



UNIVERSITY OF HAWAII SYSTEM

‘ŌNAEHANA KULANUI O HAWAII

Legislative Testimony

Hō'ike Mana'o I Mua O Ka 'Aha'ōlelo

Testimony Presented Before the
Senate Committee on Higher Education
February 2, 2023 at 3:15 p.m.

By

Jan Gouveia

Vice President for Administration

and

Kalbert K. Young

Vice President for Budget and Finance/Chief Financial Officer
University of Hawai'i System

SB 1197 – RELATING TO THE UNIVERSITY OF HAWAII

Chair Kim, Vice Chair Kidani, and Members of the Committee:

Thank you for the opportunity to provide testimony today. The University of Hawai'i (UH) does not support SB 1197, which would designate the Vice President for Budget and Finance/Chief Financial Officer (CFO) of UH as the Chief Procurement Officer (CPO) of the UH, for the reasons set forth below.

Currently, Section 103D-203, Hawai'i Revised Statutes (HRS), establishes the president of the UH as its CPO. This designation authority allows for the UH to efficiently self-manage much of the processes for nearly all procurement requirements of the UH – such as, for purchasing of supplies, equipment, services, consulting, and construction. UH supports preserving CPO designation within the UH as beneficial for efficient procurement.

Prior to 2014, the CFO was delegated the responsibility for the procurement of all goods, services, and construction at UH. This changed, however, after the Board of Regents (BOR) commissioned the Advisory Task Group on Operational and Financial Controls Improvement (ATG) to assist the BOR with its oversight of the UH's actions and improvements to policies, internal controls, and practices. The purpose and primary function of the ATG was to oversee, provide input, monitor activities, and guide the scope of an evaluation and improvement initiative specific to operational and financial processes and related internal controls of the UH. The ATG reported to the BOR's Committee on Independent Audit, and was comprised of eight members, four members from the BOR, and four from private industry with expertise in financial processes and organizational structure and internal controls.

ATG researched leading practices that combined reviews of published papers from organizations knowledgeable about organizational structures and statutes applicable to a number of other states' universities. In addition to interviewing key legislators and

other government officials, the ATG also conducted interviews with presidents and/or obtained information from over 30 U.S. universities and land grant institutions. Amongst the several key findings put forth by the ATG was a conclusion to consolidate the following administrative functions under a Vice President for Administration: procurement, human resources, capital improvements and external communications. Consistent with other institutions of higher education, the ATG believed this would improve the operational efficiency of administrative functions by allowing the other technical and academic administrators to focus on their primary functions.

In 2013, the Board of Regents adopted the recommendations of the ATG by establishing the Vice President for Administration position with responsibilities for procurement, capital projects, human resources, communications, and risk management. Since that time, the UH has experienced significant improvement in these areas – especially its facilities and capital projects program. This measure would undo the recommendations of the ATG and negate all of the progress made to date by returning to a more inefficient and segmented organizational structure.

Currently, the CFO is not involved in procurement processing at UH. If passed, SB 1197 would require added internal processes, process flow, reorganization of personnel and/or necessitate added bureaucracy in order to incorporate an additional office within the CFO.

Finally, the designation of the UH President as CPO for UH is consistent with the standard practice of designating the following leaders as CPOs for their respective agency (to name a few): the President of the Senate; the Speaker of the House of Representatives; the Superintendent of the Department of Education; and the CEO of Hawai'i Health Systems Corporation.

Based on the foregoing, UH does not support SB 1197. Thank you for the opportunity to testify on this measure.

SB-1197

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Testimony for HRE on 2/2/2023 3:15:00 PM

| Submitted By | Organization | Testifier Position | Testify |
|---------------------|--|---------------------------|---------------------------|
| Nathaniel Kinney | Testifying for Hawaii Regional Council of Carpenters | Support | Written Testimony Only |

Comments:

We believe the passage of this bill will remove the conflict of interest that can occur when the President of the University is also the Chief Procurement Officer.