



The Senate

STATE CAPITOL
HONOLULU, HAWAII 96813

August 25, 2021

MEMORANDUM

TO: Elizabeth Char, Director
Department of Health

FROM: Senator Sharon Y. Moriwaki, Chair
Senate Special Committee on Procurement (SCP) 

SUBJECT: Senate Special Accountability Committee on Procurement
Informational Briefing Follow-Up Requested Information and Questions

Thank you to you and your staff, and especially your administrative officer Janis Morita, for the presentation at the August 18 Senate Special Committee's informational briefing on the department's procurement and contracting policies and procedures. A number of questions and requests for further information arose from the briefing. Please provide the following:

1. A revised table of contracts to include the following: type of contract (IFB, RFP, RFQ, IBIQ, Purchase Order, Sole Source, etc.), date and amount of the contract award (total cost of the contract), cost at the end of the contract period, the number of modifications and reasons, contract period, and the number of extensions and reasons. Since your department decentralizes the approval of contracts, please list the above by division, branch or office that approved the contract(s).
2. A flowchart of the DOH procurement and contracting process for each of the different types of contracts (e.g. IFB, RFP, RFQ, IBIQ, Purchase Order, Sole Source, etc.), starting with scoping of a project through execution; and include the average number of days for each phase of the process. Also provide the criteria for determining use of and the process used for HRS103D and for HRS103F contracts.
3. Are the above procedures used for federal funds? Given that federal funds, and in particular, COVID federal relief funds, are time-sensitive, please elaborate on the procedure used for federal contracts and the average number of days for each phase of the process. Also provide the total dollars received by the department in federal COVID

relief funds, including CARES and ARPA, and a list of COVID-funded contracts by division/branch, including project award and contract period.

4. How many contracts and the dollar amount of the awards were service ordered to the Research Corporation of the University of Hawaii (RCUH)? Provide data for the past three years. Additionally, provide criteria for using RCUH.
5. Because the department has thousands of contracts and hundreds of modifications approved at the division/branch levels, does it provide criteria for approving modifications and extensions. If so, please submit the criteria used by the units. Do you have a departmental manual for procurement and contracting through closing to ensure consistent application of HRS 301D and HRS301F? If so, please submit.
6. Does the department use memoranda of agreement (MOA) in lieu of contracts? If so, what are the criteria and procedure for obtaining services through the MOA?
7. The department is commended for its kaizen exercise in 2015 yielding streamlined and shorter contract processing time. What is the current process and timeline if contracts are approved at the division/branch levels? Does any other review occur for large contracts over \$100,000? If it is approved at a higher level, who monitors and approves these large contracts and what is the average time for approval at that level? Does the department consult with the attorney general?
8. Based on the table of contracts submitted by the department, several questions arose about project costs and extensions, e.g. initial contract award amounts that significantly increased, e.g. Kapiolani Medical Center (#345) awarded \$380,462 but the final cost of the project was \$1,111,546. Also explain Bio-Tech Medical Software (#405) that began as a small purchase at \$49,000, had 5 extensions for a contract period from 4/16-6/21 and final cost of \$887,400. Should the contract, when it went over the \$50,000 threshold, have gone to competitive bid? If not, why not?
9. Questions arose about the redemption center contracts that show contract costs increasing as much as seven-fold (see #446-447, #455, #471-475, 480-487, 491-492,503-504, 506). Provide justification for increases and extensions. Further questions arose regarding the oversight and management of the recycling program, specifically:
 - What is the cost or profit of recycled products after shipping costs?
 - How many recycling companies does the state contract with? Based on the table of contracts, there are as many as 17. Are there more? And how many companies at the time the program first started?
 - What is the cost now as compared to when it originally started?
 - How many bottles/cans go into the City's blue bins? And how does the city dispose/recycle the bottles/cans?

- Who is monitoring the department's program and does he/she report annually on its progress?
 - The March 2019 audit required the program to audit the redemption center. Please provide the status of what's been done and oversight over the redemption program.
10. Provide a table of all contracts less than \$100,000 – small purchases—made to the same vendor for the same purpose within a year. Provide the contracts by division/branch for the last 3 years.
 11. Provide the criteria used for determining rate schedules. Provide the department's rate schedule for all services using rate schedules and provide a list of contracts and their approved rates.
 12. Provide a list of multi-year contracts by division/branch, including start and completion dates of the contract, contract budget award, and the final cost of the project; and dates of performance evaluation(s), if any. Provide for the past 3 years.
 13. As your department has decentralized the procurement and contracting responsibilities, please provide a list of your divisions/branches and the names and level of delegated authorities of all department staff and dates of training (noting that training is required prior to delegated authorization) and indicate whether the officer attend the latest annual training of the CAPS office. For each office that approves its own contracts, provide the name of the responsible procurement officer and level of authority.
 14. The department issues thousands of contracts annually. What policies or procedures are in place to ensure vendor performance? Please provide the department's policy, if any, and data collected on performance. If not, please provide any recommendations for evaluating vendor performance, including criteria.
 15. One of the challenges presented (Slide 17) is the competition for the same or similar vendors by the department with other departments seeking the same services. Is the CAPS office involved in the efforts on group purchasing and master agreements? If not, who is in responsible for these initiatives? Please provide a report on the department's concept of group purchasing to coordinate funding for similar services within the department and across State departments; and the status of the department's work on the following initiatives intended to reverse the vendor-driven services to one where the state agencies coordinate needs and funding to drive outcome-based services as directed by law:
 - coordination of funding for outcome-based services under Act 263(2019) which was further clarified this past session to focus on coordinating funding sources

and establishing outcome measures for behavioral or substance abuse conditions (Act 154 /HB541) and

- Behavioral Health Administration (BHA) initiative to coordinate with programs within the department on a master services agreement, with a request for proposal to be posted this past July.

16. The department cites challenges on the lack of expertise and resources to develop sound bid specifications, which is important for contract performance, and on the need for more frequent training of procurement staff (Slide 19). Has the department provided these resources? If not, what would you require to address these challenges? Please be specific.

17. The department cites the challenge of the current rules regarding the certificate of insurance that may delay projects starting. Please provide recommendations for changes to address this problem.

We ask that you submit responses by September 13, 2021, to Committee Clerk Kaley Vatalaro at k.vatalaro@capitol.hawaii.gov. Thank you for your attention to this matter.

cc: Senator Donovan M. Dela Cruz
Senator Michelle N. Kidani
Senator Donna Mercado Kim
Senator Kurt Fevella
Bonnie Kahakui