

**PROCUREMENT POLICY BOARD**  
**Meeting Minutes**  
**Thursday, January 19, 2017, 11:00 a.m.**  
**Comptroller's Conference Room**  
**Kalanimoku Building Room 410, 1151 Punchbowl Street**  
**Honolulu, Hawaii 96813**

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**Members Present**

Roderick K. Becker  
Howard Garval  
Gregory L. King, Chair  
Kathy Suzuki-Kitagawa  
Elizabeth Webb

**Members Absent**

Ronald Hirano

**Attorney**

Stella Kam, Department of the Attorney General

**State Procurement Office**

Sarah Allen, Administrator  
Ruth Baker  
Corinne Higa  
Stacey Kauleinamoku  
Andrew Lum  
Kevin Takaesu

**Department of Accounting & General Services**

Audrey Hidano, Deputy Comptroller

**Others**

Shannon Alivado, General Contractors Association of Hawaii  
Orville Baldos, University of Hawaii at Manoa  
D.J. Hay, Hay Landscape Design  
Kamaile Maldonado, Office of Hawaiian Affairs  
Christy Martin, Coordinating Group on Alien Pest Species  
Steven Melendrez, Strategic Project Management  
Melissa Pavlicek, Procurement Policy Board Nominating Committee  
Richard Quinn  
Lauren Tanaka, Department of Land and Natural Resources

**I. Call to Order, Public Notice, Quorum**

Chair Gregory King called the Procurement Policy Board (PPB) meeting to order at 11:00 a.m., with a quorum present.

**II. Approval of October 12, 2016, Meeting Minutes**

Kathy Suzuki-Kitagawa made a motion to accept the minutes of the October 12, 2016, meeting as presented. Elizabeth Webb seconded the motion, and the Board members unanimously agreed to approve the minutes.

**III. Introduction of Comptroller**

SPO Administrator Sarah Allen introduced Comptroller Roderick K. Becker, who is on the PPB per §103D-201 Hawaii Revised Statutes. Mr. Becker previously served as Deputy Director of the Department of Budget and Finance since December 2014. Prior to this, he was Budget Chief for the Hawaii State Senate, where he supported the Legislature's development of the state budget. PPB Members Gregory King, Elizabeth Webb, Kathy Suzuki-Kitagawa, and Howard Garval also introduced themselves.

**IV. Procurement Policy Board Officers**

Chair King said that historically the Comptroller is Secretary of the PPB and signs the minutes. Ms. Suzuki-Kitagawa made a motion to appoint Mr. Becker as Secretary. Ms. Webb seconded the motion, and the members unanimously agreed.

The PPB will wait until PPB vacancies are filled before voting on other officers.

**V. PPB Nominating Committee**

Melissa Pavlicek spoke on behalf of the PPB Nominating Committee (NC), which also consists of Douglas Murdock, Doug Luiz and Ray Soon and reported that three names for each of the three open positions have now been forwarded to the Governor. She shared that the NC faced the challenges of having quorum of three members to review applications, and having a lack of three qualified candidates for the County, Federal and General vacant PPB positions for the Governor's consideration. Without having three qualified names per vacant positions, the entire nomination process is stalled and affects the ability for the PPB to obtain quorum for meetings. She added that it would be helpful to seek guidance from someone in the Department of the Attorney General, and that the NC is more than happy to assist in drafting proposed legislation to address the challenges with the nomination process and candidate qualifications.

**VI. Act 233, SLH 2015, "Relating to Hawaiian Plants"**

Act 233, SLH 2015, amended the state public procurement code to require that all publicly funded landscaping projects include a minimum percentage of Hawaiian plants, in order to contribute to a Hawaiian sense of place, to reduce the use of non-native invasive plant species, and to support the preservation of Hawaii's cultural and ecological heritage. Section 2 of HB206 HD2, SD1, CD1 allows the purchasing agency to request for an exclusion from the total plant footprint requirement through a process established by the PPB. The SPO is proposing an exclusion process, which will be communicated as guidance through a Procurement Circular from the SPO and a Procurement Directive approved by the PPB.

