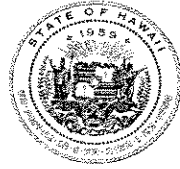


LINDA LINGLE
GOVERNOR



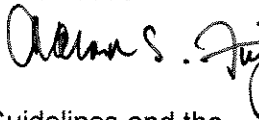
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June 29, 2007

PROCUREMENT CIRCULAR 2006-07, Amendment 1

TO: Executive Department Heads
FROM: Aaron S. Fujioka 
SUBJECT: Small Purchases Guidelines and the
Hawaii Electronic Procurement System

This circular is issued as a reminder of the requirements in using the Hawaii Electronic Procurement System (HePS) for small purchase procurements. All personnel conducting small purchase procurements shall adhere to the attached guidelines.

Additionally, personnel responsible for small purchase procurement should be made aware of your departmental procurement requirements, if any.

As noted in Procurement Circular 2006-07 issued October 24, 2006, use of the HePS is required for small purchase procurements, effective July 1, 2007, for procurements from \$15,000 to less than \$50,000 or the appropriate source selection method.

The statutes and rules pertaining to small purchase procurements (HRS 103D-305 and HAR Chapter 3-122, Subchapter 8,) may be viewed at <http://www.spo.hawaii.gov/> including the language prohibiting parceling of same, like or related goods, services, or construction during any 12 month period.

To view the complete listing of all current Procurement Circulars at the SPO homepage, <http://www.spo.hawaii.gov/>, under the "Quick Links" section, click on "Procurement Circulars". SPO Form-10, rev. 7/1/07, *Record of Procurement*, is available on "Forms for State Agencies".

If your staff has any questions they should contact the following SPO staff:

Justin Fo	Ph. 586-0577	justin.fo@hawaii.gov
Colin Tanaka	Ph. 586-0558	colin.y.tanaka@hawaii.gov
Mara Smith	Ph. 587-4704	mara.smith@hawaii.gov

Attach: *Guidelines for Small Purchase Procurements*, rev. 7/1/07

c: Chief Procurement Officers

STATE PROCUREMENT OFFICE
GUIDELINES
FOR
SMALL PURCHASE PROCUREMENTS

Rev. July 1, 2007

A. Application

These guidelines apply to small purchase procurements to request for quotes (RFQ), and do not apply to purchases made in accordance with:

1. SPO Price and Vendor lists;
2. *Exemptions from HRS Chapter 103D, pursuant to HRS §103D-102 (contains listing of exemptions) or HAR Chapter 3-120, *Exhibit A-Procurements Exempt From Chapter 103D*;
3. *HAR Chapter 3-122, *Procurements Approved For Sole Source*;
4. *Emergency procurements (HRS §103D-307) less than \$50,000; and
5. *Sole Source procurements (HRS §103D-306) less than \$50,000

Note:

- Items 4 and 5 above shall use SPO Form-10, *Record of Procurement*, rev. 7/1/07, as documentation.
- *Awards shall be posted on the Procurement Reporting System (PRS), pursuant to Procurement Circular 2006-01, or as amended.

Purchases made using a purchase order or pCard shall annotate the appropriate number (i.e. SPO Price/Vendor List, exemption, or sole source number) on the purchase order or pCard receipt or statement for documentation purposes.

B. Goods, Services, and Construction: Under \$5,000

1. Adequate and reasonable competition is recommended;
2. Award shall be made to the lowest responsive, responsible offeror; or
3. When award to the lowest responsive, responsible offer is not practicable, award may be made to the vendor whose offer provides the best value to the State.
4. SPO Form-10 and Form-10A are optional.

