

PROCUREMENT POLICY BOARD
Meeting Minutes
Wednesday, June 15, 2016, 1:30 p.m.
Comptroller's Conference Room, Kalanimoku Building Room 410, 1151 Punchbowl Street
Honolulu, Hawaii 96813

Members Present

Howard Garval
Ronald N. Hirano
Gregory L. King, Chair
Douglas Murdock
Kathy Suzuki-Kitagawa
Elizabeth Webb

Staff

Sarah Allen, State Procurement Office (SPO)
Ruth Baker, SPO
Bonnie Kahakui, SPO
Stella Kam, Department of the Attorney General
Stacey Kauleinamoku, SPO
Jittima Laurita, SPO
Andrew Lum, SPO
Michael Ong, SPO
Shannon Ota, SPO
Mara Smith, SPO
Kevin Takaesu, SPO
Donn Tsuruda-Kashiwabara, SPO

Others

Shannon Alivado, General Contractors Association of Hawaii
June Burke, Grainger
Melissa Pavlicek, Procurement Policy Board Nominating Committee
Ray Jardine, Native Hawaiian Veterans
Jessica Wong, Alston Hunt Floyd & Ing

I. Call to Order, Public Notice, Quorum

Chair Gregory King called the Procurement Policy Board (PPB) meeting to order at 1:38 p.m.

II. Approval of August 10, 2015, Meeting Minutes

Mr. Murdock made a motion to accept the minutes of the August 10, 2015, meeting as presented. Mr. Hirano seconded the motion, and the Board members unanimously agreed.

III. PPB Administration

A. Introduction of Members

The Board members introduced themselves.

B. Overview of Terms and Upcoming Vacancies

Ruth Baker referred to a handout that outlined the members, their Board position and their terms. The members are as follows:

Board Member	Appointment Date	Expiration	Representing
Doug Murdock			Comptroller
Ron Hirano	9/15/2011	6/30/2016	Federal
Gregory King	9/15/2011	6/30/2016	County
David Langille	9/15/2011	6/30/2015 (holdover)	General Member
Howard Garval	4/22/2016	6/30/2017	Health and Human Services
Kathy Suzuki-Kitagawa	4/22/2016	6/30/2017	Health and Human Services
Elizabeth Webb	4/22/2016	6/30/2018	Certified Professional

Ms. Baker reported that Mr. Langille is a holdover until the end of the 2017 Legislative Session, and Chair King and Mr. Hirano's terms end on June 30, 2016. People can apply for any vacant board positions by visiting the Office of the Governor's Boards and Commissions website. A link to that website is posted on the SPO's website.

C. Nominating Committee Report

Melissa Pavlicek spoke on behalf of the Procurement Policy Board Nominating Committee, which also consists of Douglas Murdock, Doug Luiz and Ray Soon. She was pleased to report that last year the Committee found qualified candidates to fill three vacancies, and supported the candidates by preparing them for the Senate confirmation process during the 2016 Legislative Session. The Committee convened in May to discuss the need to fill vacancies and review operating procedures per the Hawaii Revised Statutes (HRS) and guidelines that were adopted by the previous committee. The Committee continues to seek qualified candidates for vacancies and may extend the June 15th application deadline to July 15th. It will convene when it has enough applications to fulfil its requirement of recommending three qualified candidates for each vacancy.

The Committee also discussed the challenges of finding qualified candidates and whether the existing PPB guidelines or the HRS need to be revised. Ms. Pavlicek said that the Committee will continue to be committed to getting the word out through the Office of the Governor, associated organizations and communications outlets to have people submit applications, and recommending only qualified applicants. The Nominating Committee is also open to participating in or leading a briefing or training session with the incoming PPB members on their duties and to revisit the statute that governs the PPB. Furthermore, the Committee will need some clarity on Board terms. Chair King expressed appreciation to the Nominating Committee on its work.

Chair King said if it is possible to reconstitute the Board, that another Board position who has a high level of procurement experience can be added. For instance, a position with someone representing the state, which can have a large pool of applicants.

D. Resource and Support

Ms. Allen said that if any of the members feels a need to hold a Board meeting to inform the SPO, and that the SPO will work on having a meeting once a quarter as long as quorum can be met. Chair King encouraged members to bring up issues that can be added to the Board agenda.

IV. 2016 Legislative Session Update

Ms. Allen provided an update of bills from the 2016 Legislative Session.

- House Bill 2060 HD1 SD2, which was passed out by the Legislature, allows the SPO to have cooperation from other CPO jurisdictions, clarifies cost and pricing, and defines what is price fair and reasonable. This bill has been sent to the Governor for consideration.

Shannon Alivado of the General Contractors Association (GCA) shared her concern about HB 2060 HD1 SD2 and that the interpretation of language regarding the approval of change orders may delay the completion construction projects. She stated that GCA would like to work with SPO and PPB if the bill passes. Ms. Allen clarified that the HRS and HAR state that a change order shall be issued within 10 days.

- SB 2493 SD2, which was deferred by the Legislature, required the PPB to conduct two audits per year. SPO submitted testimony asking for funding for an audit unit in the Office of the Auditor. Ms. Allen asked the PPB if it would like to have a discussion about the audit function.

The PPB members expressed their thoughts on the audit function: conducting audits is a significant function; and if the Board is to do audits, that should be reflected in the criteria of being a board member. Comptroller Murdock suggested that the State Auditor work with the SPO/PPB on any audits regarding procurement, and that the State Auditor provide the PPB an overview of legislative audits. A review of audits on procurement issues may result in considering legislation or rule changes.

