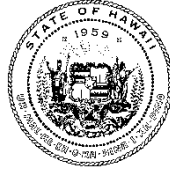


JOSH GREEN, M.D.  
GOVERNOR  
KE KIA'AINA



**DEPT. COMM. NO. 242**

BONNIE KAHAKUI  
ACTING ADMINISTRATOR

**STATE OF HAWAII | KA MOKU'ĀINA O HAWAII'**  
**STATE PROCUREMENT OFFICE**

P.O. Box 119  
Honolulu, Hawaii 96810-0119  
Tel: (808) 586-0554  
email: [state.procurement.office@hawaii.gov](mailto:state.procurement.office@hawaii.gov)  
<http://spo.hawaii.gov>

SPO 24-103

December 28, 2023

**VIA ELECTRONIC EMAIL**

The Honorable Ronald D. Kouchi, President  
and Members of the Senate  
Thirty-Second Legislature  
State Capitol, Room 409  
Honolulu, Hawaii 96813

The Honorable Scott K. Saiki, Speaker  
and Members of the House of Representatives  
Thirty-Second Legislature  
State Capitol, Room 431  
Honolulu, Hawaii 96813

**SUBJECT: Procurement Consolidation Working Group  
Transmittal of Interim Report**

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

The State Procurement Office respectfully transmits the Procurement Consolidation Working Group Final Report to the Legislature as required by Act 282, Session Laws of Hawaii 2022.

In accordance with Hawaii Revised Statutes Section 93-16, this report may be viewed electronically at <https://spo.hawaii.gov/references/reports/>.

Sincerely,

A handwritten signature in blue ink that reads "Bonnie A. Kahakui".

Bonnie Kahakui  
Acting Administrator

c: Office of the Senate Clerk  
Legislative Reference Bureau

Attachment

# STATE OF HAWAII



**STATE PROCUREMENT OFFICE  
PROCUREMENT CONSOLIDATION WORKING GROUP  
FINAL REPORT TO THE LEGISLATURE  
As Required by  
Act 282, Session Laws of Hawaii 2022**

December 28, 2023

This report may also be viewed electronically on the SPO's website at

<https://spo.hawaii.gov/>

Click on "References" then "Reports"

**SUBMITTED TO  
THE THIRTY-SECOND STATE LEGISLATURE**

# Hawaii State Procurement Office

## Prologue

---

### Procurement Consolidation Working Group Final Report

Civic Initiatives, LLC

December 28, 2023

Enclosed you will find a final review and analysis of the options available to the State for procurement consolidation as directed by the Legislature, with final recommendations for consolidation of the procurement function at the State of Hawaii.

The State Procurement Office (SPO) expressly states that there has been no redacting or tainting of analysis or recommendations. The SPO intends that this report be considered unbiased, which is the reason it contracted a third party to conduct interviews with the SPO and all Procurement Consolidation Working Group (PCWG) members. I am especially pleased with the effort Civic Initiatives made in facilitating the collaboration of the Working Group and their support in compiling data and drafting this Final Report. Civic Initiatives collected important data from the Executive Branch Departments and the Department of Education to understand the current state of procurement and performed a broad analysis of peer states to assess organizational models, staffing levels, and options available to the State of Hawaii.

We thank all the PCWG members for their time and input during this process and look forward to their ongoing active participation. We also thank the Governor and State Legislature for their persevering interest in upgrading the procurement function to a professional level in Hawaii.



Bonnie Kahakui  
Acting Administrator  
State Procurement Office

# **Procurement Consolidation Working Group Final Report**

December 28, 2023

# TABLE OF CONTENTS

<b>PROLOGUE</b> .....	<b>ii</b>
<b>EXECUTIVE SUMMARY</b> .....	<b>1</b>
<b>INTRODUCTION</b> .....	<b>2</b>
<b>RESEARCH PERFORMED</b> .....	<b>5</b>
BACKGROUND .....	7
PAST CONSOLIDATION EFFORTS .....	8
CURRENT STATE .....	8
<b>DEFINING CONSOLIDATION</b> .....	<b>2</b>
CONSOLIDATION MODELS .....	3
<i>Model 1: Consolidation of Procurement at Departments</i> .....	3
<i>Model 2: Consolidation of Procurement to SPO</i> .....	4
BENEFITS OF CONSOLIDATION .....	4
<b>CRITICAL COMPONENTS FOR SUCCESSFUL CONSOLIDATION</b> .....	<b>5</b>
1. STRONG STATE PROCUREMENT OFFICE .....	6
2. PROFESSIONALIZED PROCUREMENT STAFF .....	9
3. TRAINING & CERTIFICATION PROGRAM .....	10
4. DELEGATION OF PROCUREMENT AUTHORITY PROGRAM .....	10
5. PROCUREMENT AUTOMATION .....	11
<b>CURRENT STATE OF CRITICAL COMPONENTS AT THE STATE OF HAWAII</b> .....	<b>12</b>
1. STRONG STATE PROCUREMENT OFFICE .....	12
2. PROFESSIONALIZED PROCUREMENT STAFF .....	14
3. TRAINING & CERTIFICATION PROGRAM .....	17
4. DELEGATION OF PROCUREMENT AUTHORITY PROGRAM .....	18
5. PROCUREMENT AUTOMATION .....	19
<b>FIVE-YEAR CONSOLIDATION PLAN</b> .....	<b>20</b>
YEAR 1: ESTABLISH FOUNDATIONAL ELEMENTS .....	21
YEAR 2: BUILDING OUT STRUCTURAL ELEMENTS .....	23
YEAR 3: PILOT DEPARTMENT CONSOLIDATION .....	24
YEAR 4: FULL DEPARTMENT CONSOLIDATION .....	24
YEAR 5: COMPLETE DEPARTMENT CONSOLIDATION & STEADY STATE .....	24
BEYOND YEAR 5: CONSOLIDATE IN PLACE TRANSITION .....	25
<b>ROADBLOCKS &amp; BARRIERS</b> .....	<b>26</b>
ATTRACTING QUALITY PROCUREMENT PROFESSIONALS .....	26
WORKFORCE CONSIDERATIONS .....	28
ADDRESSING ISLAND-SPECIFIC NEEDS .....	29
COST OF CONSOLIDATION .....	29
CONSOLIDATION FUNDING MODEL .....	30
<b>CONCLUSION</b> .....	<b>32</b>
<b>ATTACHMENT AND APPENDICES</b> .....	<b>33</b>

## Executive Summary

---

Act 282, Session Laws of Hawaii (SLH) 2022 (Senate Bill 3369, SD2, HD2, CD1)<sup>1</sup>, established a procurement services consolidation working group (PCWG) to develop a plan for a five-year, phased-in consolidation under the State Procurement Office (SPO) of all state executive branch procurement services and staff, except those of the Hawaii Health Systems Corporation, University of Hawaii, and Office of Hawaiian Affairs.

Pursuant to Act 282, SLH 2022, the SPO issued Task Order 003 – Phased Consolidation Plan: Working Group Support under the National Association of State Procurement Officials (NASPO) ValuePoint Procurement and Acquisition Support Services – #19-19 Contract to engage a consultant to provide support to the SPO in facilitating the charge of the working group. The SPO selected Civic Initiatives, LLC (Civic) to support this effort, with the project commencing August 2022.

Civic provided support to the SPO to plan and facilitate regular working group sessions to get direction and input from the PCWG members on various topics related to the working group's charge. Civic held in-person and virtual discovery sessions with a majority of the PCWG members. The purpose of these discovery sessions was to gain an understanding of the current state of staffing for procurement at PCWG agencies and to gather specific input from each on key factors impacting the procurement practices of the State and major considerations as the working group researched and identified alternative approaches for consolidation of procurement staff. Civic also developed a survey to be completed by members of the PCWG to collect detailed information on current staffing for the procurement function at member agencies.

Civic performed peer and leading practice research to gain an understanding of leading practice models for the organization and staffing of the procurement function in other states and government entities. The focus of this research was to identify models that reflected a strong, strategic-focused central procurement office and broad professionalism of staff engaged in procurement activities.

Pursuant to Act 282, SLH 2022, Civic supported efforts of the PCWG to draft an Interim Report<sup>2</sup> submitted to the Legislature on December 28, 2022, outlining three (3) foundational key areas of focus to be further studied and to develop recommendations in this Final Report and five-year plan for consolidation of procurement in the State of Hawaii.

1. **Establishment of a strong, strategic State Procurement Office with a robust eProcurement system** – At the heart of the direction to review methods to consolidate staff is the need for a model of how consolidated staff and a more robust central state procurement office is organized and staffed to provide key procurement functions for Executive Branch departments and the State as a whole. The organization and functions of a future SPO will dictate staffing needs and roles and responsibilities of departments in the future state procurement model necessary to define an appropriate consolidation plan.
2. **Centralized procurement within the departments** – Although the SPO will play a more active and strategic role in procurement, it is still important that departments have professional procurement capacity at the department level. These resources must be capable of supporting

---

<sup>1</sup> Act 282, SLH 2022, retrieved at [https://www.capitol.hawaii.gov/slh/Years/SLH2022/SLH2022\\_Act282.pdf](https://www.capitol.hawaii.gov/slh/Years/SLH2022/SLH2022_Act282.pdf)

<sup>2</sup> PCWG Interim Report, retrieved at [https://www.capitol.hawaii.gov/sessions/session2023/bills/DC431\\_.pdf](https://www.capitol.hawaii.gov/sessions/session2023/bills/DC431_.pdf)

program staff with specific expertise and bridge to SPO as needed for more formal procurements. Identifying an appropriate organizational model that factors in the current approach to procurement staffing and vacancies will be central to developing a consolidation plan.

- 3. Professionalization of the procurement function through an enhanced training and certification program** – Regardless of where the staff may ultimately reside, whether in SPO or in the department, procurement as a function of the State must be professionalized at all levels. “Professional” can mean numerous things, but for this report, it means that staff executing procurements are trained, knowledgeable, and capable. This can be done through comprehensive training at the State level and/or through membership and certifications in national professional organizations such as the National Association of State Procurement Officials (NASPO), NIGP<sup>3</sup>: The Institute for Public Procurement, and the National Contract Management Association (NCMA). Defining what it means to be professional and establishing clear expectations of appropriate fiscal and staff resources, roles, required competencies, and associated training will be essential to the consolidation plan’s ultimate success.

## Introduction

---

In an era of rapidly evolving economies and ever-increasing demands for transparency and accountability, government organizations across the globe are continually seeking innovative ways to streamline their operations. One area that has garnered significant attention is procurement, which plays a critical role in ensuring the efficient acquisition of goods and services necessary for the smooth functioning of public institutions.

Through ongoing efforts, the State of Hawaii, the SPO and Civic have continued to meet regularly through the PCWG. The PCWG was established to develop a five-year phased-in consolidation under the SPO of all state executive branch procurement services and staff, except those of the Hawaii Health Systems Corporation, University of Hawaii, and Office of Hawaiian Affairs. The report also excludes consolidation of the Department of Education, which is described in more detail later in this report.

This report will provide a detailed five-year consolidation plan rooted in the three core framework components detailed in the interim report submitted to the Legislature in December of 2022. The three core framework points are:

- 1. Establishment of a strong, strategic State Procurement Office with a robust eProcurement system**
- 2. Centralized procurement within the departments**
- 3. Professionalization of the procurement function through an enhanced training and certification program**

---

<sup>3</sup> “NIGP” stands for the National Institute of Governmental Purchasing, Inc. The organization adopted “NIGP: The Institute for Public Procurement” as the go-to-market identity for the Institute to promote its leadership role in supporting public procurement practitioners.

Each of these points will have multiple sections profiling a detailed map for this solid framework supporting consolidation in the state of Hawaii.

The PCWG, through or with Civic, has researched states, counties, and cities that have in various levels consolidated successfully. PCWG meetings were held with various consolidated government entities, in which questions were asked that included:

- Did you totally consolidate or was it partial?
- How long did it take to consolidate?
- What are some of the lessons learned from your consolidation?
- If you had to do it over again, what would you do differently?
- If you didn't finish consolidation efforts, what caused you to stop?

The SPO, PCWG, and Civic have invested many hours to answer the aforementioned questions to come up with a solution that is not only solid for Hawaii, but also serves as a best practices example for other Hawaii government Departments to follow. In addition, the PCWG has considered and incorporated into its research and this report the ten (10) top priorities of State Procurement in 2024 as voted by NASPO members (see Figure 1 below for details).



Figure 1: NASPO 2024 Top 10 Priorities for State Procurement



By leveraging technology, fostering collaboration, and optimizing resource utilization, the State of Hawaii aims to establish a unified procurement framework that will enhance efficiency, promote cost savings, and improve accountability and transparency.

In addition to providing the plan for consolidation, this report will also address key challenges associated with implementing such a comprehensive change, including resistance to change, cultural barriers, and legal considerations.

Through careful examination, analysis, and planning, the PCWG aims to shed light on the transformative potential of consolidating procurement across the State of Hawaii. By exploring the underlying motivations, benefits, challenges, and strategies associated with this endeavor, the PCWG seeks to contribute to the ongoing dialogue surrounding procurement reform and inspire others to embrace similar transformations in their own jurisdictions.

## Research Performed

The following table provides an overview of the research performed by Civic Initiatives in coordination with and on behalf of the PCWG as relates to this report. See Appendix B for a list of the PCWG meetings.

Who	What	Why
Hawaii PCWG	PCWG Member Department Survey	Determine existing procurement staffing, resources and organization of the procurement function at PCWG member departments
Hawaii PCWG	PCWG Member Department Employee Survey	Determine the number of staff and the level of engagement staff had in procurement activities within member departments
Hawaii PCWG	Group and 1-on-1 departmental meetings with PCWG members	Discuss department procurement approaches, organization, consolidation concerns and considerations. Discuss topics from the research to receive group feedback, guidance, insights and direction for report.
Hawaii Department of Human Resources Development	Group meeting with key stakeholders	Discuss impacts to employees and Collective Bargaining Unit impacts to consolidation efforts and approaches being considered.
Hawaii Office of Enterprise Technology Services	Meeting with Chief Information Officer	Discuss IT consolidation efforts and potential impacts on procurement. Discuss procurement consolidation approaches to get input and guidance.
Hawaii Department of Accounting and General Services, Public Works Division	Meeting with key division stakeholders	Discuss the construction procurement processes today and the impacts of consolidation on those processes.

Who	What	Why
Alaska Office of Procurement and Property Management (OPPM)	Meeting with OPPM leadership and management and Hawaii SPO leadership	<p>Discuss Alaska approach to consolidation of procurement and lessons learned for consideration in Hawaii. Alaska is one of the most recent procurement consolidation efforts at the State level (2019).</p> <p>Perform follow-up meeting in December 2023 to discuss reasons behind the Governor’s issuance of the July 2023 Administrative Order revoking a previous Administrative Order to consolidate procurement. Note that as a result of the revocation, Alaska remains in their pre-consolidation organizational model: consolidation of procurement at the department. This is the model recommended for Hawaii in the 5-year plan.</p>
Washington, D.C.	Meeting with Daivid Gragan, Chief Administrative and Strategic Operations Officer of NASPO and past Chief Procurement Officer at the District	Discuss DC approach to consolidation of procurement and lessons learned for consideration in Hawaii. D.C. is currently fully consolidated for procurement and is considered a leading practice model for full consolidation.
Puerto Rico	Reviewed report on “Improving Public Procurement in Puerto Rico”	Review ongoing efforts for optimization and consolidation of the procurement function. Provided a unique perspective from an island entity that was applicable to Hawaii.
Mississippi	Attended and reviewed the final presentation to the Mississippi Statewide Procurement Association	Mississippi is currently going through the first phase of a consolidation project mandated by the state legislature
City of Chicago, Illinois	Reviewed “Procurement Reform Report”	Provide insights into procurement reform and consolidation efforts at the City and provide documented best practices
Montana	Incorporated insights and lessons learned from work performed by Civic Initiatives for the State	Montana is seeking to consolidate the procurement function. The work performed by the consultant was pertinent to the Hawaii efforts and this report.

## Background

Understanding the history of the SPO is critical to understanding the current state of procurement staffing and practices at the State. In September of 1993, the Legislature passed S3-93, which became Act 8, Special Session Laws of Hawaii 1993<sup>4</sup>, completely revamping the procurement policy of the State and establishing the SPO, the Procurement Policy Office (name amended to the Procurement Policy Board in 1997 to eliminate confusion), and the multiple Chief Procurement Officers model that exists today. The new code, based on the leading practice of the American Bar Association's Model Procurement Code, was put into effect July 1994.

According to then-House Finance Committee Chairman Calvin Say, as recorded in the House Journal of the 17<sup>th</sup> Legislature,

“The purpose of this bill is to establish a new procurement code for our state and county governments. In light of the recent displays of what state purchasing officials must go through to meet the requirements of our current laws, the need and urgency for procurement reform is obvious. Our current procurement laws are based on legislation enacted in 1909 and have since been amended over two hundred times. According to the State Auditor, the current procurement code is old, fragmented, and vague. For instance, there is only one method of source selection. There are inconsistencies in purchasing practices among different agencies, and there are no statewide rules to regulate and guide purchasing policy. The State's current purchasing laws are open to conflicting interpretation and lead to inefficiency and potential waste.”