NOTE: Act 233 mentions that procedures, standards, or guidelines established pursuant to this subsection may be established by board action notwithstanding chapter 91, Administrative Rules. Therefore, this process does not have to be promulgated by Administrative Rules, but instead by implemented through a Procurement Directive and Procurement Circular.

Kamaile Maldonado of the Office of Hawaiian Affairs (OHA) presented background information on Act 233, SLH 2015, including comments/concerns from stakeholders (i.e. Landscape Architects in the industry). PPB members brought up questions and issues regarding the availability and potential substitution of Native Hawaiian plants, as well as enforcement of the law. Ms. Allen and the SPO staff will address issues, including the clarification of the PPB's responsibility in the exclusion process, and the clarification of the term "available." The SPO will adjust the Circular and Directive for clarity and alignment with the Act. OHA will provide a diagram and additional language for the Circular and Directive to provide clarity.

**VII. HRS Chapter 103F, Purchases of Health and Human Services**

Corinne Higa, SPO Health & Human Services Manager, explained about the proposed changes to HRS Chapter 103F's Hawaii Administrative Rules (HAR) Sections 141 to 144, and 146 to 148, which were distributed to the PPB members at the October 12, 2016, meeting. Ms. Higa explained that HRS 103F does not have interim rules, but requires PPB approval to continue the amendment process. She stated that the proposed amendments were reviewed by the Department of the Attorney General. The rules are still subject to change. Prior to having a public hearing, the SPO will continue the process by posting the proposed amendments on the SPO website, and obtaining feedback from State agencies and the Legislative Reference Bureau.

Mr. Garval made a motion to approve the proposed amendments to 103F HAR. Ms. Suzuki-Kitagawa seconded the motion, the Board members unanimously agreed to approve the motion.

**VIII. SPO Investigations**

Kevin Takaesu, SPO Policy & Compliance Manager, provided a report on investigations conducted by the SPO. He stated that since 2013, the SPO conducted 25 investigations, with two to seven conducted per year. Six investigations were conducted in 2016. Investigations are initiated as a result of letters and complaints from State/County departments or agencies and members of the public. This requires much time and resources, with the findings and determination communicated with the company being investigated and the complainant.

Mr. Takaesu provided two examples of investigations that took much time and resources. An investigation on a state construction project took 31 months. Another time-consuming investigation was conducted as recent as 2016. In May 2016, the SPO received correspondence protesting that a local company did not meet the requirements of Hawaii Product Preference. As a result, the SPO informed that company about the protest and initiated a thorough investigation involving a number of SPO staff. This included a meeting with company officials, a detailed review of the company's expenses and invoices, a tour of the facilities, and an inspection of the end product. After this investigation, the SPO concluded that the company qualified for Hawaii Product Preference and communicated its findings to that company and complainant. No proprietary information was shared with the complainant.

**IX. 2017 Legislative Session**

Ms. Allen provided an update on 2016 legislation that required the PPB to conduct procurement audits. The SPO testified that funds be allocated to the State of Hawaii's Office of the Auditor to create a viable procurement audit division within its already established office. Although the bill did not pass, she met with the State Auditor on forming a partnership with the Office of the Auditor, but that office was given another direction on audits.

Ms. Allen will meet with Comptroller Roderick Becker and the Administrator of the Audit Division of the Department of Accounting and General Services regarding procurement audits. The SPO will stand on its testimony submitted in the past regarding procurement audits should the issue come up during the 2017 Legislative Session.

Ms. Allen also shared that the General Contractors Association provided her proposed legislation on subcontractors listing on construction projects. The proposal will allow subcontractors to be unlicensed up until the date of award, which will give time for them to become licensed and give contractors the opportunity to stay with the lowest offerors. She stated that she will discuss this proposal with contractors and subcontractors on this legislation

**X. Announcements**

There were no announcements.

**XI. Next Meeting**

The next meeting will be held in May 2017.

**XII. Adjournment**

Mr. Garval made a motion of adjourn the meeting. Ms. Suzuki-Kitagawa seconded the motion, and the members voted in favor unanimously. The meeting was adjourned at 1:14 p.m.

Respectfully submitted,



Kathy Suzuki-Kitagawa, Secretary  
Procurement Policy Board