

# SENATE SPECIAL COMMITTEE ON ACCOUNTABILITY – PROCUREMENT INFORMATIONAL BRIEFING

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STATE OF HAWAII

DEPARTMENT OF HEALTH

WEDNESDAY, AUGUST 18, 2021

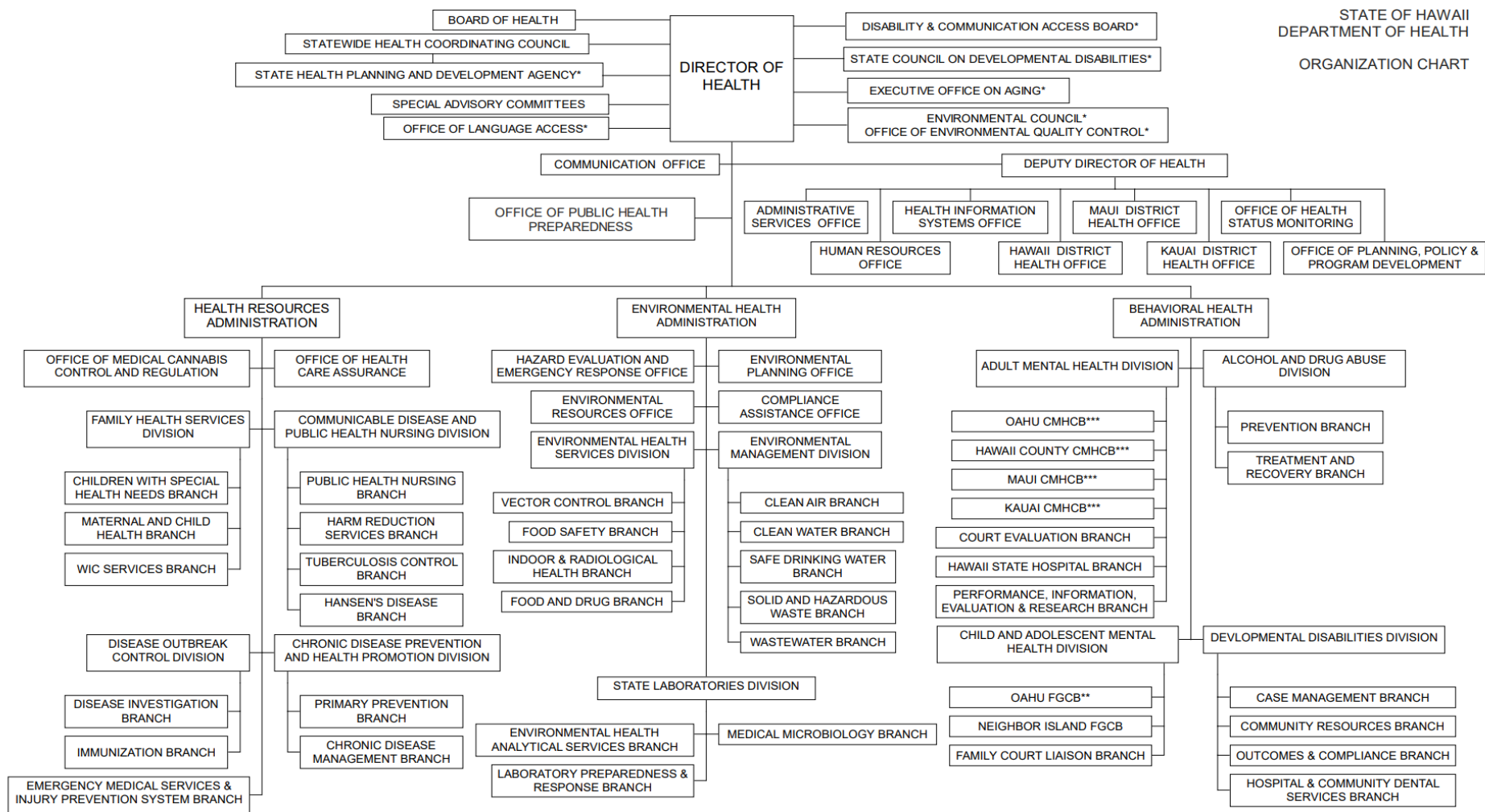


# BACKGROUND INFORMATION ON THE DEPARTMENT OF HEALTH

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- Departmental Structure
  - Administrations
    - General Administration (includes attached agencies)
    - Behavioral Health Administration
    - Health Resources Administration
    - Environmental Health Administration
  - 24 Program IDs
  - Positions
    - FY 22 – 2730.77 Permanent FTE (G- 2251.22 FTE), 417.25 Temporary FTE (G-I 18.50 FTE)
  - Total Budget FY 22
    - \$1,061,786,475 (G-\$429,279,265)

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
ORGANIZATION CHART



ACT 262, SLH 1996 ESTABLISHED THE HAWAII HEALTH SYSTEMS CORPORATION, WHICH SHALL BE A PUBLIC BODY CORPORATE AND POLITIC AND AN INSTRUMENTALITY AND AGENCY OF THE STATE. THE CORPORATION SHALL BE PLACED WITHIN THE DEPARTMENT OF HEALTH FOR THE ADMINISTRATIVE PURPOSES SPECIFIED IN SECTION 26-35(6), HRS ONLY. \*ASSIGNED FOR ADMINISTRATIVE PURPOSES; \*\*FAMILY GUIDANCE CENTER BRANCH; \*\*\*COMMUNITY MENTAL HEALTH CENTER BRANCHES.

# PROCUREMENT AT THE DEPARTMENT OF HEALTH

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- Contracts and Procurement Services (CAPS)
  - Section within the Administrative Services Office, (ASO), Department of Health (DOH)
  - Staffing:
    - 6.0 FTE (permanent, general funds)
      - General Professional V (Supervisor for CAPS) – Naomi Chinen
      - Contracts Specialist – Christine Ramelb
      - Procurement and Supply Specialist – Luna Santos
      - Procurement and Supply Specialist – Scott Isokane
      - Purchasing Technician – Donna Mae Katsura
      - Contracts Assistant – Curtis Tanabe
    - 2.0 FTE 89-day Emergency Hires



# PROCUREMENT AT THE DEPARTMENT OF HEALTH (CONTINUED)

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- The CAPS provides the following services to DOH:
