

STAND. COM. REP. NO.

2684

Honolulu, Hawaii

FEB 18 2022

RE: S.B. No. 2302
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2022
State of Hawaii

Sir:

Your Committee on Higher Education, to which was referred
S.B. No. 2302 entitled:

"A BILL FOR AN ACT RELATING TO CHIEF PROCUREMENT OFFICERS,"

begs leave to report as follows:

The purpose and intent of this measure is to designate the
State Procurement Officer as the Chief Procurement Officer for
both the University of Hawaii and Department of Education.

Your Committee received testimony in support of this measure
from the Hawaii Regional Council of Carpenters.

Prior to the hearing, your Committee posted and made
available for public review a proposed S.D. 1, which, amends this
measure by:

- (1) Inserting findings to provide information on chief
procurement officer practices at other state higher
education systems in the United States and establishing
that preventing conflicts of interest in the area of
procurement is a matter of statewide concern;
- (2) Retaining the Department of Education Superintendent as
the Department's chief procurement officer; and



- (3) Replacing the State Procurement Officer with the Vice President for Budget and Finance and Chief Financial Officer of the University of Hawaii System to serve as the Chief Procurement Officer of the University of Hawaii.

Your Committee received comments on the proposed S.D. 1 from the University of Hawai'i System.

Your Committee finds that it is a matter of statewide concern that the President of the University of Hawaii serves simultaneously as the Chief Procurement Officer for the University of Hawaii System. The President of the University of Hawaii System concurrently serving as Chief Procurement Officer will lead to inevitable conflicts of interest.

In other state systems of higher education, such as California State University, University of Massachusetts, and University of Oregon, there is a distinction between institutional leadership and purchasing when assigning the authority over procurement. While the Chief Procurement Officer for Colorado possesses authority over state purchasing and procurement and direct oversight over Colorado's institutions of higher learning, there were no instances in institutions across the country that had a university president concurrently named as Chief Procurement Officer.

Your Committee also heard the testimony of the University of Hawaii System, which provided comments regarding its Chief Financial Officer simultaneously serving as the Chief Procurement Officer. In its current organizational structure, the President serves as the Chief Procurement Officer, which aligns with other state agencies that designate the director of that agency as the Chief Procurement Officer. However, your Committee probed further into the intricacies of how procurement decisions are made at the University.

Currently, there are twelve procurement positions bifurcated into seven positions within the Office of Procurement Management (OPM), which are responsible for goods and services, and five positions within the Facilities Contracts Office, which are responsible for construction and construction-related projects. While OPM's Director reports directly to the Vice President for



Administration, the Facilities Contracts Manager reports to the Director of Facilities Business Office, and the Director of Facilities Business Office reports to the Vice President for Administration. While the procurement code's lack of specificity in certain areas may require the exercise of discretion in making certain decisions about issues such as change orders, the complex and seemingly convoluted chain of command in the University's procurement process and workflow provide little responsibility of decision makers to thoroughly vet decisions and be held accountable for those decisions.

Your Committee also expresses concerns regarding the Director of Procurement position, which has been filled on an interim basis for the last two years. While the University noted that a hiring freeze impacted the ability to hire a permanent Director of Procurement, keeping the position filled on an interim basis exacerbated problems relating to the lack of oversight and accountability.

Your Committee additionally notes that testimony received from the University of Hawaii System also raises concerns that there are multiple bureaucratic considerations that must be addressed to place the procurement process under the Chief Financial Officer. As the procurement process is currently separated from the Chief Financial Officer, additional considerations such as revising internal processes and chain of responsibility to incorporate the Chief Financial Officer are necessary. However, incorporating procurement under the Chief Financial Officer provides a layer of accountability in the oversight of personnel involved in procurement and the ability to ensure that matters are thoroughly vetted before final approval of procurement projects. To address concerns raised over the role of Chief Procurement Officer at the University of Hawaii, this measure designates the Vice President for Budget and Finance/Chief Financial Officer as the Chief Procurement Officer.

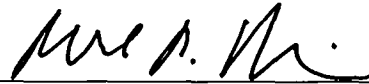
In consideration of the testimony received from the University of Hawaii regarding the multiple bureaucratic considerations that would arise in placing the procurement process under the Chief Financial Officer, your Committee respectfully requests your Committee on Ways and Means to investigate potential costs and budget implications for the University of Hawaii.



Your Committee has amended this measure by adopting the proposed S.D. 1 and further amending this measure by making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Higher Education that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2302, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2302, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Higher Education,



DONNA MERCADO KIM, Chair



The Senate
 Thirty-First Legislature
 State of Hawai'i

Record of Votes
Committee on Higher Education
HRE

Bill / Resolution No.:*	Committee Referral:	Date:
SB 2302	HRE	2-15-22

The Committee is reconsidering its previous decision on this measure.
 If so, then the previous decision was to: _____

The Recommendation is:

Pass, unamended 2312 Pass, with amendments 2311 Hold 2310 Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
KIM, Donna Mercado (C)	/			
KIDANI, Michelle N. (VC)	/			
KEITH-AGARAN, Gilbert S.C.	/			
WAKAI, Glenn	/			
FEVELLA, Kurt	/			
TOTAL	5			

Recommendation: Adopted Not Adopted

Chair's or Designee's Signature: *Michelle N. Kidani*

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*Only one measure per Record of Votes