In October 1994, the State hired its first SPO Administrator and Executive Branch Chief Procurement Officer, Lloyd Unebasami. Since then, the SPO has had another four (4) Administrators, including the current Acting Administrator, Bonnie Kahakui.

When originally established, the SPO played a strong leadership role for procurement at the State, establishing process guidance, training, and structures to support executive branch department procurement in a consultative fashion. At that time, SPO provided direct facilitation for executive branch department formal, competitive procurements (e.g., Invitation for Bids and Request for Proposals).

Based on interviews with SPO Administrators over the past decade and SPO guidance issued in June 2002, the SPO Administrator determined that the SPO could no longer provide support to conduct procurements for Departments. This decision was attributed to a limited workforce, increase in demand for services, and new SPO initiatives. The decision forced procurement execution to the departments and reformulated the role of the SPO to an organization focused on guidance, review, training, and compliance.

Because departments in the Executive Branch had not previously performed these functions, with most having no professional procurement staff, they were unprepared to receive these additional responsibilities for procurement. Additionally, over the next decade, many departments were impacted by staffing reductions brought on by attrition and other factors, with administrative staff being hit harder than other areas of the department. Most department leadership took the responsibility for procurement and pushed it further down into the organization to the front-line program staff that had not been as greatly impacted. This is where the State of Hawaii remains today – a highly decentralized procurement

---

<sup>4</sup> Act 8, Special SLH 1993, retrieved at: [https://www.capitol.hawaii.gov/slh/Years/SLH1993/SLH1993SS\\_Act8.pdf](https://www.capitol.hawaii.gov/slh/Years/SLH1993/SLH1993SS_Act8.pdf)

function, executed by program staff who are not procurement professionals, with the SPO providing guidance, training, and compliance reviews for procurement.

Further exacerbating the situation is the highly complex nature of procurement in the State of Hawaii. While HRS 103D, Hawaii Public Procurement Code, provides an organization and structure for the execution of procurement that is similar to other states, the additional layers of procurement policy – Hawaii Administrative Rules (HAR), Procurement Circulars, and Procurement Directives – make the ability to reconcile and execute processes in ways that are both compliant and effective extremely challenging without highly professionalized staff. Of additional note is that the policy-setting entity, the Procurement Policy Board (PPB), which could help to simplify and harmonize these policies, had not met due to attrition and a lack of quorum from May 2019 until February 2023. The re-organized PPB, streamlined pursuant to Act 173, SLH 2022<sup>5</sup>, has been meeting to address procurement rules and Legislative-mandated initiatives.

To improve procurement at the State, in March 2015 the SPO executed a procurement (awarded to Civic) to perform an assessment of the procurement function. The assessment culminated in a Transformation Roadmap provided to the State in May 2015 that identified and described twelve (12) projects recommended to improve and optimize the function of procurement at the State.

Key projects included recommendations to streamline procurement policies, elevate the role of the SPO to a more strategic organization for the state, and elevate the role of procurement to a more professional standing throughout the State. Although efforts have been made to implement these projects, budgetary constraints, vacancies and staff shortage, and other issues challenged implementation of these key areas.

### Past Consolidation Efforts

During the 2010 Legislative Session, House Concurrent Resolution (HCR) 193 and companion House Resolution (HR) 126<sup>6</sup> were introduced but deferred by their subject committee. These resolutions requested that the SPO or a working group convened by the SPO “perform a feasibility study to determine whether the State Procurement Office should centralize complex procurement services for state agencies through a fee-for-service or other funding mechanism.” Since the resolution was deferred by the legislative committee, no feasibility study was conducted.

### Current State

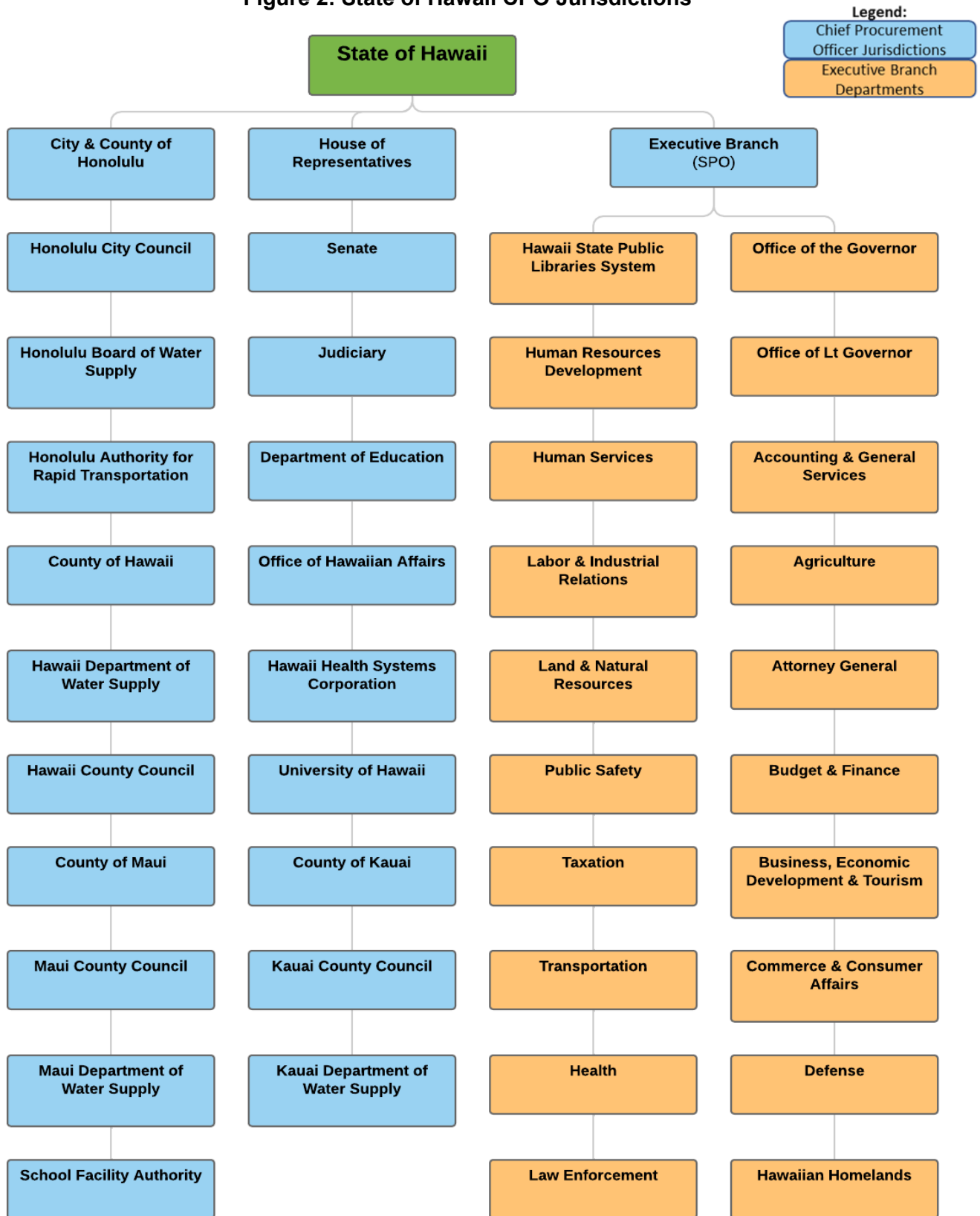
Procurement practices in Hawaii are governed under the authority of the PPB and 22 independent, statutorily delegated Chief Procurement Officer (CPO) jurisdictions. Figure 2 illustrates the procurement organizational structure in the State.

---

<sup>5</sup> Act 173, SLH 2022, retrieved at [https://www.capitol.hawaii.gov/slh/Years/SLH2022/SLH2022\\_Act173.pdf](https://www.capitol.hawaii.gov/slh/Years/SLH2022/SLH2022_Act173.pdf)

<sup>6</sup> HCR 193 retrieved at [https://www.capitol.hawaii.gov/sessions/session2010/bills/HCR193\\_.pdf](https://www.capitol.hawaii.gov/sessions/session2010/bills/HCR193_.pdf) and HR 126, SLH 2010, retrieved at [https://www.capitol.hawaii.gov/sessions/session2010/bills/HR126\\_.pdf](https://www.capitol.hawaii.gov/sessions/session2010/bills/HR126_.pdf)

**Figure 2: State of Hawaii CPO Jurisdictions\***



**\* Department of Law Enforcement was established on July 1, 2023, pursuant to Act 278, SLH 2022. Department of Public Safety will be renamed as the Department of Corrections and Rehabilitation in 2024.**

The five-member PPB (pursuant to HRS 103D-201 and streamlined as of July 2022 pursuant to Act 173, SLH 2022) adopts, amends, or repeals administrative rules to carry out and effectuate the purpose and provisions of HRS Chapter 103D governing the procurement, management, control, and disposal of all goods, services, and construction, and HRS Chapter 103F, governing the purchase of health and human services. Pursuant to HRS 103D-202, the PPB is responsible for establishing and revising Hawaii Administrative Rules, considering and deciding matters of policy including those referred to the PPB by a chief procurement officer, and auditing and monitoring the implementation of its rules and the requirements of its statutes.

The SPO Administrator, also the CPO for twenty (20) departments within the Executive Branch, implements and ensures compliance with the Hawaii Public Procurement Code (HRS Chapter 103D) and Purchases of Health and Human Services (HRS Chapter 103F). SPO directs high-level procurement policy and guidance and manages state inventory and surplus programs. While Hawaii public entities follow these statutes, each independent CPO has the authority to direct practices and processes to implement policy for their jurisdiction.

The following references and documents establish the legal authority, general policy, and minimum standards for soliciting, awarding, processing, executing/overseeing contracts, and managing contract compliance for all CPO jurisdictions:

- HRS Chapter 103D – Hawaii Public Procurement Code
  - [https://www.capitol.hawaii.gov/hrscurrent/Vol02\\_Ch0046-0115/HRS0103D/HRS\\_0103D-.htm](https://www.capitol.hawaii.gov/hrscurrent/Vol02_Ch0046-0115/HRS0103D/HRS_0103D-.htm)
- HRS Chapter 103F – Purchases of Health and Human Services
  - [https://www.capitol.hawaii.gov/hrscurrent/Vol02\\_Ch0046-0115/HRS0103F/](https://www.capitol.hawaii.gov/hrscurrent/Vol02_Ch0046-0115/HRS0103F/)
- HAR Chapter 3-120 to 3-132 – Purchases of Goods, Services and Construction
  - <https://spo.hawaii.gov/references/har/goods/>
- HAR Chapters 3-140 to 3-149 – Purchases of Health and Human Services
  - <https://spo.hawaii.gov/references/har/hhs/>
- Procurement Circulars (124 active as of December 28, 2023) – Issued by the Administrator of the SPO to transmit policies, procedures, directions, and instructions
  - <https://spo.hawaii.gov/references/procurement-circulars/>
- State of Hawaii Procurement Wizard
  - <https://spo.hawaii.gov/procurement-wizard/>



The SPO is established by statute to purchase all goods, services, construction and health and human services for executive branch departments. Departments are provided delegated authority by the Chief Procurement Officer (Administrator of SPO for Executive Branch entities) to procure, complying with all state policies and processes developed by the PPB and SPO. Key stakeholders involved in the procurement process include:

- **Office of the Governor** – Entity that in certain procurement processes provides review and funding approval.
- **Department of Budget and Finance** – Entity that provides review and funding approval for procurements.
- **Procurement Policy Board (PPB)** – A five-member board responsible for developing and issuing rules and procedures related to the procurement activities for the State, pursuant to HRS Section 103D-201, as revised by Act 173, SLH 2022).
- **State Procurement Office (SPO)** – Entity administratively attached to the Department of Accounting and General Services authorized to establish rules, policies, and procedures for procurement activities for the State and with direct jurisdiction over Executive Branch Department procurements.
- **Executive Branch Departments** – Entities delegated procurement authority. Deputy Attorneys General assigned to the executive branch departments may also review solicitations and contracts for legal compliance.
- **Department of Accounting and General Services (DAGS)** – Entity responsible for reviewing and approving fund encumbrance and expenditures and issuing payments to vendors.

## Defining Consolidation

---

Consolidation, in the context of procurement in Hawaii, refers to the strategic process of combining and centralizing purchasing activities and resources within an organization or across multiple organizations to achieve cost savings, operational efficiency, and improved supplier management. It involves streamlining and harmonizing procurement functions, such as sourcing, contract management, and supplier relationship management, to eliminate redundancies, standardize processes, and leverage economies of scale.

When considering organizational consolidation models for procurement, several options can be explored, depending on the specific requirements and objectives of the State. The following is an overview of two (2) models:

- **Model 1:** An interim consolidation model that focuses on consolidating the highly decentralized procurement practices of the State to department procurement offices; and
- **Model 2:** A final consolidation model that would seek to consolidate department procurement professionals under the auspices of the SPO and embed them back to the departments they best serve.



## Consolidation Models

Throughout the PCWG meetings and individual department interviews, staff expressed a clear vision of the future that provided them with the ability to maintain a departmental level of control over certain aspects of the procurement function. Primarily, the departments needed:

- Full latitude to develop the specifications or scope of work;
- The ability to have procurement staff that fully understood their department’s mission and values; and,
- Procurement staff that were dedicated and responsive to the department needs.

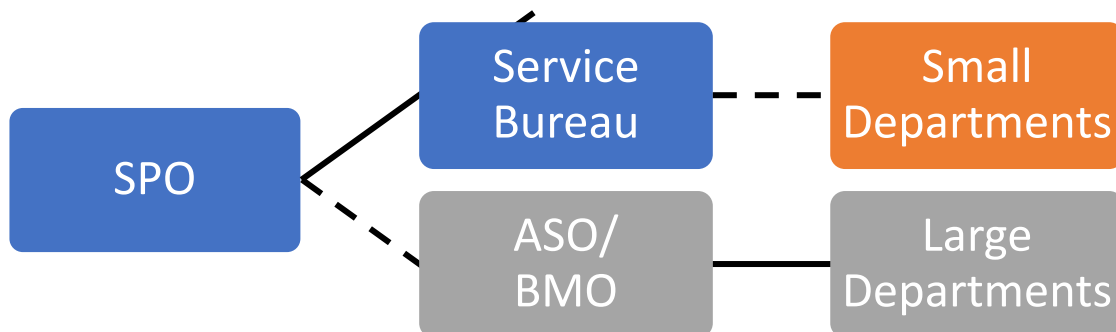
To meet the needs of the Departments, the eventual model of procurement organization must place the procurement staff in the Department, while retaining a direct connection with the SPO. Based on research of peer and leading practices and considering the current state of staffing for the procurement function at the State, the following provides a two-phased approach to consolidation that would provide for the greatest success in consolidating the procurement function at the State of Hawaii.

### Model 1: Consolidation of Procurement at Departments

In Model 1, it is recommended to move the State from the highly decentralized staff performing procurement at all levels of the department to a more centralized procurement function at the department. In this model, the department procurement staff are employees of the Department and housed under a department Administrative Services Office, led by an Administrative Services Officer (ASO) or a Business Management Officer (BMO). This office would be trained, dedicated staff supporting the department stakeholders in the planning, execution, and administration of procurements and contracts, and would engage with the SPO on non-delegated procurements (See Figure 3).

For smaller departments, or for departments that may have lost their dedicated procurement staff, a newly established Shared Services team at the SPO would receive and facilitate requests from these departments and act as their dedicated procurement staff.

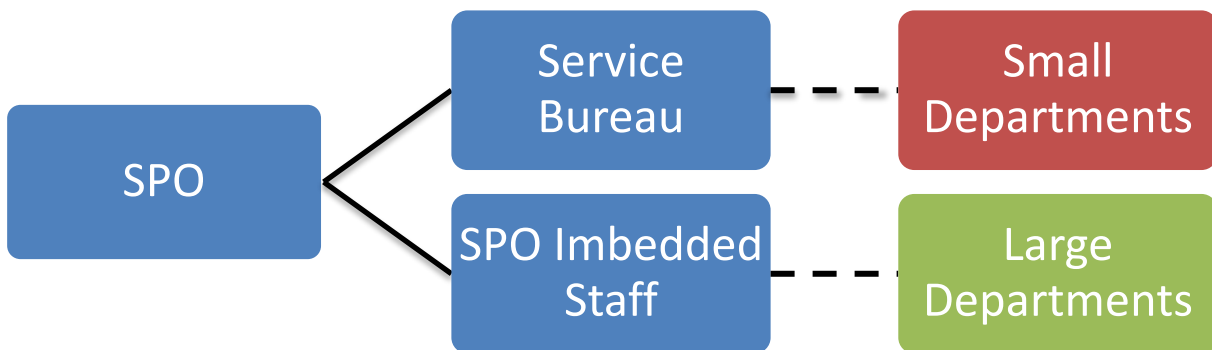
**Figure 3: Model 1 - Department Procurement Consolidation Model**



## Model 2: Consolidation of Procurement to SPO

Should the State seek to consolidate procurement fully to SPO in time, then the following model is the recommended approach to ensure a successful consolidation at the State of Hawaii. In Model 2, the focus is on taking the highly trained and dedicated staff at the department level and consolidating them under the auspices of the SPO, making them direct reports to SPO, but then imbedding back in their respective department (See Figure 4).