  - Ensures that all procurement and contracting activities are in accordance with applicable procurement rules and regulations.
  - Evaluates departmental requirements for acquisition of goods, services, and construction.
  - Effects contracts for professional and other specialized services in accordance with applicable procurement rules and regulations.
  - Processes sole source and emergency procurements in accordance with applicable rules and regulations.
  - Processes small purchases and purchases exempt from competitive solicitation and/or standard procurement requirements.
  - Assists in the development of contract terms and provisions.
  - Monitors de-centralized procurement activities at the program level.
  - Provides guidance to programs in the administration of purchase orders and contracts issued.
  - Develops equipment inventory control procedures and system used within the Department and provides assistance to programs.
  - Maintain vehicle fleet listings for the Department and provides assistance in the acquisition, disposal and insurance for vehicles.
  - Assists with p-Card administration.
  - Assists with Amazon Business administration
  - Payment and monitoring of department leases.

# PROCUREMENT AT THE DEPARTMENT OF HEALTH (CONTINUED)

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- Procurement functions at the DOH are de-centralized. Procurement delegation is given to individuals within a DOH program that perform procurement activities.
- There are currently 474 staff in DOH that have procurement delegation.
  - For each staff person involved in the procurement process, CAPS provides a list of State Procurement Office (SPO) on-line classes that need to be taken based on the procurement functions the staff person will be participating in. An SPO-036 (Procurement Delegation Form) is submitted to SPO for individuals completing the requisite on-line classes and have been approved for specific procurement delegation(s).
  - CAPS keeps an updated list of DOH staff that have procurement delegation. The list is updated periodically to add and remove delegations. This list is located on our DOH intranet for use by DOH staff.