The Comptroller and Ms. Allen will meet with State Auditor Les Kondo to discuss audits.

Ms. Allen also reported on resolutions that were considered during the 2016 Legislative Session:

- House Resolution 142 requested the SPO to review Hawaii's procurement laws in comparison with the Federal Acquisition Regulations (FAR). The SPO testified that is needed resources and funds to conduct the review. After HR 142 was adopted, Ms. Allen wrote a letter to the House Speaker and Senate President that the SPO is unable to conduct the analysis as requested due to lack of resources and funds. She will continue discussions with various stakeholders on this issue.
- House Resolution 131 requested the University of Hawaii, West Oahu, to work with the SPO on collecting data on and report on the viability of a procurement training program. In its report submitted to the Legislature in response to HCR 204 SD1 (2015), the SPO stated that it recognized the need to improve procurement and training our procurement workforce.

V. Hawaii Administrative Rules

A. Approval of Permanent HARS

After the PPB voted in August 2015 to go to permanent rulemaking pursuant to HRS Chapter 91, the SPO moved on to the next steps and public hearing. Kevin Takaesu, SPO Policy & Compliance Supervisor, provided a summary and results of the May 6, 2016, public hearing on proposed permanent changes to the Hawaii Administrative Rules (HAR). Mr. Takaesu reported that no oral or written testimony was submitted during the hearing. The SPO also sought input about the proposed rule changes from the Small Business Regulatory Review Board, which stated that the proposed changes will have no impact on small business.

The proposed changes are as follows:

- i. **Amending Section 3-120-4 and Exhibit A – “Etc.”**
HAR section 3-120-4 and Exhibit A were amended through interim rulemaking to avoid ambiguity from the previous inclusion of “Etc.,” as well as to clarify ethical requirements for exemption.
- ii. **Amending HAR chapter 3-122-66 – Source Selection, and Section 3-122-14 Exempted items.** Chapter 3-122-66 can no longer be utilized to secure professional services as a result of the Hawaii Supreme Court decision in *Asato v. Procurement Policy Board* (2014). A rule change regarding exemption language provides clarity that regardless of being exempt from HRS chapter 103D, there are always ethical and contractual requirements.
- iii. **Amending HAR Chapter 3-130 – Inventory Services**
Michael Ong, Inventory Management Specialist, explained that this amendment aligns the inventory responsibility with the HRS, which states that each department head is responsible for that department’s inventory. It also clarifies how to account for inventory and removes references to obsolete rules.

With the PPB’s approval to make these proposed rule changes permanent, documents signed by Deputy Attorney General Stella Kam, Mr. Murdock as Comptroller and Mr. King as PPB Chair will be transmitted to the Lt. Governor’s Office.

Ms. Allen thanked the SPO Compliance and Inventory for their work in the long process of permanent rule-making.

Murdock and Mr. Hirano made a motion to approve the permanent HARS, which was seconded by Mr. Murdock. The motion passed.

B. Upcoming HARS

Ms. Allen reported that the SPO is working on revisions to rules pertaining to HRS 103F. The draft rules will be presented to the PPB for review at a future meeting.

VI. SPO Initiatives and Achievements

A. Online Procurement Manual “Procurement Wizard”

Donn Tsuruda-Kashiwabara, SPO Purchasing Supervisor, reported that the SPO is working on an interactive online procurement manual, called the Procurement Wizard. This will provide purchasing staff and vendors access to information such as procurement rules, best practices and templates and steps that are based on the procurement lifecycle. The project will be submitted for consideration for the 2016 Cronin Award, sponsored by the National Association of State Procurement Officials (NASPO).

B. eProcurement

Bonnie Kahakui, SPO eProcurement Section Supervisor, provided a report on another project, the Hawaii Awards and Notices Database system, also known as “HANDS.” This brings all searchable databases, Hawaii Compliance Express, HlePRO, and solicitation notices together in a “one-stop shop” and will be accessible with a single log-in by state purchasing specialists, vendors, and the general public. The type of information that can be accessed depends on user-defined criteria. A developer will work on bringing notices from other jurisdictions into one searchable module. Eventually other jurisdictions will be able to post directly to this database.

C. **Training**

Mara Smith, Acting Assistant Administrator, reported that the SPO is conducting Contract Administration and Cost & Pricing Training on the neighbor islands in July and is planning a one-day Procurement Conference in October. This conference will include Cost & Pricing training and additional training, plus a luncheon to that will feature the Hawaii Procurement Professional Excellence Award, which will be given to the top procurement specialist in the state for the first time. Ms. Allen said that this will uplift the career of procurement and provide a positive story.

Ms. Allen reported that October's Procurement Conference will also feature companies that have cooperative contracts with the State of Hawaii. These training events are being funded by NASPO's Professional Development Fund.

D. **Surplus Online Auction**

Andrew Lum, SPO Management Analyst, presented a live demonstration of the Surplus Online Auction, which auctions small items recovered from local airports in a partnership with the Transportation Security Administration (TSA). The online auction is available to the public, accessible with an ehawaii.gov account. All proceeds will go to a special fund for the Surplus Property Office.

VIII. Meeting Schedule

The next meeting will be held on Tuesday, September 13, 2016.

IX. Adjournment

The meeting was adjourned at 2:54 p.m.

Respectfully submitted,



Gregory King, Chair
Procurement Policy Board