Figure 4: Model 2 - Procurement Consolidation Model



## Benefits of Consolidation

Consolidating procurement at the state level can offer several benefits, which can vary depending on the specific circumstances and the approach taken. Here are some potential advantages:

1. **Cost Savings:** Consolidating procurement can lead to cost savings through economies of scale. By purchasing goods and services in larger quantities, states can negotiate better prices, reduce administrative costs, and eliminate duplicate efforts. This can result in significant cost reductions and save taxpayer dollars.
2. **Improved Efficiency:** Centralized procurement processes can streamline and standardize purchasing procedures. This can lead to increased efficiency in procurement activities, reducing the time and effort required to acquire goods and services. Automation and standardized processes can also reduce the risk of errors.
3. **Enhanced Supplier Relationships:** With consolidated procurement, states can establish long-term relationships with suppliers, which can lead to better terms and conditions, improved supplier performance, and increased trust. Strong supplier relationships can result in more favorable contract terms and higher quality goods and services.
4. **Better Contract Management:** Centralized procurement allows for more effective contract management. States can develop standardized contract templates and processes, track contract performance more efficiently, and ensure compliance with procurement regulations and policies.

5. **Increased Transparency:** Consolidated procurement processes can enhance transparency in government spending. It becomes easier to track and report on procurement activities, which can help build public trust and accountability.
6. **Strategic Sourcing:** States can adopt strategic sourcing practices when procurement is consolidated. This involves analyzing spend data to identify opportunities for cost reduction, supplier consolidation, and innovation. Strategic sourcing can lead to better decision-making and more value for taxpayers.
7. **Risk Mitigation:** Consolidation can help states manage risks more effectively. This includes assessing and mitigating supplier-related risks such as financial instability or geopolitical issues. Centralized procurement offices can also establish risk management policies and procedures.
8. **Professional Development:** A consolidated procurement function can attract top talent and provide opportunities for professional development. This can lead to a more skilled and knowledgeable procurement workforce that is essential for effective procurement operations.
9. **Standardization and Compliance:** Standardizing procurement practices across the State can help ensure compliance with legal and regulatory requirements. This reduces the risk of legal challenges and audits, as well as the associated costs.
10. **Scalability:** A consolidated procurement system can be easily scaled up or down to meet evolving demands. This flexibility can be particularly valuable during times of crisis or when responding to unexpected procurement needs.
11. **Innovation and Best Practices:** Consolidated procurement offices can promote the adoption of best practices and innovative procurement strategies. They can share knowledge and experiences to improve procurement processes continually.

While consolidating procurement at the state level offers numerous benefits, it's essential to carefully plan and execute the consolidation process to realize these advantages fully. Potential challenges, such as resistance to change, organizational culture issues, and initial transition costs, should also be considered and addressed during the consolidation effort.

Due to the highly decentralized nature of Hawaii procurement today, there is no need to fully consolidate the procurement staff and functions to the SPO to recognize these benefits. The State can recognize these benefits by implementing Model 1 (described above), consolidating procurement staff and functions at the Department level.

## Critical Components for Successful Consolidation

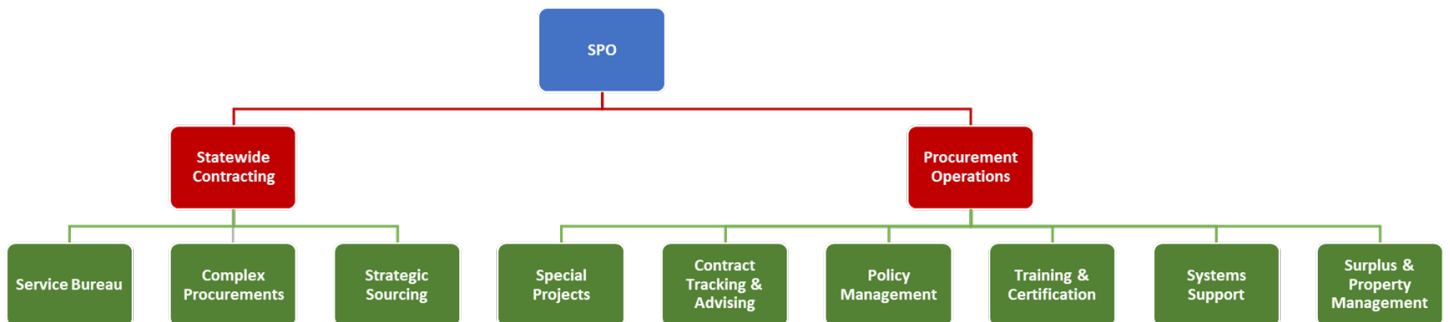
---

Based on our research of peer and leading practices for public procurement, the following were found to be the top five (5) critical components for a successful consolidation of procurement and for the efficient and effective execution of procurement operations at the State. These components are aligned with NASPO's Top 10 Priorities for 2024, which is the collective voice resulting from the 2023 survey of the chief procurement officers of the 50 states, the District of Columbia, and the U.S. Territories.

## 1. Strong State Procurement Office

The primary critical component to a successful consolidation, regardless of the model chosen, is a strong and strategic SPO providing central leadership for procurement at the State (#6 of NASPO 2024 Top 10 Priorities). The key for the State is that the SPO plays a more robust role as a strategic partner, specifically for executive branch departments under its jurisdiction. Toward that end, the following figure provides a leading practice organizational model for the SPO. The organizational model presented identifies a general structure and highlights the key roles the SPO must fulfill at a minimum. The sections following Figure 5 provide details of the key roles identified in the model.

**Figure 5: SPO Future State Organizational Model**



1. **Service Bureau** - The Service Bureau team would be staffed to provide direct support to smaller departments unable to dedicate a staff person to the execution of procurements for the department (#4 of NASPO 2024 Top 10 Priorities).
2. **Complex Procurements** - The Complex Procurement team would provide consultative support to departments in the execution of more complex procurements. This typically would include support for formal procurements, and review and support for sole sources and other procurement exemptions and exceptions (#4 of NASPO 2024 Top 10 Priorities).
3. **Strategic Sourcing** - The Strategic Sourcing team would be staffed with a data analyst and procurement professionals trained to research, identify, prioritize, and execute strategic contracting opportunities for the State and building a robust strategic contract portfolio, including cooperative procurement agreements. If desired, this team could be part of the Complex Procurements team (#7 of NASPO 2024 Top 10 Priorities).
4. **Special Projects** - The Special Projects team would lead special projects related to procurement to drive continuous improvement at SPO and statewide. Examples of special projects might include leading the consolidation efforts in this report, supporting ongoing procurement automation efforts, development, tracking and reporting of key performance indicators (KPI), and leading of ongoing procurement transformation efforts at the State.
5. **Contract Tracking & Advising** - The Contracts Tracking & Advising team would be a center of excellence specifically for contract management (encompassing creation, negotiation, review/approval, execution, renewal/termination, and tracking) at the State. The team would

publish and manage guidance on contract management best practices and would track and monitor an identified portfolio of high-risk contracts at the State, conducting performance checks with program project managers at established intervals (#8 of NASPO 2024 Top 10 Priorities).

6. **Policy Management** - The Policy Management team would manage the procurement policy of the State. The team would track legislation impacting procurement and identify and promote the implementation of needed policy changes. It would also be responsible for publishing and maintaining guidance on procurement practices and associated procurement resources. A key role for this team would be to initiate early on a full evaluation of current statutes and rules and make recommendations to the PPB and/or the Legislature to restructure and simplify the current policy framework.
7. **Training & Certification** - The Training & Certification team would be responsible for the development and delivery of a roles-based training model necessary for dedicated procurement staff to execute their job functions (#3 and #9 of NASPO 2024 Top 10 Priorities).
8. **Systems Support** - The Systems Support team would provide help desk level support and training to State procurement professionals and vendors for automation solutions supporting procurement functions. This team would also act as a governance team to receive and validate recommendations from end users for improvements to the procurement automation solutions (#5 of NASPO 2024 Top 10 Priorities).
9. **Surplus & Property Management** - The Surplus and Property Management team would provide inventory reporting and ensuring compliance with HRS 103D Part XI; the Federal Property and Administration Services Act of 1949<sup>7</sup>; Code of Federal Regulations Title 41, Chapter 102<sup>8</sup>; HRD 103D Part XII, and related procedures pertaining to the management and recording of federal and state surplus property and provide program management for the receipt, storage, and sale or disposal of federal and state surplus property.
10. **Small Business Program** – The Small Business Program would implement and manage the direction of the Small Business Initiative at the State of Hawaii, pursuant to HRS 103D-902<sup>9</sup>, to ensure that small businesses, including those owned by veterans, Native Hawaiians, and women, are able to effectively participate in small business contracting opportunities.

Based on these ten (10) key roles, Figure 6 is an example of a future State SPO organization chart aligned to complement the recommended consolidation model presented later in this report.

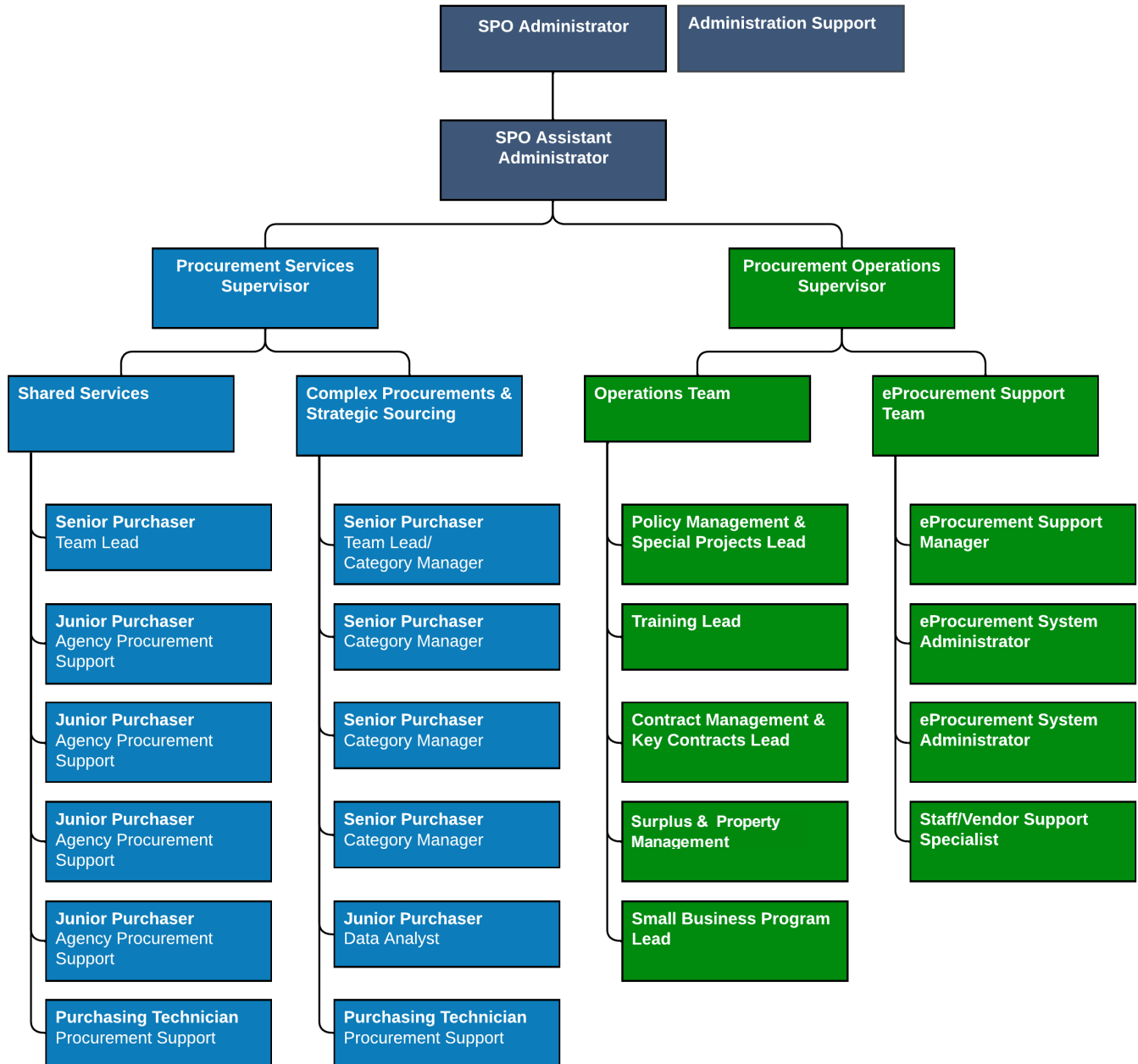
---

<sup>7</sup> Federal Act retrieved at <https://disposal.gsa.gov/s/act49>

<sup>8</sup> CFR Title 41, Chapter 102 retrieved at <https://www.ecfr.gov/current/title-41/subtitle-C/chapter-102/subchapter-B/part-102-37?toc=1>

<sup>9</sup> Small Business Program retrieved at [https://www.capitol.hawaii.gov/hrscurrent/Vol02\\_Ch0046-0115/HRS0103D/HRS\\_0103D-0902.htm](https://www.capitol.hawaii.gov/hrscurrent/Vol02_Ch0046-0115/HRS0103D/HRS_0103D-0902.htm)

**Figure 6: Recommended Future SPO Organizational Chart**



## 2. Professionalized Procurement Staff

As important to a successful consolidation as a strong SPO is the presence of trained professional staff dedicated to the function of procurement at the State. (#3 of NASPO 2024 Top 10 Priorities). No matter where the staff may ultimately reside or who they may report to, whether SPO or the department, procurement as a function of the State must be professionalized at all levels. Procurement should be treated like all other administrative “back office” functions of the State (e.g., Finance, Accounting, Budget, and Human Resources.), where professionals fill critical roles to ensure administrative functions are completed efficiently, effectively, and in compliance with governing statutes, administrative rules, and procurement guidelines of the profession.

The SPO maintains strong working relationships with industry experts, including members from the National Association of State Procurement Officials (NASPO), National Institute of Government Purchasing, Inc. (NIGP), National Contract Management Association (NCMA), National Association of pCard Professionals (NAPCP), and Minnesota Multi-State Alliance for Pharmaceuticals (MMCAP), and Sourcewell, to ensure continuity in the sharing of information and resources with other State government officials.

The SPO should increase professionalization of their staff through national training and certifications. This should include actions to revitalize the Alaska-Hawaii NIGP Chapter to encourage ongoing exchange of ideas and peer procurement practices. In the recommended model of procurement consolidation within the department, departments are encouraged to have professional, trained procurement staff to support divisions in the development of specifications/scope of work, expedite the delegated procurements, and facilitate relations and activities with the SPO. The following are ten (10) benefits of having trained, dedicated staff executing procurement at the State:

1. **Legal and Regulatory Compliance:** Public procurement is subject to a complex web of laws, regulations, and policies at the Federal and State levels. Training helps procurement professionals understand and navigate these legal requirements, ensuring that the procurement process remains compliant.
2. **Fairness and Transparency:** Public procurement aims to be fair, transparent, and competitive. Proper training ensures that procurement professionals understand the principles of fairness, ethics, and transparency, which are essential for public trust and the credibility of the procurement process.
3. **Cost Efficiency:** Well-trained procurement professionals can identify cost-saving opportunities, negotiate better deals, and make informed decisions about procurement methods. This can result in cost-savings for the government and taxpayers.
4. **Risk Management:** Public procurement can be risky, with potential for fraud, corruption, and mismanagement. Trained procurement professionals will be aware of risk assessment and mitigation strategies, helping procurement professionals identify and manage risks effectively.
5. **Improved Supplier Relations:** Training in negotiation and communication skills can enhance relationships with suppliers, leading to better cooperation, improved terms, and a more robust supply chain.



6. **Enhanced Professionalism:** Training establishes professional standards and ethics for procurement practitioners. This enhances the reputation of the profession and promotes high standards of conduct.
7. **Knowledge of Best Practices:** Training programs will incorporate best practices for public sector procurement, helping procurement professionals adopt proven strategies and approaches.
8. **Technological Advancements:** The procurement landscape is constantly evolving with the introduction of new technologies. Training ensures that procurement professionals stay up to date with the State's procurement automation tools and software, which can improve efficiency and effectiveness.
9. **Reduction of Errors and Disputes:** Errors in procurement can lead to disputes, delays, and legal challenges. Training can help reduce these errors by ensuring that procurement professionals understand the intricacies of the process.
10. **Accountability:** Certification programs often require adherence to a code of ethics and ongoing professional development. This accountability encourages procurement professionals to act responsibly and ethically in their roles.

### 3. Training & Certification Program

To have professionalized, dedicated procurement staff the State must establish a rigorous training and certification program (Priority #9 of the NASPO Report). Through the program, central procurement and dedicated department staff take required training courses necessary to build specific procurement competencies and gain varying levels of certification. In some states, certification is received with the completion of coursework, while in others certification requires the taking and passing of an exam. In some cases, states have promoted nationally recognized certifications to drive professionalism, but in most cases require supplemental training to ensure staff are trained and knowledgeable of entity-specific practices.

