activity and earnings before receiving state funding. It would also require agencies to audit any person's books and records relating to the cost or pricing data of goods, services, and construction.

The Hawaii Procurement Institute (HPI) is an independent procurement think-tank and education institute devoted to delivering quality study and instruction in federal, state and local procurement laws, which impact public employees, private contractors, and state, national and international markets. HPI aims to promote effective positive economic development through its policy analysis and by facilitating thoughtful public dialog. HPI offers conferences, workshops and programs geared toward government officials, public and private legal practitioners, and students interested in keeping current and developing in the practices and policies of government procurement.

HPI is opposed to this measure which we believe may have the unintended consequence of discouraging offerors from submitting proposals or bids who could otherwise reasonably perform. It may tend to increase costs for the state, and therefore the taxpayers. We believe it is overly burdensome and would severely impact the state's ability to obtain offers from qualified contractors. In addition, our state procurement processes already have mechanisms in place to decide as to the ability of bidders or offerors to perform.

Please defer HB1387 indefinitely.

Mahalo for the opportunity to testify.



ELECTRICAL CONTRACTOR'S ASSOCIATION OF HAWAII

**NECA Hawai'i Chapter**  
1286 Kalani Street, Suite B-203  
Honolulu, Hawai'i 96817  
PH: (808) 847-7306  
FX: (808) 841-8096  
Email: [ecah@ecahi.com](mailto:ecah@ecahi.com)



January 31, 2017

To: House Labor & Public Employment Committee  
Honorable Chairman Johanson & Vice Chairman Holt

From: Al Itamoto, Executive Director  
Electrical Contractors Association of Hawaii  
National Electrical Contractors Association, Hawaii Chapter

Subject: HB 1387 Relating to Procurement

Notice of Hearing

Date: Tuesday, February 2, 2017  
Time: 9:00 AM  
Place: Conference Room 309  
State Capitol  
415 South Beretania Street

Dear Chair Johanson and Committee members:

The Electrical Contractors Association of Hawaii (ECAH) is a non-profit association representing over 100 electrical contractors doing business in the State of Hawaii. ECAH **strongly opposes** the intent and purpose of HB 1387 that requires the responsive bidder of design build projects to submit financial and accounting books and records detailing financial activity and earnings before receiving state funding. Currently, the bond and surety companies already require the financial information from each contractor generally on a quarterly basis to ensure that the contractor has the means of completing the project. Requiring the production of financial records and review would be redundant. In addition, many of these records are confidential and would be detrimental to the contractor if these records were exposed to the public and their competitors. The current system in place should be sufficient for the procurement of design build projects.

Based on the above, ECAH **strongly opposes** the passage of HB 1387 and encourage this committee to kill this bill.

Thank you for the opportunity to provide testimony on this issue.



1 February 2017

**HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT**

Chair Aaron Ling Johanson, Vice Chair Daniel Holt and Members of the Committee:

Subject:       **TESTIMONY IN OPPOSITION** of HB 1387  
                  Relating to Procurement  
                  Hearing: Thursday 2 February 2017, 9:00 AM, Conference Room 309

I am respectfully submitting this written testimony in opposition to HB 1387 relating to procurement. This bill would require, among other things, bidders on construction or design-build projects to submit financial and accounting books and records detailing financial activity and earnings before receiving state funding. It would also require agencies to audit any person's books and records relating to the cost or pricing data of goods, services, and construction.

I believe this measure may have the unintended consequence of discouraging offerors from submitting proposals or bids and it may tend to increase costs for the state, and therefore the taxpayers. This measure is overly burdensome and would severely impact the State's ability to obtain offers from qualified contractors. Further, our state procurement processes already have mechanisms in place to decide as to the ability of bidders or offerors to perform.

Thank you for the opportunity to express my views on this matter.

Respectfully submitted,

SSFM INTERNATIONAL, INC.

A handwritten signature in black ink that reads 'Michael P. Matsumoto'.

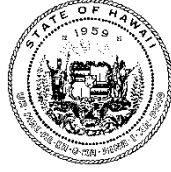
Michael P. Matsumoto, P.E., FACEC  
President/CEO  
email: [mmatsumoto@ssfm.com](mailto:mmatsumoto@ssfm.com)

**LATE**

**LATE**

**LATE**

DAVID Y. IGE  
GOVERNOR



RODERICK K. BECKER  
Comptroller

AUDREY HIDANO  
Deputy Comptroller

**STATE OF HAWAII  
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES**

P.O. BOX 119, HONOLULU, HAWAII 96810-0119

TESTIMONY OF  
RODERICK K. BECKER, COMPTROLLER  
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES  
TO THE  
HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT  
ON  
THURSDAY, FEBRUARY 2, 2017  
9:00 A.M.  
CONFERENCE ROOM 309

H.B. 1387

RELATING TO PROCUREMENT.

Chair Johanson, Vice Chair Holt, and members of the Committee, thank you for the opportunity to submit testimony on H.B. 1387.

The Department of Accounting and General Services (DAGS) opposes this bill and offers the following comments for your consideration:

1. Bonding requirements for “bidding” and “performance and payment” already address many of the financial risks involved in procuring construction projects.
2. Much of the financial information being requested appears to already be required by the State Procurement Office’s Form 21.
3. The requirement as written appears to be too broad and subjective. It is unclear what “financial and accounting books and records detailing financial activity and

earnings of the bidder” are “relevant” to a project. Guidance would need to be provided to ensure fair and consistent application of the requirement.

4. The absence of clear guidelines, would introduce another source of subjectivity, and therefore increase the potential number of protests, based on the decisions made regarding the contracts awarded. For example, one agency may determine that a contractor may be awarded a contract, while another agency may not feel comfortable making the award given the same information.
5. The bill appears to require audits of the books and records of any person who has submitted cost or pricing data pursuant to §103D-312, Hawaii Revised Statutes (HRS) (fair and reasonable pricing policy; cost or pricing data), and requires the maintenance of these records for a period of three years following the “notice of completion.” The scope and magnitude of the mandatory audits for every construction project would be too burdensome for DAGS’ limited staff, and §103D-317, HRS, already gives the purchasing agency the right to audit the books and records associated with a contract for this time period.
6. The bill may reduce competition by discouraging smaller companies from bidding on State projects if they do not have the required financial and accounting books and records, and new companies may be prevented from receiving a State contract if they do not have the required years of financial and accounting books and records. Reduced competition among contractors may increase the cost of State construction projects.
7. The bill in its current form may potentially increase the amount of time required to determine whether contractors are eligible for awards, may increase administrative

costs as additional personnel will be needed to perform the analyses and audits, and introduces an additional element of subjectivity that may increase the number of protests.

Thank you for the opportunity to submit testimony on this matter.