
A BILL FOR AN ACT

RELATING TO GOVERNMENT ACCOUNTABILITY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that there is a pressing
2 need to reduce the reliance on external consultants for work
3 that can or should be performed by qualified government
4 employees. Excessive outsourcing of government functions often
5 leads to increased costs, diminished accountability, and a loss
6 of institutional knowledge within public agencies. By
7 prioritizing the use of in-house expertise, the State can foster
8 greater transparency in its operations, ensuring that decisions
9 about the allocation of public funds are clear, justifiable, and
10 aligned with the best interests of taxpayers. Moreover,
11 reducing dependence on external consultants will promote cost
12 efficiency, enabling government agencies to allocate resources
13 more effectively while building and retaining institutional
14 capacity. Strengthening the role of public employees in
15 performing core government functions will also enhance the
16 long-term sustainability and independence of state operations.
17 Through these efforts, the legislature seeks to ensure that



1 public agencies are equipped to meet the evolving needs of the
2 State in a manner that is both responsible and effective.

3 Accordingly, the purpose of this Act is to reduce reliance
4 on external consultants for work that can be performed by
5 qualified government employees and ensure transparency, cost
6 efficiency, and the development of in-house expertise within
7 government agencies by:

- 8 (1) Requiring each purchasing agency to provide
9 justification for hiring external consultants;
- 10 (2) Requiring each agency to seek approval from the
11 legislature for consulting contracts exceeding a
12 certain dollar amount;
- 13 (3) Requiring each agency to submit annual reports to the
14 legislature;
- 15 (4) Requiring the compliance audit unit within the office
16 of the auditor to conduct regular audits of agency
17 consultant contracts to assess cost-effectiveness and
18 compliance; and
- 19 (5) Requiring each chief procurement officer to ensure
20 that inherent government functions are not delegated
21 to a contractor.



1 SECTION 2. Chapter 103D, Hawaii Revised Statutes, is
2 amended by adding a new section to part III to be appropriately
3 designated and to read as follows:

4 "§103D- External consultants; justification; spending
5 caps; reporting requirements; audits. (a) Notwithstanding
6 section 103D-301, each purchasing agency shall:

7 (1) Provide detailed justification for hiring external
8 consultants by:

9 (A) Demonstrating the lack of in-house capacity or
10 expertise;

11 (B) Conducting a cost-benefit analysis that compares
12 consultant costs with the expenses of hiring or
13 training state employees; and

14 (C) Publishing justification reports for public and
15 legislative review;

16 (2) Seek approval from the legislature for any contract
17 for consulting services exceeding \$ _____ ; and

18 (3) Submit an annual report to the legislature no later
19 than twenty days prior to the convening of each
20 regular session on its contracts with external
21 consultants, which shall include:



- 1 (A) The number of external consultants used; and
2 (B) The percentage of the purchasing agency's budget
3 spent on consulting.

4 (b) The compliance audit unit shall conduct regular audits
5 of each purchasing agency's external consultant contracts to
6 assess the cost-effectiveness of the contracts and compliance
7 with this section.

8 (c) This section shall not apply to the contracting of
9 external consultants for:

- 10 (1) Technical or specialized expertise unavailable in the
11 department; and
12 (2) Short-term emergency needs, including disaster
13 response or urgent technical projects."

14 SECTION 3. Section 103D-205, Hawaii Revised Statutes, is
15 amended by amending subsection (a) to read as follows:

16 "(a) For their respective jurisdictions and unless
17 otherwise specifically provided in this chapter, each chief
18 procurement officer shall serve as the central procurement
19 officer for the officer's respective jurisdiction and:

- 20 (1) Procure or supervise the procurement of all goods,
21 services, and construction;



- 1 (2) Exercise general supervision and control over all
2 inventories of goods;
- 3 (3) Sell, trade, or otherwise dispose of surplus goods;
- 4 (4) Establish and maintain programs for the inspection,
5 testing, and acceptance of goods, services, and
6 construction;
- 7 (5) Coordinate with the administrator regarding
8 procurement policies, opportunities for statewide
9 innovation implementation, and concerns;
- 10 (6) Report procurement contract data pursuant to
11 requirements established by the administrator, in the
12 form and manner prescribed by the state procurement
13 office; [~~and~~]
- 14 (7) Assist and cooperate with the administrator regarding
15 any compliance review by the administrator pursuant to
16 section 103D-206[~~+~~]; and
- 17 (8) Ensure that inherent government functions are not
18 delegated to a contractor."

19 SECTION 4. Statutory material to be repealed is bracketed
20 and stricken. New statutory material is underscored.



1 SECTION 5. This Act shall take effect on January 1, 2525.



Report Title:

Auditor; External Consultants; Purchasing Agencies; Audit;
Exceptions; Reports

Description:

Requires each purchasing agency to provide justification for hiring external consultants. Requires each agency to seek approval from the Legislature for consulting contracts exceeding a certain dollar amount. Requires annual reports to the Legislature. Requires the Compliance Audit Unit within the Office of the Auditor to conduct regular audits of agency consultant contracts to assess cost-effectiveness and compliance. Establishes exceptions. Requires each chief procurement officer to ensure that inherent government functions are not delegated to a contractor. Effective 1/1/2525. (SD1)

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