# PROCUREMENT AT THE DEPARTMENT OF HEALTH (CONTINUED)

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- Types of Delegation

- Competitive Sealed Bidding (HRS 103D-302) - (1) Procurement Officer, (2) Conducts/Participates, (3) HlePro Approver, (4) HlePro Buyer
- Competitive Sealed Proposals (HRS 103D-303) - (1) Procurement Officer, (2) Conducts/Participates, (3) HlePro Approver, (4) HlePro Buyer
- Professional Services (HRS 103D-304) - (1) Procurement Officer, (2) Conducts/Participates
- Small Purchases (HRS 103D-305) - (1) Procurement Officer, (2) Conducts/Participates, (3) HlePro Approver, (4) HlePro Buyer
- Sole Source (HRS 103D-306) - (1) Procurement Officer, (2) Conducts/Participates
- Emergency (HRS 103D-307) - (1) Procurement Officer, (2) Conducts/Participates
- Competitive POS (103F-402) - (1) Procurement Officer, (2) Conducts/Participates, (3) HlePro Approver, (4) HlePro Buyer
- Restrictive POS (103F-403) - (1) Procurement Officer, (2) Conducts/Participates
- Treatment POS (103F-404) - (1) Procurement Officer, (2) Conducts/Participates
- Small Purchases (103F-405) - (1) Procurement Officer, (2) Conducts/Participates, (3) HlePro Approver, (4) HlePro Buyer
- Crisis POS (103F-406) - (1) Procurement Officer, (2) Conducts/Participates

# PROCUREMENT AT THE DEPARTMENT OF HEALTH (CONTINUED)

Purchase Orders Contracts/Contract Modifications and Loans Department of Health FY 19, FY 20, FY 21				
	Purchase Orders	Contracts	Contract Modifications	Loans
FY 19	11,496	221	602	6
FY 20	10,597	175	619	4
FY 21	7,834	123	754	6



# PROCUREMENT AT THE DEPARTMENT OF HEALTH – PROCESS

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- Procurement at DOH is de-centralized. Each program conducts its own solicitation and selects vendors to procure goods and services.
- Documents are submitted for review to the ASO-CAPS office and forwarded for final approvals.
- Policies and Procedures (P&P) are provided to the programs and are available on the ASO-CAPS website.

The screenshot displays a SharePoint page for the ASO-CAPS website. The top navigation bar is blue with the 'SharePoint' logo. Below it, a breadcrumb trail reads 'ASO Web Site > Contracts Section Home Page'. The left-hand navigation menu includes links for Home, Contacts, Events, General Discussion, Policies and Procedures, GENIE Lamp, Contracts List, and DOH Contracts. The main content area features the following text:

**Department of Health  
Administrative Services Office  
Contracts and Procurement Services**

HOME PAGE

The Contracts Section is responsible for review of contracts that need the approval of the Office of the Attorney General. A contract is defined as "... all types of agreements, regardless of what they may be called, for the procurement or disposal of goods or services, or for construction." (HRS 100D-104) The goal is to ensure that the procurement process results in programs getting what it paid for.

INDEX

1. Delegation
2. Participate in a Procurement
3. Selecting Correct Type of Procurement
4. Small Purchase
5. HiePRO
6. 103D Goods and Services
7. 103F Health and Human Services
8. Price List
9. Insurance
  - Assessing Risk
  - Certificate of Insurance
10. Encumbrance
  - Electronic Purchase Order
  - C-41 Contract Input
11. Inventory
12. Contract/Contract Development
13. Trainings

# PROCUREMENT AT THE DEPARTMENT OF HEALTH – STANDARD PROCESS FOR PROCUREMENT OF GOODS AND SERVICES

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DOH Program Staff requests goods/services to be procured

