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

**TO THE HOUSE COMMITTEE  
ON  
FINANCE**

February 22, 2019, 12:30 PM

**HB414 HD1  
RELATING TO PROCUREMENT FOR THE UNIVERSITY OF HAWAII**

Chair Luke Vice Chair Cullen, and members of the committee, thank you for the opportunity to submit testimony on HB 414 HD1. The State Procurement Office (SPO) supports SECTION 6 of the bill amending sections 103D-203 and 304A-2672, Hawaii Revised Statutes (HRS) to permanently restore authority to the President of the University of Hawaii (UH) to act as the Chief Procurement Officer (CPO) for contracts for construction and construction-related professional services furnished by licensees under chapter 464.

Act 87, SLH 2013 (HB 114) "Relating to Higher Education" was signed into law on May 31, 2013. By enacting Act 87, the Legislature amended HRS §103D-203 and §304A-2672 by repealing the authority of the President of the UH to serve as the CPO for construction contracts and professional services, furnished by licensees under chapter 464 (i.e. Engineers, Architects, Surveyors, and Landscape Architects), related to construction contracts and assigned those responsibilities to the Administrator of the SPO.

To implement the requirements of this Act, the SPO issued UH Procurement Delegation No. 2013-01 delegating procurement authority to the UH President as well as a Memorandum of Agreement (MOA) delineating SPO's oversight responsibilities and UH's responsibilities and procedures. The SPO also imposed a high-level oversight role in order to evaluate the UH's construction procurement practices by collecting and reviewing data related to the UH's construction procurements for FYs 14 and 15, in order to provide fact-based report to the Legislature by January 2016.

The SPO's report documented the extensive oversight, reviews, cooperation and coordination between the SPO and the UH on procurements for construction and construction-related professional services. As documented in the report, between July 1, 2013 to June 30, 2015, the SPO reviewed 102 University solicitations for construction out of 373 construction procurements

conducted by UH during that time. The reviews included solicitations for competitive sealed bids, professional services, and small purchases. The SPO also provided oversight of post-award procurement activities by conducting eleven (11) construction site visits and three (3) desktop reviews of on-going projects.

Based on the SPO's review of 102 UH construction procurements, UH's Administrative Procedures, and 14 post-award site visits, the SPO found that the UH is conducting construction procurements in a compliant, efficient, and transparent manner. As such, based on the SPO's findings and recommendations, the SPO supports permanently restoring the UH President's full authority to act as the Chief Procurement Officer for all the UH's procurements, including the procurement of construction and construction-related professional services.

Thank you.



# UNIVERSITY OF HAWAII SYSTEM

## Legislative Testimony

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Testimony Presented Before the  
House Committee on Finance  
February 22, 2019 at 12:30 p.m.

By

Jan Gouveia, Vice President for Administration  
University of Hawai'i System

HB 414 HD1 – RELATING TO PROCUREMENT FOR THE UNIVERSITY OF HAWAII

Chair Luke, Vice Chair Cullen, and members of the committee:

Thank you for the opportunity to submit testimony on HB 414 HD1, which amends section 6 of Act 42, Session Laws of Hawai'i (SLH) 2018 by extending the sunset provision expiration to June 30, 2023. The University supports this bill, but respectfully requests that the original version of the bill be reinstated, which will permanently authorize the President of the University of Hawai'i (President) to serve as the chief procurement officer for contracts for construction and construction-related professional services.

In 2018, Act 42, SLH 2018, was signed into law that, among other things, amended Hawai'i Revised Statutes (HRS) §§103D-203 and 304A-2672 to reinstate the authority of the President as the Chief Procurement Officer for construction-related procurements but provided a sunset date of June 30, 2021 for the repeal of the act and reenactment of HRS §§103D-203 and 304A-2672 as amended in 2013 by Act 87, SLH 2013 (HB 114).

Prior to 2013, the President had been afforded the duties, powers and authority of a chief procurement officer – similar to the Administrative Director of the Courts for the Judiciary, President of the Senate, Speaker of the House of Representatives, Chairperson of the Board of the Office of Hawaiian Affairs, Superintendent of the Department of Education, CEO of Hawai'i Health Systems Corporation, the Administrator of the State Procurement Office, the respective finance directors of the counties, the respective chairpersons of the councils of the counties, the managers and chief engineers of the respective county boards of department water supply, and director of the semi-autonomous public transit agency.

In 2013, however, the Legislature amended state law to effectuate the Administrator of the State Procurement Office (SPO), rather than the President, to serve as the Chief Procurement Officer for construction-related procurements of the University.

In 2016, the SPO Administrator reported to the Legislature that, based on an audit of transactions between 2013 and 2015, "UH is conducting construction procurements in a compliant, efficient, and transparent manner." Given this finding and the additional improvements that the University has made specifically to the management and solicitation of its construction projects, the University believes full chief procurement officer authority should be permanently restored to the President. This is particularly important at a time when the University is expected to aggressively address its deferred maintenance backlog. With the additional safeguards and imposition of industry best practices, we believe the University has demonstrated that it can and will continue to conduct its construction procurements in a compliant, efficient, and transparent manner.

Thank you for the opportunity to testify in support of HB 414 HD1 and respectfully request that the President be permanently reinstated as the Chief Procurement Officer for construction-related procurements of the University.