C. Goods, Services, and Construction: \$5,000 to less than \$15,000

1. Obtain a minimum of three (3) quotations (i.e. phone, fax, etc.).
 - a. Furnish the same description or specifications to each vendor; and
 - b. Document the offers received on SPO-10, Part B.
 - c. If unable to obtain three (3) quotes due to insufficient sources, sole source, or emergency, etc., document on SPO-10, Part C.
2. Award shall be made to the lowest responsive, responsible offeror; or
3. When award to the lowest responsive, responsible offer is not practicable, award may be made to the vendor whose offer provides the best value to the State, and shall be documented on SPO-10, Part D.

D. Goods, Services, and Construction: \$15,000 to less than \$50,000

Solicitations shall be conducted on the Hawaii Electronic Procurement System (HePS).

1. Solicitations will utilize the HePS *PO Summary Report* as documentation; SPO Form-10 and 10A are not required.
2. Award shall be made to the lowest responsive, responsible offeror; or
3. When award to the lowest responsive, responsible offer is not practicable, award may be made to the vendor whose offer provides the best value to the State and documented on the HePS *PO Summary Report*.
4. Obtain compliance document (i.e. Hawaii Compliance Express (HCE)) to verify vendor compliance with statutes. (Ref: Procurement Circular 2005-04, Amend 3)

When the HePS is not utilized, agencies shall use the appropriate source selection methods as follows:

HRS 103D-302, Competitive Sealed Bidding (Invitation for Bids)
HRS 103D-303, Competitive Sealed Proposals (Request for Proposals)
HRS 103D-304, Procurement of Professional Services
HRS 103D-306, Sole Source Procurement
HRS 103D-307, Emergency Procurement

The statutes and rules pertaining to small purchase procurements in HAR Chapter 3-122, Subchapter 8 and HRS 103D-305, may be viewed at <http://www.spo.hawaii.gov/>, including the following definitions:

HAR §3-122-1 states:

“Best value” means the most advantageous offer determined by evaluating and comparing all relevant criteria in addition to price so that the offer meeting the overall combination that best serves the State is selected. These criteria may include, in addition to others, the total cost of ownership, performance history of the vendor, quality of goods, services, or construction, delivery, and proposed technical performance.

HAR §3-122- 73 provides:

“Adequate and reasonable competition” means the amount of vendors solicited based upon the number of vendors available and the value or price of the goods, service, or construction. Because of the variations in circumstances, it is not possible to define what is adequate and reasonable competition for every small procurement. However, in general, the more vendors there are that can meet the needs of the agency, or the higher the price of the goods, services, or construction, then a greater number of vendors should be solicited.

HAR §3-131-1 states:

“Parceling” means the artificial division or intentional division of a purchase of same, like, or related items of goods, services, or construction into several purchases or smaller quantities, in order to evade the statutory competitive [bidding] requirements.

Departments may impose stricter requirements in its departmental small purchase procedures, e.g. to require written quotes at lower dollar limits. Additionally, departments may create their own forms similar to SPO Form–10 and Form-10A, provided the entries on the departmental form are similar to the SPO forms. Copies of the SPO forms are available from the State Procurement Office website at www.spo.hawaii.gov, and click on ‘Forms for State Agencies’.

SMALL PURCHASE

HRS Section 103D-305
HAR Chapter 3-122, Subchapter 8

Goods, Services, and Construction Under \$50,000

Under \$5,000

- ▶▶ Adequate and reasonable competition is recommended
- ▶▶ Award to vendor offering lowest price, or best value
- ▶▶ SPO-10 and SPO-10A are optional



\$5,000 to less than \$15,000

- ▶▶ Obtain minimum three quotes
- ▶▶ Document: SPO-10, *Record of Procurement*
- ▶▶ Award to vendor offering lowest price, or best value



Hawaii Electronic Procurement System (HePS)

\$15,000 to less than \$50,000 Effective July 1, 2007

- ▶▶ Solicitation shall be conducted on HePS
- ▶▶ Award to vendor offering lowest price, or best value
- ▶▶ Document: HePS *PO Summary Report*
- ▶▶ Obtain compliance documents (i.e. HCE)