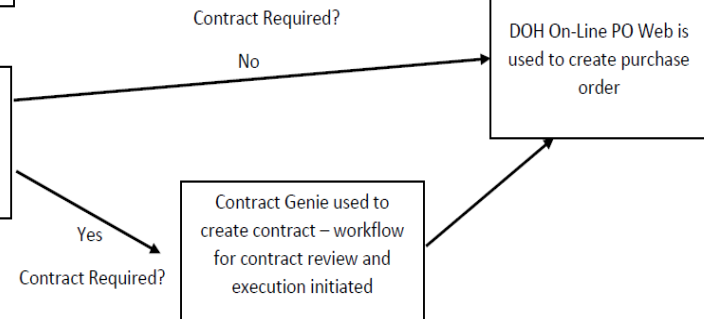
DOH Program Staff/Designated Procurement Staff puts together specifications

Type of solicitation is selected and solicitation process is initiated

Responses from solicitation are reviewed and a vendor is selected

Award is made to vendor and procurement documents are prepared

- This is the standard process for the acquisition of goods and services at DOH.
- Each program is responsible for developing specifications and selecting the appropriate solicitation process.
- The procurement documents are submitted to ASO-CAPS for review and forwarding for final approval.
  - If no contract is required, the program initiates an on-line purchase order through the DOH PO web system. Supporting documentation is attached to the purchase order document and is sent through electronic workflow for the approval process.
  - If a contract document is required, a separate process for review by the Attorney General's office (AG) is implemented. Contract Genie is used to develop the contract and an electronic workflow process is used to send the documents for review and edit. A purchase order is created once the contract is fully executed. (Note: in some cases, a C-41 document is used)



# PROCUREMENT AT THE DEPARTMENT OF HEALTH – STANDARD PROCESS FOR PROCUREMENT OF GOODS AND SERVICES (CONTINUED)

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- Processing Times
  - Contract Development to Execution: 25-40 business days \*
  - Purchase Order Initiation to Encumbrance: 7-10 business days\*
- Kaizen Exercise to Examine Procurement Process for DOH (November 2015)
  - Reviewed the current procurement process for contracting and purchase order processing and eliminate redundancies and “back and forth” shuffling of documents.
    - The exercise identified many duplicate verification checks and “quality checks” that did not add any value to the process.
    - Timeline for contract processing was approximately 67-82 business days and purchase order processing was approximately 20-22 business days

\* Processing Times dependent on DOH program response and submission of revised/corrected documents.

# PROCUREMENT AT THE DEPARTMENT OF HEALTH – STANDARD PROCESS FOR PROCUREMENT OF GOODS AND SERVICES (CONTINUED)

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- Outcomes of the Kaizen Exercise
  - Eliminated “touch points” that added no value to the contract or purchase order process. For example, in the contract development and review process, after each review/edit was completed by the DOH program and the Attorney General’s (AG) office, it would be returned to ASO-CAPS to review and check that all the changes and edits were made to the documents. With the implementation of the electronic Contract Genie system, once the ASO-CAPS did the initial review of the contract, ASO-CAPS did not see the contract document until it was ready for the DOH Director/Deputy Directors signatures. This eliminated approximately 4-5 days for each “back and forth” process between the DOH program, ASO-CAPS, and the AG’s office.
  - For the purchase order process, DOH implemented an electronic PO web system that eliminated the hard copy “back and forth” process when purchase orders needed edits/corrections. Hard copy purchase orders often were lost in transit and caused delays in procurement of goods and services. The PO web system allowed for purchase orders to be returned electronically for edits/corrections immediately back to the requisitioner, eliminating the additional 7-10 days transit time.