Training and certification in public procurement are critical because they help ensure compliance with legal requirements, promote fairness and transparency, reduce costs, manage risks, and improve the overall quality and efficiency of the procurement process. This in turn contributes to the success of public procurement, the achievement of departmental missions and the execution of broader State objectives.

### 4. Delegation of Procurement Authority Program

Training and certification are the foundation for the next critical component, a clear program for the delegation of authority of procurement (#1 of NASPO 2024 Top 10 Priorities). The State of Hawaii has a semblance of such a program today but would benefit with refinement and optimization to align with the new consolidated staffing model and an optimized training and certification program.

For clarity, procurement delegation seeks to identify and delegate to an individual the authority to utilize State defined procurement processes to execute procurements to a certain level of defined delegation based on competencies acquired through the procurement training program. The authority to approve the commitment of funds through a contract or purchase order is a distinct delegation of authority that should be delegated by the State Comptroller and/or other finance manager at a Department and tracked and monitored separately.



If the state were to fully consolidate procurement to the SPO, procurement delegation to Departments is still necessary for small purchases and non-competitive procurements. No State today has a fully centralized procurement operation with the understanding that Departments have important needs for goods and services and must be able to acquire these goods and services in a timely fashion. The SPO has done an excellent job of establishing a portfolio of strategic statewide contracts to meet many of these needs, but a Department purchaser is still needed to execute the activities necessary to utilize the contracts and acquire the needed goods and services. Note that in this report, “purchaser” encompasses positions of procurement/purchasing staff and buyers.

## 5. Procurement Automation

The final critical component of consolidation and the efficient and effective execution of procurement practices at the State is the automation of procurement processes (#5 of NASPO 2024 Top 10 Priorities).

Automating procurement processes offers numerous advantages that can significantly enhance efficiency, reduce costs, and improve overall effectiveness. Here are some key reasons why automating procurement is considered critical:

1. **Time Savings** - Automation reduces the time required for various procurement tasks, such as purchase requisition, approval workflows, vendor selection, and order processing. This enables staff to focus on more strategic activities, such as strategic sourcing and supplier relationship management.
2. **Cost Efficiency** - Automation helps cut down on manual errors, streamlines processes, and reduces the need for paper-based documentation. This, in turn, leads to lower operational costs, fewer instances of late payments or penalties, and improved negotiation power with suppliers.
3. **Accuracy and Data Integrity** - Automated systems minimize the risk of human error in data entry and processing. This leads to improved accuracy in procurement data, reducing the likelihood of mistakes that could result in financial discrepancies or compliance issues.
4. **Compliance Management** - Automation helps ensure that procurement processes adhere to relevant regulations and internal policies. It facilitates the enforcement of compliance controls, audit trails, and documentation, reducing the risk of legal and regulatory issues.
5. **Faster Decision-Making** - Automated systems provide real-time visibility into procurement data, enabling faster and more informed decision-making. This is particularly important in dynamic business environments where quick responses to market changes are essential.
6. **Improved Collaboration** - Automation enhances collaboration among various stakeholders involved in the procurement process, such as requesters, approvers, and suppliers. Centralized data access and communication tools improve coordination and communication.
7. **Enhanced Supplier Relationships** - Automated procurement systems can facilitate better communication with suppliers, provide insights into supplier performance, and support strategic sourcing initiatives. This contributes to stronger and more collaborative relationships with key suppliers.
8. **Strategic Focus** - By automating routine and repetitive tasks, procurement professionals can shift their focus to more strategic activities, such as strategic sourcing, contract negotiation, and

supplier development. This allows organizations to derive greater value from their procurement activities.

9. **Improved Reporting and Analytics** - Automated procurement systems generate detailed and accurate reports, offering valuable insights into spending patterns, supplier performance, and overall procurement efficiency. This data-driven approach supports strategic decision-making and continuous improvement.

Automating procurement is critical for achieving operational efficiency, reducing costs, ensuring compliance, and enabling organizations to focus on strategic initiatives that contribute to long-term success. It allows SPO and Department procurement teams to become more agile, responsive, and value-driven in their approach.

## Current State of Critical Components at the State of Hawaii

---

The following sections provide an overview of where the State of Hawaii is currently as relates to the top five (5) critical components outlined in the previous section.

### 1. Strong State Procurement Office

The mission of SPO today is that the SPO acts as a strategic partner to foster public confidence by promoting procurement life-cycle excellence, program success, and government accountability. Their vision is to create transformative leadership for public procurement excellence. The SPO is an agency administratively attached to DAGS with a total of 31 staff positions (20 filled positions, 6 pending approval and 5 vacancies as of December 28, 2023) across eight (8) sections:

1. **Administration and Staff Support Services** – The SPO Administrator, Assistant Administrator, General Professional (pending approval), and four (4) supporting staff necessary to administer the day-to-day operations of the SPO.
2. **Purchasing Services** – Five (5) Purchasing Specialists providing support for the purchase of goods, services and construction under HRS 103D to state departments. The team also plans, develops, executes and manages statewide strategic contracts available for use by all state entities. In the event of a disaster, the team coordinates activities to support the State’s emergency management plan and maintains procurement information for public agencies.
3. **Health and Human Services** – One (1) Purchasing Specialist providing support for the purchase of health and human services under HRS 103F to state departments.

Note: A proposed reorganization seeks to move the sole Health and Human Services Purchasing Specialist position to Policy and Compliance Services, and Policy and Compliance Services will assume the responsibilities of Health and Human Services to best meet the needs of all stakeholders.

4. **Policy and Compliance Services** – Five (5) Purchasing Specialists (includes one (1) pending approval) performing reviews of purchases executed by departments to ensure compliance with policy. The team also supports the drafting, approval and communication of policy updates to departments, review requests for CPO approval and investigates complaints of procurement improprieties.

5. **Electronic Procurement and Specialized Services** – Five (5) staff (including two (2) dedicated to the statewide procurement automation system, pending approval) providing support and training for procurement automation solutions utilized by department procurement staff. This section also manages the State's pCard program, travel policies, and travel-related contracts. Currently, only one filled position, as of the date of this report.
6. **Property Inventory Management Services** – Two (2) staff providing inventory reporting and ensuring compliance with policies and procedures pertaining to the management and recording of State property and assets purchased with public funds.
7. **Surplus Property Management** – Five (5) staff providing program management for the receipt, storage, and sale or disposal of State surplus property. State and municipal government agencies and entities, universities, colleges, schools, and eligible nonprofit organizations, and homeless and impoverished groups may submit an application to procure and re-utilize both Federal and State excess property through this program, driving sustainability and cost savings.
8. **Small Business Office** – One (1) temporary Small Business Coordinator (pending approval) carrying out the intent of the Small Business Initiative.

The SPO is the only state agency authorized to have the class specifications for the Purchasing Specialist series. Although the SPO is the state's central procurement office for executive branch departments, it has limited staff [eight (8) filled positions as of December 28, 2023] from Purchasing Services, Health and Human Services, and Policy and Compliance Services focused on performing or supporting procurement activities of departments under its jurisdiction, in accordance with its primary mission.

With procurement highly decentralized and not broadly professionalized at the State, departments regularly lean on the SPO for guidance and direction for executing procurements. However, the team is understaffed and not large enough to adequately support the departments in this role, as noted in interviews, where departments expressed inconsistent guidance and a general need for a more consultative organization to support them.

In addition, due to the limited staff and high vacancy rate, the SPO is not able to focus on its primary area of value to the departments in identifying, planning, and executing strategic statewide contracts. Although the Purchasing Service team has done an excellent job in identifying and utilizing national cooperative contracts for use at the State, with a stronger SPO more could be done to use data to drive decision-making, leading to a broader contract portfolio aligned to State programs and initiatives.

Although some areas of operations are accounted for in the organization of the SPO today, many of the roles identified in the previous section are not currently filled by the SPO or fall to the existing team of staff that are already stretched thin. For example, due to the abolishment of a purchasing specialist/supervisor position in Health and Human Services, the remaining position in Health and Human Services is proposed to be moved to Policy and Compliance in a reorganization. Policy and Compliance Services will assume the responsibilities of Health and Human Services. A stronger SPO that is staffed with an operational team enables the ability for the SPO to provide clear policy, associated guidance, training, and certification, while continuing efforts to automate procurement and transform the procurement functions of the State.

## 2. Professionalized Procurement Staff

The Department is where most of the work in procurement is executed. However, Departments across the board are not adequately organized or staffed to properly execute the procurement functions expected of them. Very few Departments have dedicated procurement sections, and even fewer have staff dedicated to facilitating procurement processes for the Department.

For the Interim Report, members of the PCWG were asked to complete surveys providing detailed information for staff performing procurement functions at their respective departments. For the purposes of completing the surveys, “procurement” was defined as “the act of fulfilling some or all the following key functions in the procurement lifecycle process:”

1. Developing a solicitation document (not only the scope, but the document needed to go to market to acquire the developed scope);
2. Posting a solicitation document;
3. Managing the solicitation (e.g., Pre-Proposal Conference, Q&A, Addenda, and Cost/Price Analysis, Debrief, and Protest.);
4. Receiving bids/proposals from the vendor in response to the solicitation;
5. Performing administrative review of bids/proposals to make sure a vendor is responsive;
6. Evaluating bids to determine intended awardee;
7. Facilitating the evaluation process with an evaluation team for a competitive proposal (not the evaluators, but the person coordinating the evaluation process);
8. Drafting documents/forms in support of the procurement (e.g., Intent to Award, Letters to Vendors, Contracts, and Contract Administration Plan,);
9. Posting updates for the procurement (e.g., award, status, and if applicable, cancellation.); or
10. Routinely performing core purchasing responsibilities, including creating purchase orders, directing the use of a pCard, or placing orders for goods and services from price and vendor lists.

The data collected in the Fall of 2022 clearly showed that the procurement function is highly decentralized, with procurement activities pushed down to the program level of departments in most instances. In addition, the sheer number of staff executing procurement activities at the State is immense. For the departments surveyed, 2,142 staff were identified as performing one or more of the tasks outlined in the definition of “procurement” provided. Few departments have dedicated procurement staff, and in most cases, 95% of procurement activities performed comprised less than 50% of expected work duties performed by staff, as outlined in the following tables. The data shows that of all staff surveyed, the average time spent on procurement was just 18%.

**Table 1: Staff Performing Procurement Functions**

<b>Staff Performing Procurement Functions</b>	<b>Number</b>	<b>Percent</b>
Staff Dedicated to Performing Procurement Functions	101	4.7%
Staff Performing Procurement Functions 50% or more of the time	81	3.8%
Staff Performing Procurement Functions less than 50% of the time	1960	91.5%

**Table 2: Percent of Time Performing Procurement Functions**

<b>Time Performing Procurement Functions</b>	<b>Percent</b>
Average Time Performing Procurement Functions (All Staff)	18.0%
Average Time Spent Performing Procurement Functions (Non-Dedicated Staff)	14.4%
Average Time Spent Performing Procurement Functions (Dedicated Staff)	91.2%

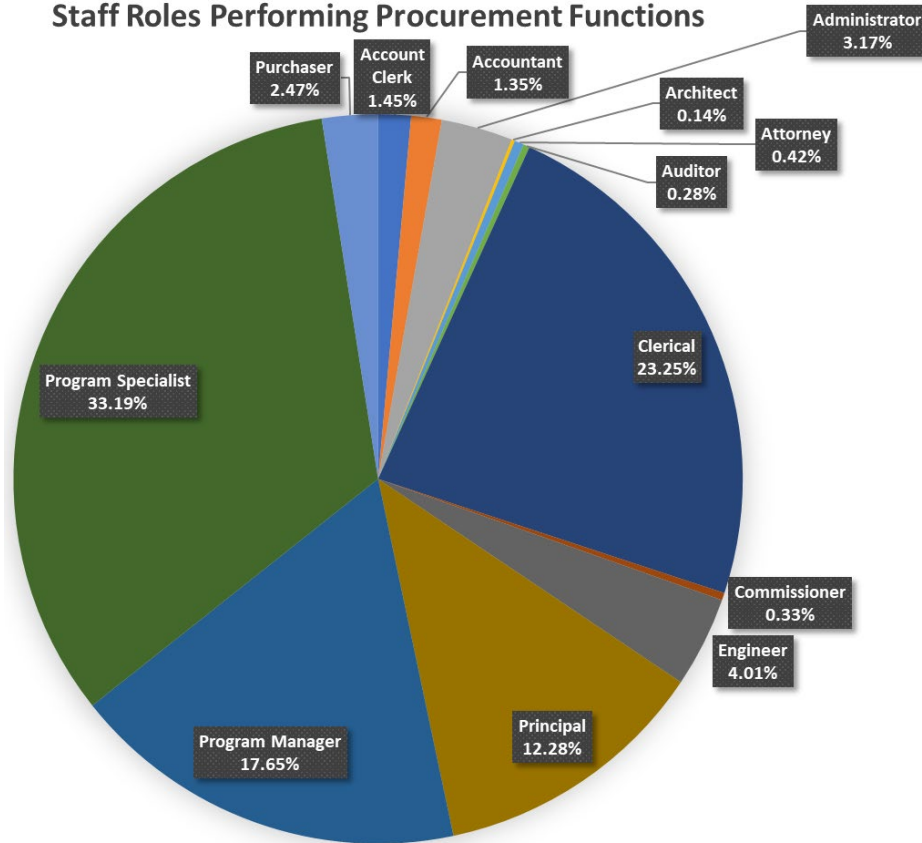
Further analysis showed that procurement is primarily executed at the program level in the department, and the staff performing the procurement functions are not procurement professionals. The following table and chart demonstrate that for departments surveyed, less than 3% had the role of a procurement/purchasing staff. The other 97% generally reflected the roles of staff administering or executing programs of the department. This both shows the absence of a dedicated professional procurement staff at the State and the difficulty the State will face when trying to consolidate the procurement staff to the SPO.

**Table 3: Procurement Staff by Role**

<b>Staff Role</b>	<b>Number of Staff Performing Procurement Functions</b>
Program Specialist	711
Clerical	498
Program Manager	378
Department of Education Principal	263
Administrator	68
Engineer	86
Purchaser (encompasses positions of Procurement/Purchasing Staff and Buyers)	53
Account Clerk	31
Accountant	29
Attorney	9
Commissioner	7
Auditor	6
Architect	3
<b>TOTAL</b>	<b>2,142</b>

**Table 4:**

**Staff Roles Performing Procurement Functions**



In addition, the data collected showed that amongst the departments, over 200 vacancies existed in staff roles supporting procurement activities.

### 3. Training & Certification Program

The State of Hawaii has a substantial portfolio of over forty (40) training courses made available to all State staff and CPO jurisdictions. The SPO has partnered with the Department of Human Resources Development (DHRD) to host procurement training courses on their new Adobe Learning Manager System (LMS), Prime Time Hawaii, for executive branch departments. Others in the State may request access as well. Departments that are not part of the Executive Branch may access SPO training through an associated account via DHRD's LMS. Training is categorized as follows:

1. General Workshops
2. Goods, Services, and Construction
3. Health and Human Services
4. Hawaii State eProcurement (HlePRO)

For State staff to be delegated the authority to execute a particular procurement method, to have a purchasing card or to be a purchasing card administrator for their entity, staff must complete mandatory courses. Once staff complete courses, the completion of the course is tracked and when

they have completed mandatory courses, they are delegated the appropriate level of authority to procure and the appropriate access to systems to enable that activity. This structure is aligned to the future state and will be a major component of the ability to fulfill the consolidation plan presented once implemented.

State staff may utilize resources offered by professional organizations such as NASPO and NIGP. NASPO's Procurement U, NIGP's Pathways Program, and other training options provide professional development opportunities, training, and career advancement resources that support continuing education of public procurement personnel.

State staff are encouraged to seek certification in procurement. The recognized gold standard for all government procurement personnel is certification through the Universal Public Procurement Certification Council (UPPCC), which require an investment of both time and money. The Certified Public Procurement Officer (CPPO) and the Certified Professional Public Buyer (CPPB) are designations that demonstrate an individual's comprehensive mastery of public procurement. Staff would need requisite levels of education and professional experience as part of the application process.

The SPO will need to contract a team to review and update training to align to current policies and procedures. This update and the alignment of the training to procurement methods will establish the necessary infrastructure for a formal training and certification program.

#### 4. Delegation of Procurement Authority Program

The State of Hawaii has an extremely decentralized procurement delegation model in place today. As noted above, to be granted authority to acquire goods, services and construction a staff member is only required to complete the mandatory training courses. This has led to thousands of staff in executive branch departments being delegated procurement authority since there are currently very few dedicated procurement staff at Departments to help support and facilitate execution of Department procurement needs. In order for staff to complete procurements they need to define their procurement need, develop the necessary solicitation document, and then determine what training courses are required to execute the procurement utilizing the appropriate procurement method. In some cases, this very approach leads to issues with Departments receiving procurement violations for procurements because the staff member doesn't always know what they are doing, or if they are even utilizing the appropriate procurement method for their need.

