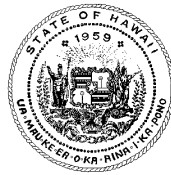


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February 3, 2016

**TESTIMONY TO THE
SENATE COMMITTEE ON PUBLIC SAFETY, INTERGOVERNMENTAL AND
MILITARY AFFAIRS AND
SENATE COMMITTEE ON GOVERNMENT OPERATIONS**

For Hearing on Thursday, February 4, 2016
2:15 p.m., Conference Room 229

By
JAMES K. NISHIMOTO
DIRECTOR

**Senate Bill No. 2495
Relating to Procurement**

CHAIRPERSON NISHIHARA, CHAIRPERSON KIM, AND MEMBERS OF THE
SENATE COMMITTEE ON PUBLIC SAFETY, INTERGOVERNMENTAL AND
MILITARY AFFAIRS AND SENATE COMMITTEE ON GOVERNMENT OPERATIONS:

The Department of Human Resources Development (DHRD) appreciates the
intent of Senate Bill No. 2495 and offers the following comments for consideration.

Given that Senate Bill No. 2495 proposes revisions to §103D-110, Hawaii
Revised Statutes, relating to the Hawaii Public Procurement Code, DHRD requests:

- (1) The proposed language in §103D-110(a) would have DHRD, either alone or in cooperation with any governmental body, conduct or participate in procurement education and training *for persons not employed by the State*. Such procurement education and training would not be consistent with DHRD's scope of authority/responsibility, which by statute is limited to State employees.
- (2) The proposed language in §103D-110(b) requiring DHRD to cooperate with the State Procurement Office to develop and maintain a procurement practices training and development program would potentially create confusion, as the State Procurement Office is the recognized procurement subject matter expert with statutory authority/responsibility for administration of the State's procurement program, and already administers a training program on procurement issues.

Based on the foregoing it is requested that consideration be given to deleting reference to DHRD in the context of revisions to §103D-110, as was done in the 2015 legislative session in connection with similar legislation (HB 1127, HD1, SD1).

Thank you for the opportunity to testify on this measure.

DAVID Y. IGE
GOVERNOR



SARAH ALLEN
ADMINISTRATOR

PAULA A. YOUNGLING
ASSISTANT ADMINISTRATOR

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**TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEES
ON
PUBLIC SAFETY, INTERGOVERNMENTAL, AND MILITARY AFFAIRS
AND
GOVERNMENT OPERATIONS
FEBRUARY 4, 2016; 2:15 PM**

**SB2495
RELATING TO PROCUREMENT
(PROCUREMENT OFFICERS; EDUCATION AND TRAINING)**

Chairs Nishihara and Kim, Vice-Chairs Espero and Ihara, and members of the committee, thank you for the opportunity to submit testimony on SB2495.

The State Procurement Office's (SPO) STRONGLY SUPPORTS the intent of the bill to ensure procurement officers receive regular training and offers the following recommendations:

SPO recognizes that a robust training and certification program for Procurement Professionals across the State is VITAL for the upliftment of procurement knowledge and skills to enable better, more effective, more efficient, successful procurements. SPO published the White Paper: *Acquisition Academy and Center for Excellence - Building Procurement Capacity* for the State of Hawaii in December 2014. This paper explains the procurement landscape and details why training is the cornerstone to improving procurement across the State. In addition, SPO published a report in response to Legislative Session 2015, HCR204, which details information about the Procurement Workforce across the State and the recommendations to improve organizational and training issues. SPO is currently researching options for the development of a robust certification and training program that will engage Procurement Professionals at all levels and roles.

In order for to know whether a Procurement Professional needs refresher training, the SPO must have access to a robust training database, termed as a "Learning Management System" (LMS). Hawaii has neither a LMS nor positions dedicated exclusively to procurement training. Our current training attendance database reflects over 8,000 individuals who have taken SPO training since 2006. SPO has no way of knowing who is active or has conducted procurement and estimates that currently at least 2,000 staff participate in or conduct procurement activities across the state. A statewide procurement training and certification learning management system (LMS) is a vital tool to ensuring the State of Hawaii develops a

proficient workforce of procurement professionals who expend public funds in a manner that is compliant with applicable statutes, rules, and policies. "Certification" is the process by which an individual demonstrates meeting specific qualifications (eligibility requirements) and an established level of knowledge (examination) necessary to competently perform a specific job. Certifications reflect established standards and competencies for those engaged in government procurement, and attest to the designee's ability to obtain maximum value for the taxpayer's dollar. The LMS will allow state and county procurement personnel to register online, take relevant procurement courses on-demand, and receive certification by passing exams.