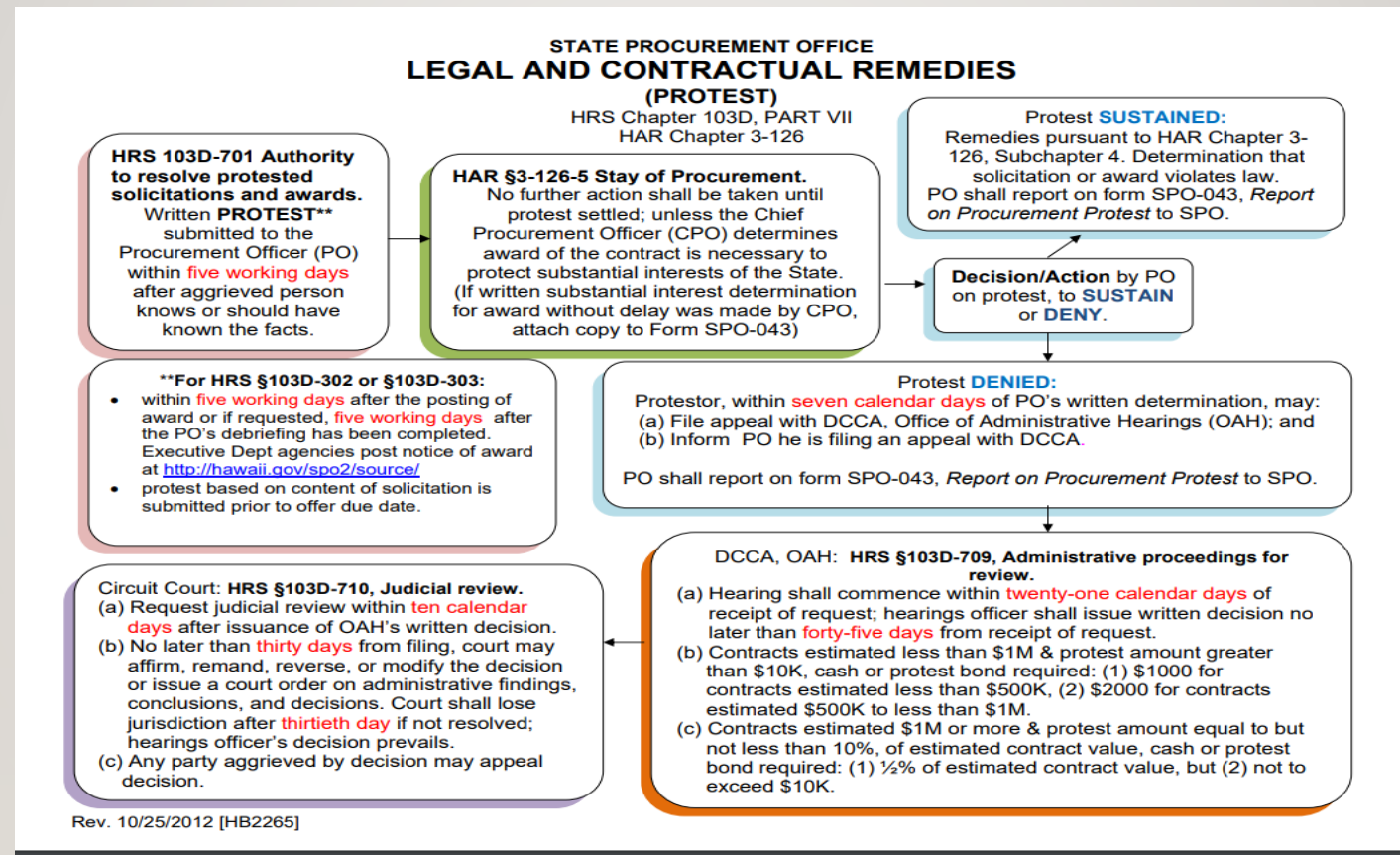


# PROCUREMENT AT THE DEPARTMENT OF HEALTH – BID PROTEST PROCEDURES

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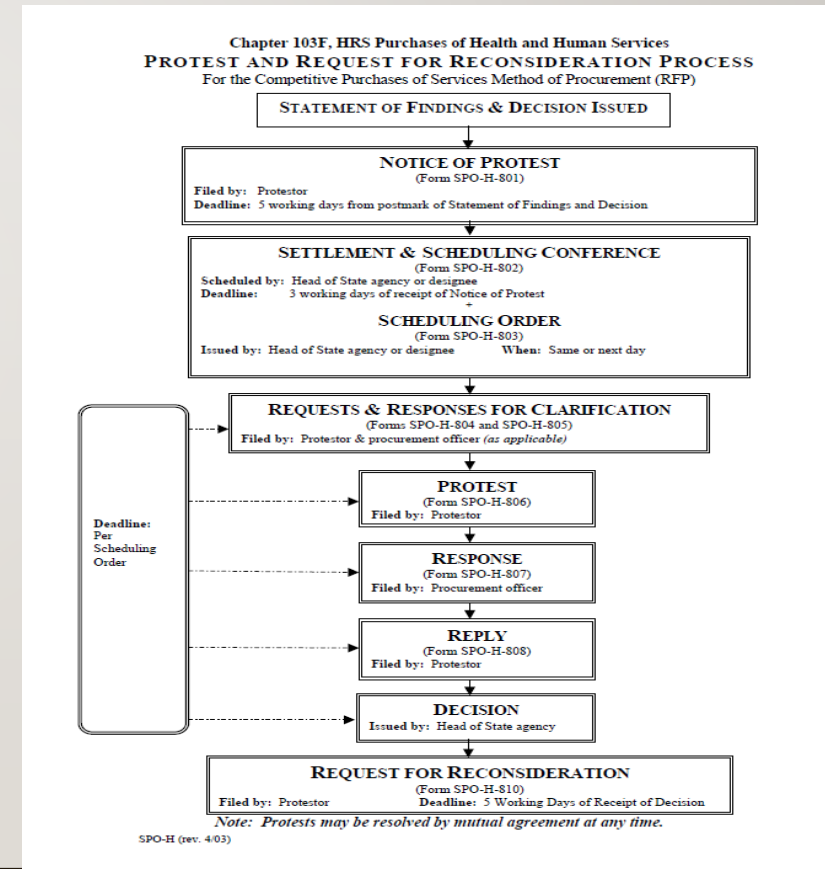
- Protest Process for 103D Goods and Services
  - DOH programs are instructed to follow the protest process outlined in Hawaii Revised Statutes (HRS) Chapter 103D and Hawaii Administrative Rules (HAR) Chapter 3-126.
    - Protests shall be submitted in writing within five working days after the aggrieved person knows or should have known of the facts giving rise thereto provided that protests of the solicitation's content shall be submitted prior to the due dates set for the receipt of offers for the competitive sealed bidding or competitive sealed proposals.
    - Protests of an award or proposed award shall be submitted in writing within 5 working days after the posting of the award, or if requested, within five working days after the debriefing was completed.
    - Upon DOH program receiving the protest, all activity on the solicitation or award is halted.
    - The designated procurement official for the DOH program does an investigation on the protest and makes a determination on the validity of the protest.
    - The initiator of the protest is notified of the decision.
    - The DOH program submits a SPO-043, Report on Procurement Protest, to SPO within 10 days of the final outcome of the protest.
    - For solicitations involving competitive sealed bidding, or competitive sealed proposals, the protestor may appeal the protest decision to the Department of Commerce and Consumer Affairs, Administrative Hearings (DCCA-OAH).
    - Should the protestor request an administrative hearing, all procurement activities should cease until a decision by the hearings officer is made.
    - A Judicial Review can be requested within 10 calendar days after issuance of the written decision by DCCA-OAH hearings officer. The court shall issue a decision no later than 30 days from the filing of the application for judicial review. If a decision is not made before this deadline, the decision of the DCCA-OAH officer stands.