Training is detailed and generally viewed as sufficient to provide staff with the appropriate competencies to execute the procurement methods they are attending training for. The disconnect in the current state is that the staff member is not a procurement professional, dedicated to the function of procurement and therefore, typically, does not even know the first thing about procurement before taking the training courses. This creates a situation in the State where there is an excessive number of non-procurement professionals with training and authority to execute high-risk, complex procurements. This puts the staff member at risk for procurement violations – a common theme at the State – and puts the State at risk for poorly executed procurements that don't utilize modern, leading practice methods for procuring. This also likely leads to the State paying too much or not receiving the best terms for purchases of goods, services, and construction.



## 5. Procurement Automation

The following provides an overview of the State's current technical environment supporting the procurement function.

- **State of Hawaii eProcurement System (HlePRO)** – System for executing small purchases and that has been adapted for issuing solicitations, receiving responses, and issuing notices of award. <https://spo.hawaii.gov/hiepro-2/>
- **Hawaii Compliance Express (HCE)** – System that consolidated requirements to verify compliance of vendors to do business with the State of Hawaii. <http://vendors.ehawaii.gov/>
- **Hawaii Awards & Notices Data System (HANDS)** – System that gathers information on solicitations, awards and vendor compliance from multiple state and county procurement platforms and displays it all in one place. <http://hands.ehawaii.gov/>
- **Hawaii Electronic Procurement System (HEPS)** – Legacy eProcurement system replaced by HlePRO but still utilized by four (4) CPO entities (Department of Education, University of Hawaii, Hawaii Health Systems Corporation and Honolulu Board of Water Supply). <https://basec.sicomm.net/login/>

SPO recently executed a contract that will provide for the implementation of a State electronic marketplace that will be populated with strategic statewide contracts for use by all executive branch departments and other CPO jurisdictions. This marketplace will be the first module of a broader implementation of a procurement automation solution for the executive branch departments and can also be made available for implementation and configuration by other CPO jurisdictions if they wish to also pursue automation of the procurement functions for their jurisdiction.

It is anticipated that in the next two (2) to three (3) years, the SPO, with support of the executive branch departments, will implement a fully integrated procurement automation solution that will handle the following procurement functions for the executive branch departments:

1. **eMarketplace** – shopping site for statewide contracts that will enable the searching, identification of items and pricing, comparing of pricing for categories where there are multiple vendors, selection of items, approval of selected items, payment and order issuance.
2. **Procure to Pay** – functionality to support purchase request development, approval and management leading to the eventual issuance of a purchase order or the transition of the request to a sourcing event.
3. **Sourcing Management** – functionality to support the building, posting and management of informal quotes and formal solicitations. This functionality will also allow for the electronic submission of bids and proposals from vendors to the State, evaluation of those submissions, and award and award review and approval within the solution.
4. **Supplier Management** – functionality to support the ability for suppliers to register with the solution to receive notifications for opportunities meeting their defined criteria. The solution will also provide suppliers with a portal to enable them to see and manage their contractual relations

with the State (e.g., outstanding purchase orders, contracts and or invoices, etc.) and to maintain their system profile and information in a self-service manner.

5. **Reporting & Data Analysis** – functionality to enable detailed reporting and data analysis for suppliers and State employees.

Once the implementation is completed, or when the implementation is providing the same functionality as current systems, it is expected that the existing systems will remain in place for those non-Executive Branch entities not utilizing the procurement automation solution, while the Executive Branch will transition away from current systems to using the more integrated solution. It is possible that some functionality in current automated solutions will continue to be utilized if not able to be transitioned to the new procurement automation solution (e.g., HCE compliance checks, and CPO requests for procurement violations, sole source, exemptions alternative procurements, contract extensions, emergency purchases, etc.).

When an acquisition is completed for an Enterprise Resource Planning (ERP) solution, it is anticipated that the procurement automation solution will be integrated and/or interfaced with the ERP solution to provide for the exchange of critical data elements between the two (2) solutions.

## Five-Year Consolidation Plan

---

In accordance with the Act, the following details a plan for a five-year phased in consolidation of all state executive branch procurement services and staff, except the Hawaii Health systems corporation, University of Hawaii, and Office of Hawaiian Affairs. Although the Act seeks to consolidate the procurement services and staff of the State under the State Procurement Office in five (5) years, we do not believe this is feasible or necessary to meet the legislature's intended goals of the consolidation detailed in the Act. Thus, the PCWG does not have any proposed legislation at this time.

As noted in previous sections of this report, the five-year plan presented in the following sections seeks to consolidate the procurement functions of the State to the Departments while also optimizing the staffing and organization at the State Procurement Office to enable it to serve smaller executive branch entities and make it a more strategic partner for the Departments. This is a necessary interim step toward the legislatures intended goal of a full consolidation to the State Procurement Office and one that will allow the State the ability to improve the overall professionalism of the procurement function while establishing and strengthening the necessary elements for a more complete consolidation.

The SPO will also continue to rely on vital resources provided by professional organizations such as NASPO and NIGP, which will focus its research and publications, conference sessions, and webinars on priority issues such as modernization of the procurement process, customer service, eProcurement, and training and certification.

## Year 1: Establish Foundational Elements

In Year 1 of the consolidation, it is recommended that the State focus on establishing key foundational elements to ensure the future efforts of consolidation are fruitful. This includes implementation of the following:

- **Assign a dedicated person at the SPO to manage the consolidation efforts in this report.** The Legislature should establish and fund a position at the SPO, exempt from the requirements of HRS Chapters 76 and 89, that will be responsible for managing the efforts necessary to implement the consolidation plan in this report. Once consolidation is completed, this role can be repurposed to lead and manage ongoing strategic projects of the Office.
- **Establish the SPO as a strategic partner for the State, and specifically the executive branch departments.** It is recommended that the SPO should collaborate with DHRD and other relevant stakeholders to develop a plan to optimize the organization and staffing aligned to the model presented earlier in this report. This will require the adoption of the organizational model, assessment of current staff competencies as aligns to the model, identification of remaining gaps and the hiring of staff to fill those gaps. The SPO has several vacant positions and between the current staff and vacant positions many of the critical positions can be filled to establish the necessary components at the office to begin building out other key foundational elements. Additional positions are likely to be required to fully implement the model and enable the SPO to execute its optimized role as defined in this report.
- **Update and optimize the current procurement policy landscape.** Today the procurement policy for Hawaii is a hard to navigate compilation of Hawaii Revised Statutes (HRS) (HRS Chapters 103D and 103F), Hawaii Administrative Rules (HAR), Procurement Circulars and Procurement Directives. It is recommended that the SPO, in coordination with the Procurement Policy Board and other CPO jurisdictions, seek to identify possible updates to HRS, align the HAR to reflect current procurement policies and processes of the State and consolidate all Procurement Circulars and Directives into the revised HAR.

In addition, the Procurement Wizard, an online procurement manual developed by the SPO to provide “how-to” guidance to procurement professionals at the State, should be updated to align to the revised HAR so that procurement professionals throughout the State can easily know their roles, responsibilities and expectations related to the execution of procurement activities at the State.

- **Develop an optimized procurement delegation model.** The SPO should, within the policy framework, identify and document a future state delegation of authority model to support the consolidation of procurement at the departments. It is recommended that the delegation of authority be aligned to the training and certification of staff in the office and the maximum level of procurement authority be based on the highest trained and certified staff member in that department. It is also recommended that the delegation be aligned to the specific staff member rather than the department. This is to ensure that when staff leave the department the delegation associated with their level of training and certification follows them and the department delegation is adjusted as required based on the remaining staff. Lastly, it is recommended that current delegation be grandfathered and that all departments be given full delegation authority through Year 4 of the consolidation effort to give staff the time needed to train and certify before fully implementing the revised delegation model.

- **Clearly define roles and responsibilities in the future state department consolidation model.** The SPO, in coordination with PCWG stakeholders should work to clearly define roles and responsibilities of all actors in the procurement process in the future state department consolidation model. This will require the identification of key process steps and clearly delineating in a responsibility matrix who role of each actor in the process step.

A typical model utilized for this effort is a RACI Matrix (responsible, accountable, consulted and informed) that assigns the appropriate level of responsibility to the actors in the business process for all relevant procurement activities. This ensures that everyone in the new model understands their roles and responsibilities and allows the SPO to properly update the Procurement Wizard and training to align to the responsibility matrix to ensure they support the proper delegation of authority of procurement activities.

- **Develop a training and certification model for the State procurement professionals.** The SPO in coordination with DHRD and other relevant stakeholders should continue efforts to update and optimize their procurement training toward the goal of establishing a formal roles-based certification model for State procurement professionals. In building this infrastructure out, it ensures that all procurement professionals and those involved in the procurement process will be properly trained on the knowledge, skills and abilities necessary for them to properly execute their role in the procurement process. The training and certification also establishing the underpinning for the delegation of authority model necessary to implement the department consolidation model.
- **Define future state model for department procurement offices.** The SPO, in coordination with PCWG stakeholders, should develop a model for how the department procurement offices will be implemented. The recommendation is that these offices be incorporated as an administrative entity under the auspices of the Administrative Services Officer (ASO) or Business Management Officer (BMO). Each office should be staffed with dedicated procurement professionals that have been trained and certified in the State certification program at minimum and should be able to provide their divisions and program staff the necessary support to ensure the proper execution of procurement activities at the department.
- **Develop approach to staffing the department consolidation.** From our research, it is clear that staffing of the new procurement offices will require establishment of some key human resources infrastructure and needs to be keenly aware of the impact on State union bargaining unit employees involved in the consolidation efforts. As noted earlier in this report, outside of the SPO there are very few dedicated procurement staff in departments. Additionally, outside of the SPO there are very few professional job classifications available for departments to utilize for procurement professionals.

As such it is recommended that the SPO in cooperation with DHRD and other relevant stakeholders work to ensure the appropriate human resources infrastructure is in place to support the consolidation efforts. This will include the identification of appropriate job classifications, ensuring their salary ranges are competitive and commensurate with professional procurement staff, and ensuring the job classifications are available to all departments for hiring purposes. In addition, this will require further consultation with the Unions to determine the least impactful means of transitioning staff into new roles. Based on the research performed for this report, it is recommended that the State seek to determine the hiring

needs of each department office in consultation with the SPO and then seek to hire into the roles rather than transfer existing staff. This approach minimizes the impact from a Union perspective and ensures the most qualified person for the job is hired to fill that position.

It is also recommended that the State, utilizing lessons learned from the State of Alaska, develop a plan for the consolidation of procurement at the department. It is recommended that the SPO meet and work with each department ASO or BMO to define the size and staffing needs to provide the requisite procurement support to the department.

## Year 2: Building Out Structural Elements

In Year 2 of the consolidation, it is recommended that the State focus on building out structural elements from the models developed in the Year 1 efforts. This includes implementation of the following:

- **Staff the SPO-Optimized Organizational Model.** The SPO should continue efforts to post and hire for key positions in the new organizational model. The SPO will need to submit a request to the Legislature for new positions to ensure success of the consolidation efforts.
- **Complete Training and Certification Program Development.** The SPO should complete the development and implementation of the training and certification program to support consolidation efforts in Year 3. The program can be rolled out broadly to allow State employees the opportunity to begin training and mentorship in the new program and get certified to position themselves for future opportunities in the department consolidation or with the SPO. By the end of Year 2, the SPO should have the staff, program and supporting technology to deliver and track the procurement training and staff certifications and aligned procurement delegation authority.
- **Define Shared Services Entities.** With the SPO fully staffed, it is imperative that the SPO perform an assessment of the executive branch departments and other related governmental units to determine which entities will be supported by the SPO Shared Services team. It is recommended that these entities be smaller entities that should not or likely cannot expect to have a dedicated procurement professional on staff. It may also include entities in the Executive Branch that have few or no procurement activities in a given year outside of small purchases.
- **Define Consolidation Pilot Departments.** The SPO, in coordination with the PCWG stakeholders, should identify a small group of departments with which to pilot the department consolidation model and begin working with the department ASO or BMO to plan for the pilot. This includes determining the appropriate staffing model to properly support the procurement function at the department and developing a staffing plan to fully implement that model. The goal is that each pilot department will have sufficient dedicated procurement staff that are trained and certified (or training), in place by the end of Year 2 to properly pilot the consolidation model and determine lessons learned for future department transitions to the department consolidation model in Year 4.

### Year 3: Pilot Department Consolidation

In Year 3 of the consolidation, it is recommended that the State fully implement the Shared Service team at SPO with identified Shared Services executive branch entities and pilot the consolidation model with the pilot departments. The goal of the pilot is to determine what is working, what needs refinement and how to ensure success in future department consolidation efforts.

During the pilot, the SPO should continue to partner with the remaining executive branch departments to plan for their eventual consolidation in Year 4. This includes determining the appropriate staffing model to properly support the procurement function at the department and developing a staffing plan to fully implement that model. The goal is that all executive branch departments will have sufficient dedicated procurement staff, that are at trained and certified (or training), in place by the end of Year 3 to fully implement the consolidation model in Year 4.

It is recommended that in the final quarter of Year 3, the SPO and the pilot departments meet to perform a formal lessons learned review of the consolidation pilot effort. SPO should work with the departments to identify what worked well, what didn't, and what could be improved for future consolidation endeavors. Where things did not go well it is recommended that the team discuss the challenges or issues and identify approaches to improve them in future consolidation efforts. The focus is on extracting valuable insights and lessons from the experience to improve future departmental consolidation efforts in Year 4.

### Year 4: Full Department Consolidation

In Year 4 of the consolidation, it is recommended that the State fully implement the department consolidation model with the remaining executive branch departments. Year 4 is critical because it will be the last year for departments to complete the work necessary to consolidate procurement functions under the ASO or BMO at the department and get the staff trained and certified. The goal is at the end of Year 4 the executive branch departments are fully transitioned to the new department consolidation model, Shared Services executive branch entities are fully served by the SPO, and all staff at departments are trained and certified to enable the full implementation of the future state delegation model in Year 5.

Again, it is recommended that in the final quarter of Year 4, the SPO and the Executive Branch Departments meet to perform a review of formal lessons learned of the consolidation effort. The SPO should work with the Departments to identify what worked well, what did not work, and what could be improved for future consolidation endeavors. The focus will be on extracting valuable insights and lessons from the experience to improve future departmental consolidation efforts in Year 5.

### Year 5: Complete Department Consolidation & Steady State

In Year 5 of the consolidation, the State is seeking to attain a steady state in the implementation of the new departmental procurement consolidation model. In Year 5, Departments will continue any lingering efforts to hire and train dedicated procurement staff in their new department procurement offices. The delegation of authority model will be implemented and systems supporting procurement automation will be updated to reflect each staff member's appropriate roles based on their attained level of training, certification and delegation.

In the final quarter of Year 5, the SPO and the Executive Branch Departments meet again to perform a formal lessons learned review of the entire consolidation pilot effort. The SPO should work with the Departments to identify challenges, best practices, for future consolidation endeavors.

## Beyond Year 5: Consolidate in Place Transition

This section has been included by the PCWG to provide guidance on activities beyond Year 5 of the consolidation to ensure that this report meets the intended goal of the Legislature to fully consolidate procurement at the SPO. Although this goal can be attained, it will require more than the allotted five years to be fully reached. The departmental consolidation aligns with peer and leading practices of most public entities in the United States at all levels of government and addresses the concerns of the Legislature outlined in the Act and in testimony supporting Act 282, SLH 2022. It also provides a foundation from which the State can further consolidate over time should leadership seek to do so. Without this interim step, it is difficult to establish some of the necessary elements to full consolidation, the most important being a pool of clearly identifiable dedicated procurement professionals at the State to consolidate to SPO.

To fully transition to the model envisioned by the legislature in the Act, it is recommended that the State continue the departmental consolidation model for two to three years following the 5-year consolidation model presented to allow for the model to fully develop and reach its most effective and efficient processing state. During this time, the SPO and the Executive Branch Departments should continue to meet to refine and optimize the procurement function at the State, seeking to continuously improve all aspects to drive effective and efficient execution of procurements (e.g., policy, training, procedures, guidance, organization, etc.).

After this time, the Legislature in coordination with the SPO and the executive branch departments should reassess the consolidation and determine if further consolidation is warranted. If it is determined that further consolidation is warranted, the State has been provided a model to further consolidate the procurement function at the SPO through a process referred to as “Consolidate in Place” that aligns to peers in Alaska and the District of Columbia.

It is critical to note that in July 2023, Alaska was close to (99%) in completing its consolidation implementation when the current Governor revoked the Administrative Order of February 2019 for Statewide Procurement Consolidation. The revocation was due to a variety of factors, most of which are related to the concept that consolidation to the Office of Procurement and Property Management did not provide flexibility to the Departments. As a result of the revocation, Alaska remains in their pre-consolidation organizational model: consolidation of procurement at the department. Alaska’s pre-consolidation organization model is the model (Model 1) recommended for Hawaii in the 5-year plan.

