

**SB 2602**

**SD-1**

**RELATING TO  
PROCUREMENT**

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# A BILL FOR AN ACT

RELATING TO PROCUREMENT.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that the state  
2 procurement office, in order to fully discharge its  
3 responsibilities, must take further steps to ensure compliance  
4 with chapter 103D, Hawaii Revised Statutes, by the executive  
5 agencies.

6           The purpose of this Act is to require the state procurement  
7 policy board to conduct compliance examinations.

8           SECTION 2. Section 103D-202, Hawaii Revised Statutes, is  
9 amended to read as follows:

10           "**§103D-202 Authority and duties of the state procurement**  
11 **policy board.** (a) Except as otherwise provided in this  
12 chapter, the state procurement policy board shall have the  
13 authority and responsibility to adopt rules, consistent with  
14 this chapter, governing the procurement, management, control,  
15 and disposal of any and all goods, services, and construction.  
16 All rules shall be adopted in accordance with chapter 91;  
17 provided that the state procurement policy board shall have the



1 power to issue interim rules by procurement directives, which  
2 shall be exempt from the public notice, public hearing, and  
3 gubernatorial approval requirements of chapter 91. The interim  
4 rules shall be effective for not more than eighteen months.

5 (b) The state procurement policy board shall consider and  
6 decide matters of policy within the scope of this chapter  
7 including those referred to it by a chief procurement officer.

8 (c) The state procurement policy board shall have the  
9 power to audit and monitor the implementation of its rules and  
10 the requirements of this chapter, but shall not exercise  
11 authority over the award or administration of any particular  
12 contract, or over any dispute, claim, or litigation pertaining  
13 thereto.

14 (d) The state procurement policy board shall conduct  
15 annual compliance examinations of procurement contracts that are  
16 over \$50,000 of a minimum of two executive departments,  
17 divisions, or agencies to ensure compliance with this chapter.  
18 The state procurement policy board shall select the departments,  
19 divisions, or agencies to be reviewed as follows:

20 (1) Based upon a pattern of noncompliance; or



1       (2) Based upon circumstances of a particular procurement  
2           that may indicate an intent to circumvent this  
3           chapter;

4 provided that the state procurement policy board shall conduct  
5 follow-up examinations of a department, division, or agency that  
6 has been previously examined under paragraph (1) or (2).

7       (e) In addition to the departments, divisions, or agencies  
8 subject to review pursuant to subsection (d), the state  
9 procurement policy board shall select any department, division,  
10 or agency for a compliance examination to ensure compliance with  
11 this chapter; provided that the selection may be random or as  
12 otherwise authorized by law.

13       (f) The state procurement office shall report its findings  
14 of all compliance examinations to the legislature no later than  
15 twenty days before the convening of each regular session."

16       SECTION 3. New statutory material is underscored.

17       SECTION 4. This Act shall take effect on January 1, 2050.



**Report Title:**

State Procurement Policy Board; Compliance Examinations

**Description:**

Requires the State Procurement Policy Board to conduct annual compliance examinations of procurement contracts that are over \$50,000 of at least 2 executive departments, divisions, or agencies. Requires the State Procurement Policy Board to also select any department, division, or agency for a compliance examination to ensure compliance with the State Procurement Code. Requires the State Procurement Office to report its findings to the legislature. Effective 1/1/2050. (SD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

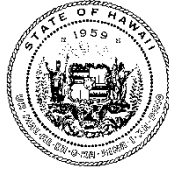


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**TESTIMONY**

DAVID Y. IGE  
GOVERNOR



SARAH ALLEN  
ADMINISTRATOR  
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TESTIMONY  
OF  
SARAH ALLEN, ADMINISTRATOR  
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEE  
ON  
LABOR AND PUBLIC EMPLOYMENT  
March 22, 2018, 9:15AM

SENATE BILL 2602 SD1  
RELATING TO PROCUREMENT

Chair Kim, Vice Chair Ruderman, and members of the committee, thank you for the opportunity to submit testimony on SB 2602 SD1. The State Procurement Office (SPO) supports the intent of this bill, and offers the following comments.

HRS103D-206 states that an additional duty required by the Administrator is to: "(1) Perform periodic review of the procurement practices and procedures of all governmental bodies, in collaboration with the state procurement policy board, for compliance with the procurement code".

The SPO considers compliance a vital aspect of the SPO mission, and conducts reviews and/or investigates numerous procurement activities from various departments and agencies across the State. These procurement reviews typically take between 2-7 months to complete, depending on the complexity of the review.

In FY 2017, the SPO conducted the following reviews:

- 6 Procurement Investigations
- 6 Procurement Reviews
- 39 Protest Reports reviewed
- 70 Procurement Violations

The SPO considers reviews from the standpoint of how to improve processes for enhanced effectiveness as well as a set of expected standards among the procurement and contracting specialists that supports and maintains a professional workforce.

Thank you.

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**LATE  
TESTIMONY**