# PROCUREMENT AT THE DEPARTMENT OF HEALTH – BID PROTEST PROCEDURES (CONTINUED)



# PROCUREMENT AT THE DEPARTMENT OF HEALTH – BID PROTEST PROCEDURES (CONTINUED)

- Protest Process for I03F Health and Human Services
  - [https://spo.hawaii.gov/wp-content/uploads/2013/11/protestrfr\\_proceduresinstructions.pdf](https://spo.hawaii.gov/wp-content/uploads/2013/11/protestrfr_proceduresinstructions.pdf)





# PROCUREMENT AT THE DEPARTMENT OF HEALTH – BID PROTEST PROCEDURES (CONTINUED)

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- ASO-CAPS provides assistance for DOH programs and provides advice and recommendations on how to comply with the processes for the specific procurement (I03D, I03F). Guidelines provided by the State Procurement Office (SPO) are followed to ensure proper handling of protests and to minimize/mitigate delays in the procurement process.
  - Programs are encouraged to consult with their assigned Deputy Attorney General.
- Protests
  - DOH did not receive any protests for FY 2019 and FY 2020. There were 2 protests filed in FY 2021.
    - Protest #1 – Resolution/decision was completed in 2-1/2 months. Vendor who was not selected requested proprietary information from winning bid was denied by Procurement Officer. Request reviewed by Office of the Ombudsman and confirmed Procurement Officer's position. Vendor was informed that they could access information shared with all bidding vendors via the HlePro website.
    - Protest #2 – Resolution/decision was completed in 1 week. Vendor who was not selected did not meet all document submission requirements and agreed with finding. Vendor did not pursue further protest action.



# PROCUREMENT AT THE DEPARTMENT OF HEALTH – CHALLENGES IN PROCUREMENT

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- Complexity of procurement policies
  - Types of solicitations and when to use them are not clear
- Procurement Risk
  - Dollar thresholds for small purchase procurement of goods and services (<\$100,000 non-construction, <\$250,000 for construction for 103D) does not address procurement risk.
    - What is being procured should be part of the criteria in determining the use of contract documents as a documentation to a procurement instrument (purchase order).
      - Assessment of risk – what is being purchased (goods or services), what happens if the vendor does not satisfactorily deliver the goods/services (disruption of critical services, safety concerns if procurement involves providing a service).
- Competition for same/similar vendors to provide goods/services
  - For 103F procurement, many of the providers of the services are used by multiple State agencies. With a limited pool of vendors providing these services, the vendor can “select” which services they will bid on; if multiple State agencies are procuring the same/similar services, the vendor can decide to go with the highest offer.

# PROCUREMENT AT THE DEPARTMENT OF HEALTH – CHALLENGES IN PROCUREMENT (CONTINUED)

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- Certificate of Insurance
  - Specific wording/phrases required in description boxes for type of insurance (Comptroller's Memo)
  - Correct Policy Dates
  - No backdating of certificates or policies
- Procurement training and refresher training for DOH staff who participate in procurement activities.
  - There is no “time limit” on procurement delegation. DOH encourages refresher training for those that who have not taken classes within the last five years.
- Lack of expertise and resources for the development of sound and concise bid specifications.
- Staff turnover in programs.

# PROCUREMENT AT THE DEPARTMENT OF HEALTH – RECOMMENDATIONS

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- Review of the existing solicitation processes
  - Understanding of each of the solicitation processes and the benefit(s) for selecting a particular solicitation. Can the types of solicitation be combined? For example, for a Chapter 103D Procurement for Goods and Services, there is Competitive Sealed Bidding and Competitive Sealed Proposal – can it be combined to form “Competitive Sealed Procurement”
    - Competitive Sealed Bidding awards the lowest and responsible offer vs. Competitive Sealed Proposal that awards based on the most advantageous (price is only a component of the overall evaluation).
- Providing resources to train procurement staff in writing clear and concise solicitations.
  - Designate staff within a Department to be subject matter experts (SMEs) in writing solicitations.
- Update requirements for procurement delegation and the types of procurement delegation.
  - The DOH has approximately 497 staff with procurement delegation. Each staff may have different types of procurement delegation as mentioned in a previous slide, making it difficult to keep track of who has what type of delegation.

THANK YOU