Should the State seek to consolidate procurement fully to SPO (Model 2), the State would realign all dedicated procurement staff at the Executive Branch Departments to report to the SPO instead of their current department. Staff would remain where they are or would be “reassigned” to or embedded in the department to support their procurement activities as Subject Matter Experts. This ensures that departments have procurement staff knowledgeable in their respective department’s mission and are able to procure their needed goods and services to meet those missions. Future staffing needs would be determined and hired by the SPO and assigned to the appropriate department.

This transition would require an assessment of any potential challenges as relates to the transfer of staff from their respective department to the SPO, as it will require consultations with the labor Unions to fully implement.

Should the State seek to consolidate to the SPO, the PCWG recommends that the Department of Education (DOE) not be part of that consolidation and that they retain their separate CPO jurisdiction



designation. The DOE remains a separate political jurisdiction in Statute and is not officially a member of the Executive Branch in many ways. The Superintendent is not appointed by the Governor, but is instead appointed by the Board of Education, an independent body also appointed by the Governor. The Superintendent has authority and jurisdiction over the Department. Unlike other peers, the DOE in Hawaii is unique in that it manages and provides direction and overarching strategy to all schools in all districts. They are, for all intents and purposes, similar to the University of Hawaii, which is a separate CPO jurisdiction and distinct from the Executive Branch. It is the PCWG's opinion that the DOE should also remain independent.

It is also the strong recommendation of the PCWG that all construction (planning, design, engineering services, architectural services, bidding, contracting, construction management, and other services for State projects) remain within the procuring agency, separate from the SPO. Construction procurement requires very specialized skillsets and unique processes, procedures, and documentation, and benefits from "cradle-to-grave" approach that is best handled by a specialized procurement team.

## Roadblocks & Barriers

---

The following sections highlight specific roadblocks or barriers that may be present in the implementation of the five-year consolidation model at the State of Hawaii. None of them on their own preclude the State from pursuing the consolidation efforts outlined in the Plan, but each is an area the State should be keenly aware of as they pursue their efforts to consolidate the procurement functions of the State and may in some instances delay the consolidation efforts.

### Attracting Quality Procurement Professionals

Attracting quality procurement professionals in Hawaii may face various barriers, some of which are specific to the local context. This may impact the consolidation as there are not many trained or certified procurement professional available in the Islands but can be addressed with the establishment of a State-specific training and certification program and the ongoing promotion of national training and certification. The following are barriers to attracting quality professionals at the State, especially as relates to finding procurement professionals:

- **Geographic Isolation:** Hawaii's geographic isolation makes it challenging to attract a large pool of qualified candidates, especially those willing to relocate to an island state.
- **High Cost of Living:** Hawaii has the highest cost of living index score of any U.S. State, which is a deterrent for potential candidates, even if salaries are competitive. Housing, food, electricity and transportation costs, and other living expenses may be higher than in other locations.<sup>10</sup>
- **Limited Growth Potential:** Some professionals may perceive limited opportunities for career advancement in Hawaii compared to larger mainland cities. This perception may impact the attractiveness of procurement roles in the state.
- **Competition:** The private sector, particularly in industries such as tourism and hospitality, offer attractive and higher paying opportunities for procurement professionals, competing with government or public sector positions. In addition, the public sector such as state departments,

---

<sup>10</sup> <https://worldpopulationreview.com/state-rankings/cost-of-living-index-by-state>



cities, counties, , public schools, and universities, compete amongst each other for the same small pool of procurement professional candidates adding to the level of competition.

- **Cultural Adaptation:** Professionals from outside Hawaii may need to adapt to the multi-ethnic, local culture, which can be both enriching and challenging. Some individuals may perceive cultural differences as a barrier.
- **Work-Life Balance:** The perception of work-life balance may vary, and professionals may have concerns about achieving a balance, particularly if they are relocating from a different region. According to the Hawaii Financial Health Pulse: 2019 Survey Results, one-fifth of full-time workers are working second and third jobs, which does not allow for work-life balance.<sup>11</sup>
- **Limited Exposure:** Hawaii may not be as visible or well-known in certain professional networks, which could impact the recruitment of quality candidates.
- **Bureaucratic Processes:** Perceptions of government bureaucracy or slow decision-making processes in public sector organizations could deter some candidates.

To overcome these barriers, the State should implement targeted recruitment strategies, highlight the unique benefits of living and working in the state, improve the efficiency of the recruitment process, invest in professional development opportunities, and actively address concerns related to career advancement and work-life balance. Additionally, fostering a positive organizational culture and emphasizing the value of public service could enhance the appeal of procurement roles in the state.

Attracting high-quality procurement professionals in Hawaii requires a strategic and proactive approach to address the unique challenges and considerations of the region. Here are several strategies that the State can implement to attract top-notch procurement professionals:

- **Competitive Compensation:** Offer competitive salaries and benefits packages that consider the high cost of living in Hawaii. Highlight the total compensation package, including healthcare, retirement plans, and any additional perks. It would also help to eliminate the payroll lag for new employees who do not receive their first paycheck until six weeks after date of hire.
- **Professional Development Opportunities:** Provide opportunities for professional growth and development. Support ongoing education, certifications, and training to enhance the skills and knowledge of procurement professionals.
- **Work-Life Balance:** Emphasize a healthy work-life balance to attract professionals seeking a positive and fulfilling lifestyle. Showcase the unique cultural and recreational opportunities that Hawaii offers.
- **Remote Work Options:** Consider flexible work arrangements, including remote work options, to accommodate professionals who may prefer or need to work from different locations within Hawaii.
- **Networking and Collaboration:** Foster a sense of community and collaboration within the procurement profession. Engage with professional organizations, both locally and nationally, to build networks and promote opportunities in Hawaii.

---

<sup>11</sup> [https://issuu.com/hcfhawaii/docs/pulse\\_2019\\_hawaii\\_finhealthreport\\_011520\\_final](https://issuu.com/hcfhawaii/docs/pulse_2019_hawaii_finhealthreport_011520_final)

- **Showcase Cultural Diversity:** Highlight the cultural diversity of Hawaii and the inclusive work environment within the organization. Emphasize the value of cultural exchange and professional growth that comes with working in a diverse setting.
- **Invest in Technology:** Invest in modern procurement technologies and tools that enhance efficiency and effectiveness. A state-of-the-art procurement infrastructure can be attractive to professionals seeking innovative and streamlined processes.
- **Promote Government Impact:** Emphasize the positive impact of public service and government work. Highlight how procurement professionals contribute to the well-being of the community and the state as a whole.
- **Create Clear Career Paths:** Establish clear career paths for procurement professionals within the organization. Communicate opportunities for advancement and professional growth.
- **Engage in Targeted Recruitment:** Actively recruit from a diverse range of sources, both locally and nationally. Use targeted recruitment strategies to attract candidates with the specific skills and experience needed for procurement roles. Hawaii may also be highly desirable for procurement professionals in the latter years of their employment or those that have retired early but still are looking to work.
- **Highlight Unique Benefits:** Showcase the unique benefits of living and working in Hawaii, such as its natural beauty, cultural richness, and quality of life. Illustrate how these aspects contribute to a positive working experience.
- **Streamline Recruitment Processes:** Streamline and expedite recruitment processes to demonstrate efficiency and responsiveness. Lengthy and bureaucratic hiring processes may discourage high-quality candidates. One option might be to expand the DHRD Wikiwiki Hire program to include procurement/purchasing positions, thus expediting hiring processes.

By adopting these strategies, the State of Hawaii can create an attractive environment for high-quality procurement professionals, showcasing the unique opportunities and benefits that come with working in the state.

## Workforce Considerations

As noted throughout this report, one major hurdle to any effort to consolidate staff in the State will be limitations brought about by workforce requirements. These include, but are not limited to:

- **Job Classifications:** As noted, job classifications for more professional procurement staff are currently limited in use to SPO. Work will need to be done to either make those classifications more broadly available to executive branch departments, or to adapt existing or create new job classifications that will attract professional procurement staff.
- **Salaries:** To attract professional procurement staff the State will need to ensure that all job classifications have attractive salaries and will need to factor into those salaries the higher cost of living in the State and transition costs necessary to relocate to the State for those considering the opportunities from outside Hawaii. It is recommended that the State perform a compensation study of procurement roles in peers to determine if their job classifications and salaries are in alignment with peers.

- **Union Bargaining Units:** Based on conversations with DHRD, as consolidation is implemented it will be critical to engage the bargaining units early and often to ensure that planned actions do not create unforeseen impacts in union representation and bargaining unit protections. The implementation approach outlined should avoid many of these issues, leaving decisions to change roles or positions to the employee, but it is still recommended to keep the lines of communication open with the union representatives to ensure a smooth transition.

## Addressing Island-Specific Needs

Logistics between the Hawaiian Islands can present unique challenges. A potential barrier, or at least a consideration that will need to be factored into the overall effort to consolidate procurement at the department level, is the ability to address local island procurement needs beyond those on the island of Oahu, where most State government departments are located. This may require developing procurement professionals for departments with remote offices and staff on the other islands to enable them to acquire needed goods and services in a timely manner.

The consolidation of procurement at the department should improve the overall efficiency and effectiveness of the procurement processes for all department divisions and staff, including those on other islands, but as the consolidation is implemented it will be critical to be aware of what, if any, impact the consolidation has on outlying islands and meeting their procurement needs. Should issues arise and a need to implement procurement professionals at islands becomes necessary, departments may want to consider how to hire for these roles on each island while still retaining consolidation of that staff under the auspices of the department procurement office, essentially establishing a regional procurement office as required. Alternatively, the State may consider the development of an SPO regional office on each island to support procurement needs on the other islands.

## Cost of Consolidation

Consolidating procurement at a public entity can bring about various benefits, such as increased efficiency, cost savings, and improved coordination. However, all stakeholders must consider potential costs and challenges associated with the consolidation efforts. While consolidation can lead to long-term savings and improved efficiency, the initial investment and associated costs should be carefully considered and budgeted to ensure a successful and sustainable transition. Some of the costs to be mindful of include:

- **Staffing Costs:** Due to the current lack of dedicated procurement professionals in the State, new staff positions will be needed to build the appropriate professional staff at departments. Although some of this staff might be able to be addressed through open vacancies at the departments, it is likely that additional staff will be needed by the SPO and the departments to fully execute the consolidation model, which will require additional budget requests and legislative approval.
- **Salary Costs:** If staff transition from current roles to the newly created procurement professional roles, there will be increased salary costs associated with staff transitions to more professional roles.
- **Training:** Staff will need training to adapt to new procurement processes, systems, and policies.

- **Change Management:** Implementing changes to procurement processes and structures will necessitate change management efforts to address resistance (both emotional and psychological) and job disruption to ensure a smooth transition.
- **Technology Upgrades:** Consolidating procurement will require new or upgraded procurement systems and technologies to support the increased volume and complexity of procurement activities. The SPO is actively implementing a new eProcurement solution for the State that should be fully functional and able to be utilized by Executive Branch Departments in the forthcoming years.
- **External Consultants:** The State will need to engage external consultants to provide expertise in support of consolidation efforts, leading to consulting fees.

The State needs to conduct a thorough cost-benefit analysis to weigh the potential costs against the expected benefits of consolidating procurement.

### Consolidation Funding Model

If the State fully consolidates the procurement function to SPO in the future, the consolidation will require funding, personnel, and other resources (office space, equipment, etc.). A source of funding to consider is an alternative funding model used by other peers: a chargeback model. A chargeback model for procurement is a system in which departments are billed or charged for the goods and services procured on their behalf by the centralized procurement function. This model is commonly used in larger organizations in which centralized procurement manages purchasing activities on behalf of all departments. The chargeback model aims to allocate procurement costs more accurately, promote accountability, and provide transparency in resource utilization. The following provides an overview of how a chargeback model for procurement typically works:

1. **Centralized Procurement Function:** The organization establishes a centralized procurement function responsible for managing the purchasing process, negotiating contracts, and maintaining relationships with suppliers. In the case of the State, the SPO.
2. **Service Level Agreements (SLAs):** The procurement function collaborates with departments to define Service Level Agreements (SLAs) that outline the procurement services to be provided. SLAs may include parameters such as response time, order processing time, and service quality.
3. **Catalog of Goods and Services:** Procurement establishes a catalog of approved goods and services that departments can procure through the centralized procurement function. The catalog may include standardized items, preferred suppliers, and negotiated contracts.
4. **Ordering Process:** Departments initiate procurement requests by submitting orders to the centralized procurement function. The orders are processed by procurement professionals, who ensure compliance with procurement policies and negotiate terms with suppliers.
5. **Cost Allocation:** Costs incurred by the centralized procurement function, including the price of goods or services, supplier fees, and any associated procurement costs, are allocated back to the requesting departments or business units.

6. **Chargeback Mechanism:** Departments are charged for the goods and services they procure based on a predetermined chargeback mechanism. This can be a percentage of the total order value, a flat fee per transaction, or a combination of different cost elements.
7. **Billing Process:** Periodically, typically monthly or quarterly, the centralized procurement function generates invoices or reports detailing the costs associated with each department's procurement activities. These reports are sent to the respective departments for review and payment.

While a chargeback model may be one mechanism to consider, it is essential to carefully design and communicate the chargeback model to ensure it aligns with organizational objectives and encourages collaboration between the SPO and the departments.

## Conclusion

---

Through the Procurement Consolidation Working Group, the Departments expressed that to best meet the needs of their stakeholders, they required:

- Full latitude to develop the specifications or scope of work;
- The ability to have procurement staff that fully understood their department's mission and values; and,
- Procurement staff that were dedicated and responsive to the department needs.

The eventual model of procurement organization must place the procurement staff in the Department, while retaining a direct connection with the SPO. The PCWG, equipped with lessons learned from peer and leading states, have determined that a consolidation plan must cover three core framework components detailed in both the Interim and Final Reports:

1. **Establishment of a strong, strategic State Procurement Office with a robust eProcurement system**
2. **Centralized procurement within the departments**
3. **Professionalization of the procurement function through an enhanced training and certification program**

In conclusion, the PCWG highly recommends procurement consolidation to the Executive Branch Departments, described as Model 1 in this Final Report. For this consolidation to be successful, full collaboration with the SPO, the Executive Branch Departments, the State Legislature, and the labor union, with the assistance of SPO staff and external consultant, along with the necessary funding and legislative approval for resources, is necessary to execute and manage the effort

The PCWG also determined that to fully transition to the model envisioned by the legislature in Act 282, SLH 2022, in which the State fully consolidates the procurement function to SPO, the consolidation will require additional funding, personnel, and other critical resources. Complete consolidation will also require more than the allotted five years to be fully reached and a foundation – an interim step – from which the State can further consolidate over time should state leadership seek to do so. Without this interim step, it is difficult to establish some of the necessary fundamental elements to full consolidation, the most important being a pool of clearly identifiable dedicated procurement professionals at the State to consolidate to SPO. The PCWG recommends that the State continue the departmental consolidation model for two to three years following the 5-year consolidation model presented to allow for the model to fully develop and be refined by the SPO and the Executive Branch Departments. Collaboration should be continued to optimize the procurement function at the State and continuously improve all aspects to drive effective and efficient execution of procurements.

## Attachment and Appendices

---

### Attachment

- 1 Act 282, Session Laws of Hawaii 2022 (Senate Bill 3369, SD2, HD2, CD1)

### Appendices

- A Procurement Consolidation Working Group (PCWG) Members
- B List of Meetings
- C August 12, 2022, PCWG Meeting PowerPoint
- D August 31, 2022, PCWG Meeting PowerPoint
- E October 5, 2022, PCWG Meeting PowerPoint
- F March 17, 2023, PCWG Meeting PowerPoint
- G List of Procurement Professional Organizations

## ACT 282

S.B. NO. 3369

A Bill for an Act Relating to Procurement.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. The legislature finds that procurement activities throughout the State may not be consistently compliant with chapters 103D (the Hawaii Public Procurement Code) and 103F (relating to purchases of health and human services), Hawaii Revised Statutes, and the administrative rules adopted pursuant to those chapters. Many purchasers conduct procurement activities as part of their “other duties as assigned” and have minimal training and experience in public procurement. This can lead to mistakes resulting in increased costs to the government. The legislature finds that this is particularly true for the department of education, given the fact that many administrators at the school level are tasked with using the Hawaii express procurement system for repair and maintenance in addition to their primary duties, straining their already limited time and resources.

Accordingly, the purpose of this Act is to:

- (1) Establish a working group to develop a plan for the phased in consolidation of procurement services and staff within executive branch agencies within a five-year timespan, excluding the Hawaii health systems corporation, University of Hawaii, and office of Hawaiian affairs;
- (2) Require the working group to make recommendations for attracting high-quality procurement professionals to the State; and
- (3) Appropriate funds to the state procurement office to support the activities of the working group.

