

Special Committee on the State of Hawaii Procurement (SCP)

Tuesday, August 11, 2021 10:30 AM

State Procurement Office (SPO); University of Hawaii (UH). State Procurement Officer Bonnie Kahakui; University of Hawaii President David Lassner, (Chief Procurement Officer); Vice President for Administration Jan Gouveia; Facilities Contract Manager Jamie Ho; and Interim Director of Office of Procurement Management Karlee Hisashima.

Summary Comments

UH was present to brief the SCP on their core procurement team, their qualifications, and general procurement procedures at UH. This presentation contained statistics on a number of protests UH received over the last five years, including the average number of days for UH to respond with a decision, and a description of UH's past and current contracts.

Documents Received

Prior to the hearing, UH submitted the following documents to SCP:

- UH answers to the agenda items/SCP list of questions (transmitted from Amy Luke on 08/10/2021).
- UH Bid Protests from 2020 and 2021 (two separate documents transmitted from SPO).
- UH Construction and Professional Services contracts over \$100K.
- UH Personal Services contracts over \$100K.

General Points

- The procurement UH does is complex and spread out, but it has a centralized procurement office for transactions over \$25K on Oahu.
- The UH procurement team is divided into a Goods & Services Team and Construction Team.
- UH attributes its relatively low average response time to protests to the fact that it has always had an attorney in the procurement office handle the protest internally.
- UH's first administrative appeal to its response to a protest over the last five years occurred last week over a project to upgrade the electrical system in the BioMed building.
- UH confirms that it posts the awards of its projects on both the SPO and UH websites.

- UH confirms that it does not post its change orders nor is it common practice to so.
- If the scope of the original contract is expanded through a change order, this information is not available online, but recorded in an internal file available to those who want to inspect them.
- Change orders to design projects over \$1M and construction projects over \$5M are reported to the UH Board of Regents quarterly.
- UH determines whether to procure with an Invitation for Bids (IFB) vs a Request for Proposals (RFP) based on factors such as whether the project is on undeveloped property (vs a renovation) and the timeline for legislative funding.
 - An excess of change orders/post-award amendments to the scope and cost of an ongoing project may be the result of poor planning.
- Consultants are procured through IFB, through the procurement team.
 - UH has a Facilities Contracts Office, Office of Project Delivery, and Facilities Directors for individual campuses.
 - The procurement office is like central services.
- For IFBs: The construction management team works with the project managers to put together the specs. 95% of the time, the project manager hires a consultant to design the renovation. If in-house design is done, it is at the facilities management office, with in-house mechanical, electrical, and plumbers. Once the bid packet is complete, the procurement office does a final review before advertising the project. The facilities contracts office processes the bids and proposals received. The procurement office handles the award and protest processes. Once a project begins construction, UH then hires a construction manager to help manage the project. The project manager and construction managers make recommendations on the project.
- UH hires a project manager, construction manager, and inspector to oversee the project. The project manager that puts together the bid packet remains on the project.
- UH used to require licensure for its project managers and construction managers, but now it's a desired qualification.
- The scope of an IFB gives the agency flexibility to pursue necessary change orders but should not change the scope of the project.
- State bears the costs when it's an owner-initiated request.

- There was extensive discussion on the scope vs the intent of the project and when change orders or the cancellation and rebidding of a project is appropriate.
- All staff have a construction background; all construction managers have a construction background; two design build specialists on the design build team have demonstrated experience in construction.
 - Is the current level of construction experience/oversight enough? Does the contract manager and inspector perform walkthroughs?
- It is a challenge for departments to figure out how to move forward with change orders that may not be in the scope of an existing contract.
- Receipt of federal and extramural funds are rare, but when received, they are diverted to RCUH, and they will do the procurement administration for that project. These funds are for small construction projects that can be handled in-house.
 - RCUH is exempt from the State procurement process, and instead follows the federal procurement guidelines.
 - Although there is reduced UH authority on the RCUH board, they work closely together and have processes that clearly define the roles and responsibilities of each.
- UH is still considering what its challenges and recommendations to their procurement processes are.
 - Common challenges include the high level of documentation (probably for federal projects).
 - Anticipated lack of experienced staff to perform procurement in the future.
- There is only 9 or 10 centralized procurement officers who handle the UH projects over \$25K.
- Training is not annual.
 - UH procurements just do SPO training.
- UH has the authority to exempt certain procurements. These procurements are for goods and services only. These "call for offers" procurements follow the same IFB/RFP procedures. The only difference is that "call for offers" have a shortened timeline.

Information/Action Requested

UH was requested to provide the following documents to the SCP following this hearing:

- Flowchart of UH's procurement process starting from the advertisement of the IFB/RFP, including the average number of days for the process.
- Job descriptions of Project Manager and Construction Manager.
- Organizational chart on the management of the contract.
- The original scope of work for the PBS building/Sinclair Library project.
- Copies of the 38 change orders on the PBS building/Sinclair Library project and the 33 change orders for the floor renovation of Sinclair Library.

SCP can submit a written request to the Research Corporation of the University of Hawaii (RCUH) on their procurement training practices.

Remaining Questions

- Does UH monitor the performances of their contractors and if so, what criteria do they use or recommend be used?
- Does UH have information on its change orders, such as how many change orders they have per project and the costs of the change order?
- How many licensed engineers and project managers do they have outside of the procurement team?
- What analysis does UH perform to determine whether to accept or request change orders, especially those that amend or add to the scope of the project?