The LMS will further improve SPO's training program by:

- Offering a centralized source of learning,
- Automating data-keeping and reporting procedures ,
- Bolstering knowledge retention with evaluation capabilities, and
- Simplifying the learning process.

Considering SPO has no designated resources for State-wide training, SPO purchasing and compliance resources are drained by the day to day administrative work it takes to keep up a manual system. At best, this manual system offers a PowerPoint training, but alas, it does not track, automate, simplify or have the ability to produce certified tests for learning. A LMS would drastically reduce the burden our SPO members have taken on to manage the manual process, allowing them to conduct much needed compliance and purchasing actions and the time to work on much needed training gaps such as contract management and cost and pricing analysis.

Market research reveals that the average LMS costs with authoring software are \$25,600, and one Training Specialist position costs \$71,500. In addition, each new training costs on average \$25,000, with the intent to develop two training classes a year at \$50,000. These are annual, recurring costs. Thus the SPO is requesting funding of \$150,000 per annum to implement the FULL SPO Training Program, or \$25,600 per annum to implement the LMS only.

Recommendations:

a. Section 1, Page 2, Line 4-7:

Replace Verbiage: "within sixty days of being appointed or named to the position of procurement office of any governmental body" and

Change to: "prior to participating or authorizing any procurement".

Reasoning: It is not in the interest of the State or the Procurement Officer to authorize any procurement prior to being trained, nor is it in the interest of the State or Procurement Workforce to participate in any procurement prior to being trained.

b. Section 1, Page 2, Line 8:

Replace Verbiage: "that each procurement officer.." and

Change to: "that the Procurement Workforce.."

Reasoning: "Procurement Officer" is defined by HRS 103D-104 as "... any person authorized to enter into and administer contracts and make written determinations with respect thereto. The term also includes an authorized representative acting within the limits of authority."

Not all personnel who participate in procurement are the final signatory, however, they too should be trained in procurement. Other procurement professionals in the Procurement Workforce include Procurement Specialists, Purchasing Specialists, Cost Estimators, Evaluation Team Members, Program Managers, Contract Managers, Contract Administrators. To be effective, procurement training must be provided to all personnel conducting or participating in procurement and the training must be targeted to their role. Most departments do not centralize their procurement function, resulting in hundreds of personnel who conduct or participate in procurements each year.

- c. Section 1, Page 2, Line 9:

Delete Verbiage: "or the officer's designee"

Reasoning: Once the CPO or HOPA has delegated their authority to procure to certain individuals within their agency/department, those Procurement Officers cannot delegate their authority to procure, nor their authority to sign contracts. Delegating training that the Procurement Officer needs to effectively conduct procurements is not in the best interest of the State. Just as any other professional career field, if a Procurement Professional wants to attain their authority to procure, and then keep it, they must complete the training themselves.

References:

1. [Acquisition Academy and Center for Excellence - Building Procurement Capacity for the State of Hawaii, December 2014](http://spo.hawaii.gov/wp-content/uploads/2016/02/Form-A-Attachment-Training-Whitepaper-10-20-14a.pdf) (<http://spo.hawaii.gov/wp-content/uploads/2016/02/Form-A-Attachment-Training-Whitepaper-10-20-14a.pdf>)
2. [SPO Report - Information on the Individual Procurement Jurisdictions, Requested by HCR 204 SD1, SLH 2015](http://spo.hawaii.gov/wp-content/uploads/2016/01/HCR204-SD1-REPORT_FINAL_1-28-16.pdf) (http://spo.hawaii.gov/wp-content/uploads/2016/01/HCR204-SD1-REPORT_FINAL_1-28-16.pdf)

Thank you.