SECTION 2. (a) There is established a procurement services consolidation working group, that shall:

- (1) Develop a plan for a five-year phased in consolidation, under the state procurement office, of all state executive branch procurement services and staff, except the Hawaii health systems corporation, University of Hawaii, and office of Hawaiian affairs. The plan shall include:
  - (A) An identification of the specific positions and functions to be transferred from each department to the state procurement office;
  - (B) Proposed dates of transfer for each position and function;
  - (C) Proposed procurement facility, personnel, and operational infrastructure needs of the consolidated procurement agency, with projections on future integration needs as additional agencies’ procurement staff and services are added;
  - (D) Recommendations to enable the state procurement office to provide expert support to the procurement activities of all



state agencies to meet the needs of the agencies and the public;  
and

- (E) Recommendations to ensure that agency services are not interrupted during the consolidation; and
- (2) Make recommendations to attract high-quality procurement professionals to the State, including the use of internships and the feasibility of exempting certain positions from the requirements of chapters 76 and 89, Hawaii Revised Statutes.
  - (b) Members of the working group shall include:
    - (1) The administrator of the state procurement office, who shall serve as chairperson;
    - (2) The director or chairperson of each principal executive branch department, or designee, excepting the Hawaii health systems corporation, University of Hawaii, and office of Hawaiian affairs; and
    - (3) Any other person that the administrator of the state procurement office wishes to invite to serve on the working group.
  - (c) The working group shall be administratively attached to the department of accounting and general services. The state procurement office shall provide administrative support to the working group.
  - (d) The working group shall submit an interim report to the legislature, no later than twenty days prior to the convening of the regular session of 2023, and a final report of its findings and recommendations no later than twenty days prior to the convening of the regular session of 2024. The reports shall include:
    - (1) The plan for the phased in consolidation of state procurement services developed pursuant to subsection (a)(1), including a detailed five-year phased in schedule;
    - (2) Recommendations to attract high-quality procurement professionals to the State;
    - (3) Plans for the development and implementation of a multi-tiered certified training program to ensure that all procurement staff take necessary training to conduct procurement correctly;
    - (4) Plans for the implementation of an integrated accounting and procurement automation system; and
    - (5) Any proposed legislation.
  - (e) The working group shall dissolve on June 30, 2024.

SECTION 3. There is appropriated out of the general revenues of the State of Hawaii the sum of \$250,000 or so much thereof as may be necessary for fiscal year 2022-2023 for the state procurement office to support the activities of the procurement services consolidation working group.

The sum appropriated shall be expended by the state procurement office for the purposes of this Act.

SECTION 4. This Act shall take effect on July 1, 2022.

(Approved July 12, 2022.)

## ***APPENDIX A***

### Procurement Consolidation Working Group Members

Chair: Bonnie Kahakui, Acting Administrator, State Procurement Office

Consultant: Civic Initiatives, LLC  
Derrek Davis  
Barry Goldman  
Sherriel Rush

Departments: Office of the Governor  
Office of the Lieutenant Governor  
Accounting and General Services  
Agriculture  
Attorney General  
Budget and Finance  
Business, Economic Development and Tourism  
Commerce and Consumer Affairs  
Defense  
Education  
Hawaiian Home Lands  
Health  
Human Resources Development  
Human Services  
Labor and Industrial Relations  
Land and Natural Resources  
Law Enforcement  
Public Safety  
Taxation  
Transportation  
Transportation, Administration Division  
Transportation, Airports  
Transportation, Harbors Division  
Transportation, Highways Division  
Office of Enterprise Technology Services

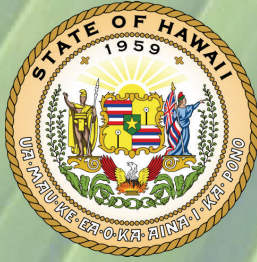
## APPENDIX B

### Procurement Consolidation Working Group Meetings

The research and collaboration of the Procurement Consolidation Working Group (PCWG) included meetings with representatives of the Executive Branch departments and the DOE; department-specific (one-on-one) meetings with Civic Initiatives; research meetings between the SPO, Civic, and various government entities; and exploratory meetings with peers to gain insight and lessons learned from their consolidation efforts.

	PCWG Meeting
	Research Meetings

Date of Meeting	Agenda Items
August 12, 2022	PCWG Meeting: Act 282, SLH22, Introductions, Introduction of Consultant, Update of the eMarketplace and eProcurement System, Update of Procurement Policy Board
August 31, 2022	PCWG Meeting: Types of Procurement Organizations, Survey of State Executive Departments, Information/Data Required by the Working Group for Decision-Making, In-Person Meetings in September
October 5, 2022	PCWG Meeting: Presentation on Hub & Spoke Centralization Model, Discussion on Hub & Spoke Centralization Model, Update: Survey of State Executive Departments, Virtual One-on-One Meetings with Civic Initiatives (if interested)
November 16, 2022	PCWG Meeting: Data Collection, Initial Analysis Findings, Interim Report to the Legislature
November 30, 2022	PCWG Meeting: Draft Interim Report to the Legislature
December 14, 2022	PCWG Meeting: Finalization of Draft Interim Report to the Legislature
March 17, 2023	PCWG Meeting: Introductions, Recap for new workgroup members, Update on research performed since Interim Report, Introduction of two consolidation models, Q&A, Next Meeting Date and Topics
March 28, 2023	Exploratory Meeting with SPO, Civic Initiatives and Alaska CPO on Alaska Consolidation
April 4, 2023	Exploratory Meeting with SPO, Civic Initiatives and District of Columbia on DC Consolidation
April 14, 2023	PCWG Meeting: Alaska Presentation on Consolidation Project
May 5, 2023	PCWG Meeting: Research Update, Report Build Plan Review, Report Outline Draft Review
June 28, 2023	PCWG Meeting: Research Update, Report Build Plan Review, Report Outline Draft Review, Method on sharing Draft Report for review/comment by PCWG.
July 14, 2023	Research Meeting with SPO, Civic Initiatives and Construction Stakeholders (Department of Accounting and General Services Public Works Division, Department of Transportation) on Construction Procurement
July 17, 2023	Research Meeting with SPO, Civic Initiatives and Enterprise Technology Services on IT Procurement
July 25, 2023	Research Meeting with SPO, Civic Initiatives, Department of Human Resources Development, and Department of Accounting and General Services Personnel Office on Procurement Human Resources
July 27, 2023	Research Meeting with SPO, Civic Initiatives and Department of Education on DOE Procurement
August 10, 2023	PCWG Meeting: Research Update (Construction, ETS/IT, DHRD, DOE)
September 27, 2023	PCWG Meeting: Report Build
November 29, 2023	PCWG Meeting: Answer questions about sections 1 and 2 of the draft final report
December 13, 2023	PCWG Meeting: Finalize Final Report



# Procurement Services Consolidation Working Group

Introductory Meeting  
Friday, August 12, 2022  
10:00 a.m.

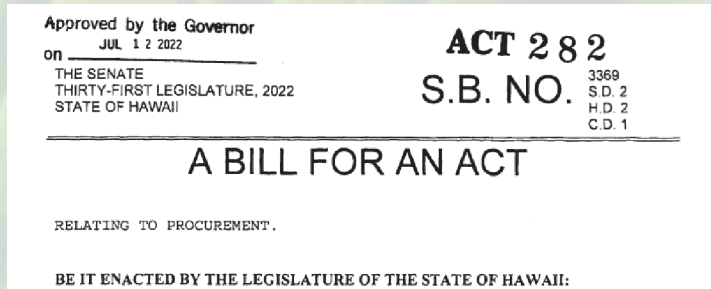
**(This meeting is being recorded)**

## Agenda

- Act 282 (SLH 2022), S.B. 3369 CD1**
- Introductions**
- Introduction of Consultant**
- Update of the eMarketPlace and eProcurement System**
- Update of Procurement Policy Board**
- Next Meeting**



# Procurement Services Consolidation Working Group Act 282, SLH 2022 S.B. 3369 CD1



## Purpose

## Timeline

- **Interim report due to State Legislature  
20 days before start of 2023 Legislative Session**
- **Final report due to State Legislature  
20 days before start of 2024 Legislative Session**



Procurement Services  
Consolidation  
Working Group

## DEPARTMENTS/JURISDICTION

Office of the Governor  
Accounting and General Services  
Agriculture  
Attorney General  
Budget and Finance  
Business, Economic Development and Tourism  
Commerce and Consumer Affairs  
Defense  
Education

Hawaiian Homelands  
Health  
Human Resources Development  
Human Services  
Labor and Industrial Relations  
Land and Natural Resources  
Public Safety  
Taxation  
Transportation



Procurement Services  
Consolidation  
Working Group



## SCOPE OF WORK

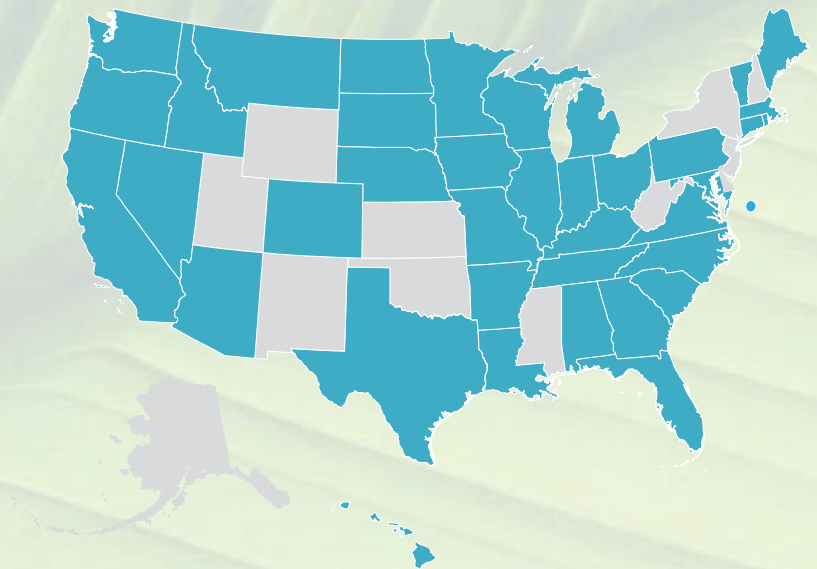
- ✓ Perform peer and leading research on key topics relating to procurement structure and training
- ✓ Develop and present relevant materials and findings to the group
- ✓ Facilitate meetings
- ✓ Draft interim and final report to the Legislature
- ✓ Provide ongoing administrative support



Procurement Services  
Consolidation  
Working Group

## About Civic Initiatives

- Established in 2010
- Lead consultants all have public procurement background
- Completed 100+ engagements in 39 states supporting procurement transformation at all levels of government
- Extensive library of peer and leading practices



Procurement Services  
Consolidation  
Working Group

## Appendix C



### **Dustin Lanier, Founder & Principal Consultant**

Lanier is the principal consultant responsible for the strategy, direction and outcomes of client engagements, with a focus on innovative procurement, program maturity, optimization of the contract portfolio, and managing vendor relationships. Lanier is an experienced professional with over 20 years of leadership in large scale organizational change in public sector initiatives of national significance. He is a Certified Public Procurement Officer and has led assessments and transformation projects in over 30 states.



### **Derrek Davis, Engagement Director & Assessment Practice Lead**

Davis has over 20 years of experience driving large-scale transformation of procurement practices for over 40 State, University and Local government entities. Davis has industry experience in operational, organizational and technology evaluation of public programs, and leads research, development and management of agency and statewide procurements from concept to contract. He is a Certified Public Procurement Buyer, NIGP Certified Procurement Professional and Certified Project Management Professional.



**Procurement Services  
Consolidation  
Working Group**



### **Lisa Rolik, Client Success Practice Lead**

Rolik is an experienced professional with over 10 years of public sector procurement experience. Through leadership roles in procurement and contract management for the State of Nebraska, Rolik gained a strong experience in developing clear contract management processes and procurement strategies for a variety of governmental missions, including health and human services, law enforcement and state level category purchasing.



### **Devin Howard, Procurement Process Consultant**

Howard is an experienced procurement professional with over 4 years of service in public procurement. Prior to joining Civic Initiatives, Howard worked as a Logistics and Materials analyst with Great Lakes Water Authority (GLWA) based in Detroit, MI. Howard is responsible for assisting with procurement operations assessments of public sector entities nationwide. Howard has a Master's Degree in Business Administration with a Minor in Acquisitions.



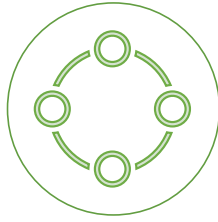
**Procurement Services  
Consolidation  
Working Group**

## Procurement Organizational Models



### Centralized

- The majority of procurement transactions are executed through the central procurement office



### Decentralized

- The majority of procurement transactions are delegated to and executed by agencies



### Center-Led

- The central procurement office provides guidance on procurement and agency procurement professionals execute procurements in alignment with rules and documented delegations
- Central Procurement facilitates non-delegated procurements in coordination with agencies



Procurement Services  
Consolidation  
Working Group

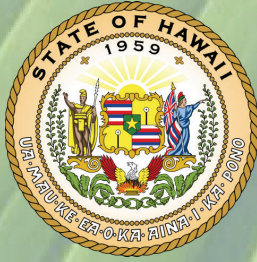
## Update

- **eMarketPlace**
- **eProcurement System**



Procurement Services  
Consolidation  
Working Group





# Procurement Services Consolidation Working Group

Wednesday, August 31, 2022  
10:00 a.m.

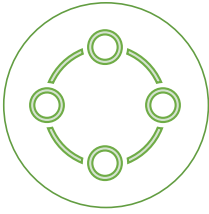
**(This meeting is being recorded)**

## Agenda

- Call to Order**
- Types of Procurement Organizations**
- Survey of State Executive Departments**
- Information/Data Required by the Working Group for Decision-Making**
- In-Person Meetings in September**



## Types of Procurement Organizations



### Decentralized

- The majority of procurement transactions are delegated to and executed by agencies



### Centralized

- The majority of procurement transactions are executed through the central procurement office



### Center-Led

- The central procurement office provides guidance on procurement and agency procurement professionals execute procurements in alignment with rules and documented delegations
- Central Procurement facilitates non-delegated procurements in coordination with agencies



Procurement Services Consolidation Working Group

## Types of Procurement Organizations - Decentralized

### Characteristics

- Better understanding of agency mission, programs and needs
- Faster processing and decision making
- Typically better quality of purchases and purchasing outcomes
- Better connection to local and regional vendor partners

- Can lead to procurement team "capture"
- Lack of ability to benefit from large economies of scale
- All entities, including smaller agencies would require dedicated, trained staff
- Requires larger number of staff due to need for staff at all agencies regardless of size

### VARIATIONS:

- Fully Decentralized



Procurement Services Consolidation Working Group

## Types of Procurement Organizations - Centralized

### Characteristics:

- Strong central team supporting procurement for the State
- Drives strong team collaboration and teamwork
- Highly centralized, and thus highly standardized, processes for executing procurement
- High visibility into spend patterns enabling collaborative, strategic procurement
- Strong controls and transparency
- Enables strong supplier relationships and management

- Not designed for organizations with numerous disparate locations
- Tends to slow processing times due to lack of understanding of individual agency missions and programs
- Doesn't take into consideration local, regional or agency unique needs
- Requires large number of staff to support the enterprise (but less than decentralized)

### VARIATIONS:

- Fully Centralized
- Dotted line - "Same faces, Same Places"



Procurement Services Consolidation Working Group

## Types of Procurement Organizations – Center-Led

### Characteristics:

- Agency dedicated procurement staff to help define needs and support delegated procurements
- Central team supporting non-delegated procurements
- Documented guidance drives consistent, standardized processes
- Strong training leads to professionalism of the function
- Visibility into spend patterns enabling collaborative, strategic procurement at all levels
- Strong controls and transparency

- Requires appropriate infrastructure and organization to support
- Dedicated procurement functions and staff at agencies
- Documented process guidance
- Training for agency procurement staff
- Organization supporting small agencies (Shared Services Model)
- Delegation is staff-based not agency based sometimes leading to agency gaps

### VARIATIONS:

- Center-Led Centralized
- Center-Led Decentralized



Procurement Services Consolidation Working Group

## Survey of State Executive Departments

- Smartsheet will be shared with the working group members and all executive branch agencies under the SPO Administrator to complete
- Main Goal: Survey agencies to understand the way they currently organize for procurement and the number of staff performing the functions of procurement (both dedicated and non-dedicated)
- Due Date: 9/30/2022



Procurement Services  
Consolidation  
Working Group

## Information/Data Required by the Working Group for Decision-Making

- Smartsheet will be shared with the working group members and all executive branch agencies under the SPO Administrator to complete
- Main Goal: Gather details for staff at the agencies that are performing procurement functions for use in go forward analysis as required by the legislation for the working group
- Due Date: 10/14/2022



Procurement Services  
Consolidation  
Working Group



## **In Person Meetings in September**

- The Civic Initiatives team will be on island on Monday September 12, 13 and 14 and will be available to meet one-on-one with individual agencies to discuss
  - Procurement organization,
  - Procurement Staffing
  - General thoughts and concerns about the consolidation effort directed in the legislation
  - Other topics as deemed relevant
- SPO will be sharing a google form to the department representatives to sign up for available slots

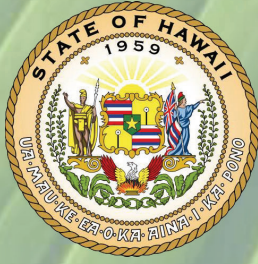


**Procurement Services  
Consolidation  
Working Group**

**Next Meeting  
Wednesday, September 14,  
2022, 10:00 a.m. HST**



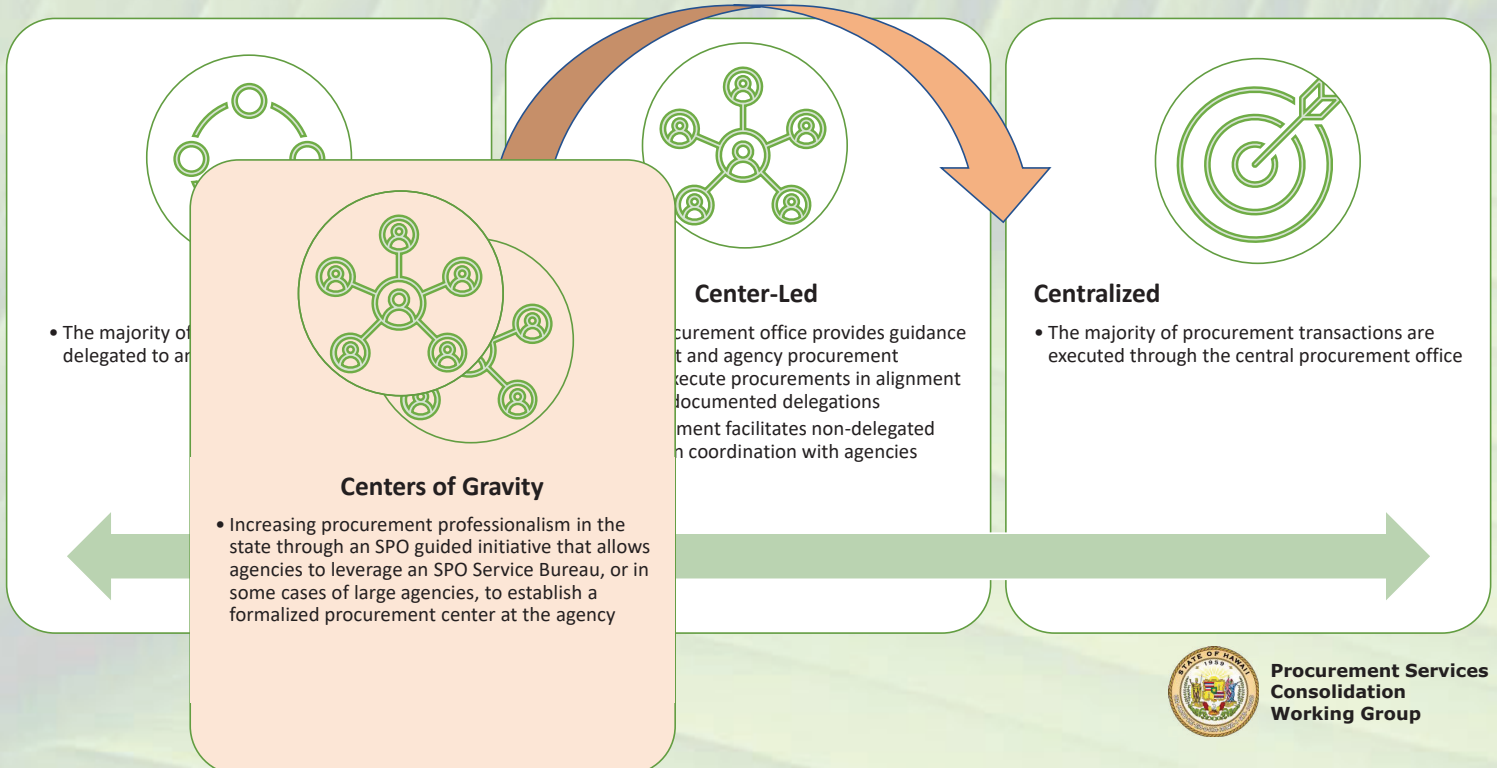
**Procurement Services  
Consolidation  
Working Group**



# Procurement Services Consolidation Working Group

Wednesday, October 10, 2022  
10:00 am

## Types of Procurement Organizations



# Centers of Gravity Approach

## Characteristics

- A more robust SPO with increased capacity for:
  - Training and Capability Development
  - Strategic Sourcing
  - eProcurement
  - Service Bureau
- Service Bureau is an operational capacity to support procurement needs of small to medium agencies that will not be able to maintain a professional procurement capacity

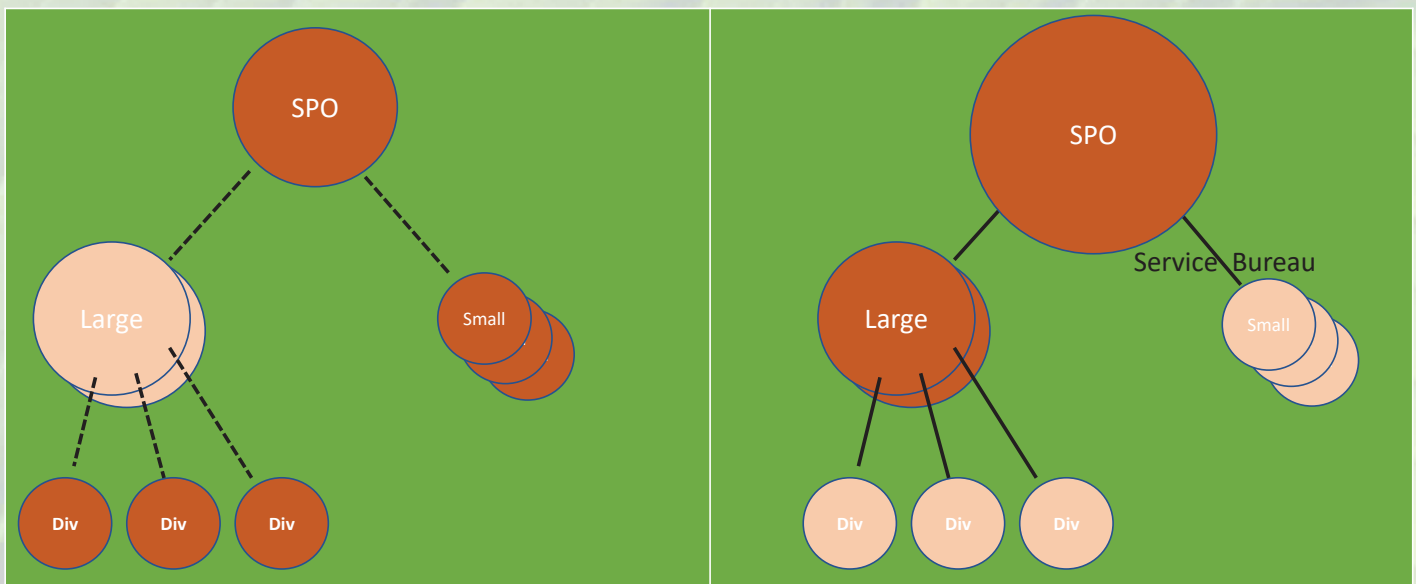
- Large agencies can be designated to establish a central procurement function within their entity, drawing up from dispersed procurement from within the agency
- APO would be required to centralize procurement within agencies if granted

## VARIATIONS:

- SPO – Designated Agencies “dotted line” – SPO establishes operating authority through delegation (including remedial delegation) and SPO involved in organizational and position design but not direct report
- SPO – Designated Agencies “full line” – Agency APO is an SPO employee directing creation of a center function
- Better name for Designated Agencies – Kekahi? Something more appropriate?



# Visualization



## Centers of Gravity Additional Characteristics

### Pros:

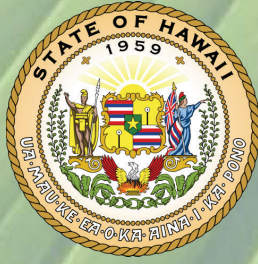
- Aligns with policy maker vision of more center led professionalized procurement
- Creates a more robust SPO in line with state peers in terms of capacities and skillsets
- Drives professionalization for small and medium agencies which cannot maintain consistent staffing
- Keeps procurement close to large agency business lines to reduce possible negative impacts of too much transition too fast
- Draws clear lines of relationship between SPO and APO's to ensure consistent progress

### Cons:

- Staffing needs for a more robust SPO may still require some FTE movement from large to SPO, and/or additional staffing investment
- Level of change would need to be validated with policy makers.







# Procurement Services Consolidation Working Group

March 17, 2023  
10:00am HST

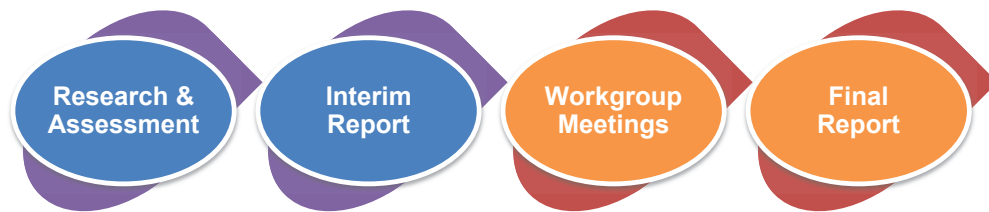
## Procurement Services Consolidation Workgroup Agenda

- I. Introductions
- II. Recap for new workgroup members
- III. Update on research performed since Interim Report
- IV. Introduce the two consolidation models
- V. Questions and Discussions
- VI. Next Meeting Date and Topics
- VII. Adjournment

## Introductions

1. SPO Team Introductions
2. Civic Initiatives Team Introductions

## Recap For New Workgroup Members



### Work Performed To Date

- Kickoff Meeting - August 2022
- Working Group Meeting - September 2022
- On Site Stakeholder Interviews – September 2022
- Working Group Meeting - October 2022
- Data Collection & Validation – September – November 2022
- Working Group Meeting/Draft Interim Report - November 2022
- Working Group Meeting – 12/14
- Final Interim Report - December 2022
- Ongoing Peer Research – January 2023 - Present

## Link to the Interim Final Report

For those that have not had a chance to review the Interim Report, the link below leads to the final submittal

[December 2022 Interim Report](#)

civicinitiatives

## Update: Research Performed Since Interim Report

1. Requests for Information from peers - Alaska, Washington, D.C., and Puerto Rico
2. Research of City, County, and State entities with known consolidation efforts
  - Puerto Rico - [Essay - Improving Public Procurement in PR](#)
  - Alaska - [Alaska Report](#)
  - Wisconsin - [WI - 112 - Administration Consolidation of State Procurement, Human Resources, and Payroll Services.pdf](#)
  - Mississippi - [MS-Sept2022-2pgOverview.pdf](#)
  - Chicago - [Chicago - PRTFQ22017 Report.pdf](#)
3. Ongoing research to find any similar consolidation efforts on any scale
4. Ongoing discussions to identify Human Resources related items for follow-up

civicinitiatives

## Consolidation Models

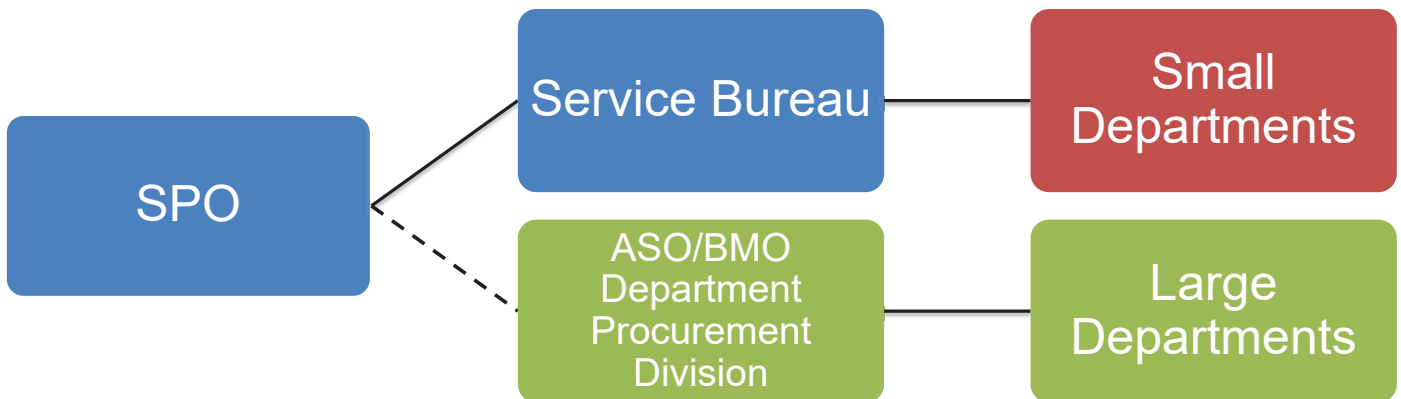
Throughout the working group meetings and individual department interviews, staff expressed a clear vision of the future that provided them with the ability to maintain a departmental level of control over certain aspects of the procurement function. Primarily, the departments wanted:

- full latitude to develop the specifications or scope of work;
- the ability to have procurement staff that understood their department’s mission and values; and,
- procurement staff that were dedicated and responsive to the department’s needs.

To meet the request of the Legislature and the needs of the departments, the eventual model of procurement organization must place the procurement staff in the department, while retaining a direct connection with the SPO. Based on research of peer and leading practices and considering the current state of staffing for the procurement function at the State, the following are models for consolidation to be researched further in the coming year to identify a model that works best for the State of Hawaii.

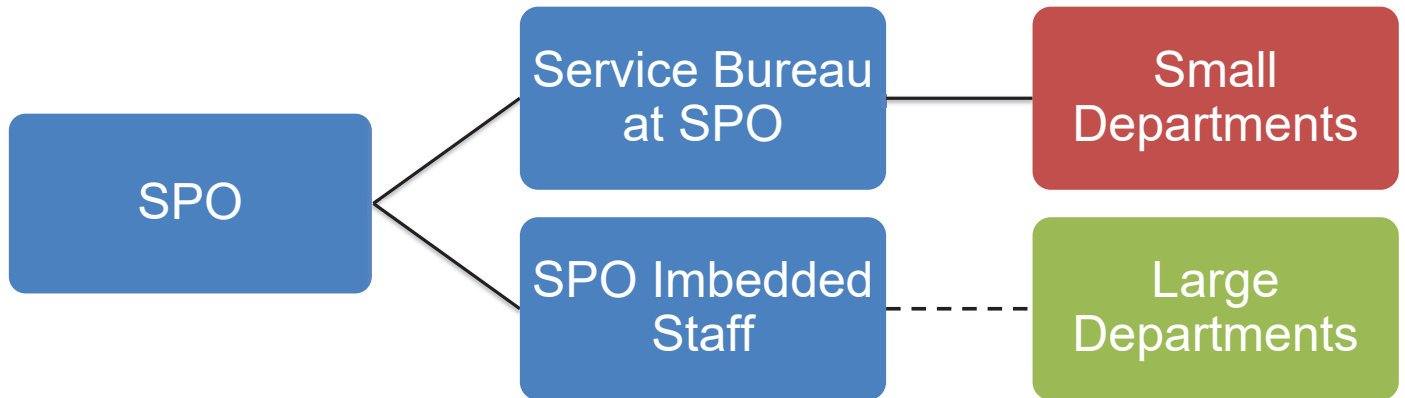
**In essence these are not two models but more likely a transitional model and a final model of full consolidation of procurement, according to the legislative mandate of the bill.**

## Associated Model



Note: In this Model the Department Procurement Division staff are employees of the Department, generally under an ASO/BMO and interact with the SPO on non-delegated procurements.

## Imbedded Model



Note: In this Model the Department Procurement Division staff are employees of the SPO and imbedded in each Department.

## Questions and Discussion

1. What questions do you have about the models?
2. What do you see as positive about these models?
3. What concerns do you have about these models that we should be aware of as we continue research?
4. Where are there likely roadblocks or barriers to the implementation of these models?
5. Any other questions for us?

## Next Meeting Date and Topics



The next meeting is scheduled for:

**Friday April 14, 10:00am HST**

**Anticipated topics for next meeting:**

- Data Needs from Agencies
- Attempt to invite 2 speakers to discuss consolidation models
- Additional research performed to date

## **APPENDIX G**

### Professional Procurement Organizations

**Alaska-Hawaii Governmental Procurement Association, Inc.** – Local chapter of NIGP.

**National Association of State Procurement Officials (NASPO)** - A non-profit association dedicated to advancing public procurement through leadership, excellence, and integrity. NASPO's primary membership is comprised of the directors of the central purchasing offices in each of the 50 states, the District of Columbia, and the territories of the United States.

<https://www.naspo.org/>

**National Contract Management Association (NCMA)** - Since its founding in 1959, NCMA has grown as a professional society to advance the contract management profession and its nexus with related acquisition communities through engagement, standards, and professional development. Its mission has remained focused on providing high-quality resources to have a positive impact on our profession and the career goals of our members and customers.

<https://www.ncmahq.org/>

**NIGP: The Institute for Public Procurement** - "NIGP" stands for the National Institute of Governmental Purchasing, Inc. The organization adopted "NIGP: The Institute for Public Procurement" as the go-to-market identity for the Institute to promote its leadership role in supporting public procurement practitioners. NIGP has been **developing, supporting, and promoting** the public procurement profession through premier educational and research programs, professional support, technical services, and advocacy initiatives that benefit members and other important stakeholders since 1944.

<https://www.nigp.org/>