



STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

OFFICE OF THE SUPERINTENDENT

November 1, 2016

TO: The Honorable Lance A. Mizumoto
Chairperson, Audit Committee


FROM: Kathryn S. Matayoshi
Superintendent

SUBJECT: Presentation of the Vendor/Contract Management Review

1. DESCRIPTION

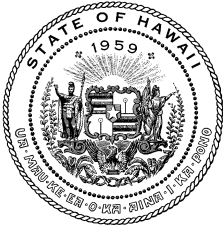
Presentation of the Vendor/Contract Management Review.

2. PRESENTATION

The presentation will be on the review of DOE's current vendor/contract management policies and processes as it relates to management's due diligence over vendor oversight, purchasing authority, contract administration, and accountability for goods and services provided.

KSM:DY:jj
Attachment

c: Internal Audit Office



Department of Education

Internal Audit

Vendor/Contract Management Review

Issue Date: September 2016

Report Number: FY2016-04

Department of Education
Vendor/Contract Management Review

Executive Summary

| | | |
|---|---|---|
| AUDIT OF: Vendor/Contract Management Review | DATE: Fieldwork performed April 2016 – July 2016 | AUDIT RATING: Acceptable [X] Marginal [] Unacceptable [] |
|---|---|---|

INTRODUCTION:

In connection with the Department of Education’s (DOE) Updated Risk Assessment and Internal Audit Plan approved on August 4, 2015, Internal Audit (IA) performed a “*Vendor/Contract Management Review*.” The purpose of this project was to review the DOE’s current vendor/contract management policies and processes as it relates to management’s due diligence over vendor oversight, purchasing authority, contract administration and accountability for goods and services provided.

BACKGROUND:

In accordance with Chapters 103D and 103F, Hawaii Revised Statutes (HRS), the central procurement and authority for the DOE rests with the Superintendent of Education as the DOE’s Chief Procurement Officer (CPO). However, this authority may be delegated to complete all procurement needs of the DOE in an effective and efficient manner. As the CPO, she has delegated certain procurement and contracting responsibilities to the Deputy Superintendent, Senior Assistant Superintendent, Assistant Superintendents, Complex Area Superintendents, Principals, Directors and Section Administrators with spending authority. Only these personnel are authorized to commit the DOE contractually and only within limits of their delegated authority.

Along with this delegation, administrators are responsible for the administration of their contracts. Contract administration involves those activities performed by DOE officials after a contract has been awarded to determine how well the DOE and the contractor performed to meet the requirements of the contract. It encompasses all dealings between the DOE and the contractor from the time the contract is awarded until the work has been completed and accepted or contract terminated, payment has been made, and dispute (if any) have been resolved. As such, contract administration constitutes the primary part of the procurement process that assures the department receives the goods and services in accordance with the contract before payment is made.

The Procurement and Contracts Branch (PCB) under the Office of Fiscal Services (OFS) is the office that provides administrative support and technical expertise in the procurement and contracting of goods and services, as well as ensuring compliance with all federal and state procurement laws, rules, regulations and departmental procurement policies.

Procurement procedures and effective contract administration practices are documented in the “*Guidelines for Procurement and Contracting*” by the PCB. These guidelines as well as other procurement tools are available via the Procurement Database on Lotus Notes or on the DOE’s intranet.

Amy Kunz is the Senior Assistant Superintendent and Chief Financial Officer (CFO) of OFS. Lois Mow, Director of PCB, oversees eight (8) specialists and two (2) support staff. The PCB staff assists the field with large purchase contracts (\$25,000 and over) to ensure that proper procurement processes are followed prior to the execution of the contracts. In addition, the Education Division of the Department of the Attorney General’s office reviews these larger purchase contracts. Outside of PCB, there is a DOE Procurement and Distribution Specialist II and two (2) support staff in the Project Control Section in the Office of School Facilities and Support Services (OSFSS) that handle procurement for construction

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contracts (except Repairs and Maintenance). In addition, small purchases (under \$25,000) exempt goods or price list purchases are handled at the school/office levels (See appendix for matrices).

SCOPE and OBJECTIVES:

The scope of our review focused on the DOE’s contract/vendor management process as it relates to management’s due diligence over vendor oversight, purchasing authority, contract administration and accountability for large purchase contracts (\$25,000 and over) of goods and services provided. We reviewed the design and operating effectiveness of the existing control procedures in place. The scope of our review specifically focused on the processes related to the following subcategories that IA deemed as high risk in our project-level risk assessment:

- Contract Formation
- Contract Administration and Vendor Monitoring

The scope of any detailed testing will cover the fiscal year 2015 and current fiscal year 2016 up to March 2016. The following table summarizes the large purchase contracts (\$25,000 and over) that were processed through PCB and were “active” during 07/01/2014 – 03/31/2016:

| Type of Project ¹ | # of Contracts | \$ Amount of Contracts ² |
|---|----------------|-------------------------------------|
| Program Services (i.e. consulting, evaluation services, implementation of programs) | 48 | \$63,806,866 |
| Special Education Services | 58 | \$46,991,153 |
| IT Systems and Services | 28 | \$40,620,052 |
| Repair & Maintenance Services | 106 | \$28,173,610 |
| After-School Care Services | 21 | \$16,779,895 |
| Professional Development & Training Services | 25 | \$11,203,053 |
| Various Goods | 21 | \$4,760,454 |
| Various Grants | 22 | \$4,333,425 |
| Accounting, Auditing & HR Services | 9 | \$1,146,895 |

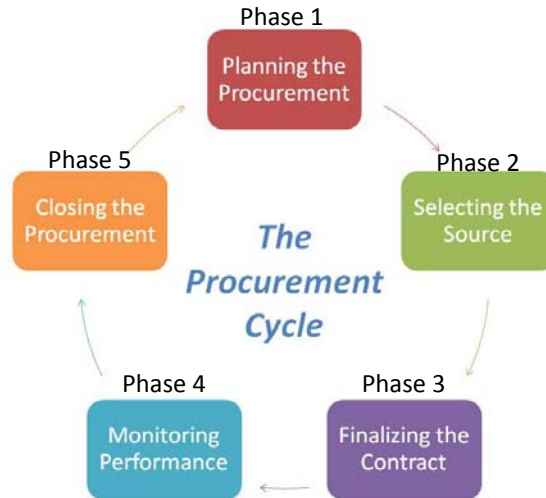
¹Does not include price/vendor list and purchase order projects.

²Includes only initial contract dollar amount, it does not include any supplemental agreements or modifications.

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The Procurement Cycle is five phases (see PCB's picture below). Phases 1 and 2 are *Planning the Procurement* and *Selecting the Source*. Phases 3 - 5 include *Finalizing the Contract*, *Monitoring the Performance* and *Closing the Procurement*. This review excluded processes related to the Phases 1 and 2 as this was covered in the Internal Audit "*Procurement and Contracting Process Review*" in July 2012.



In addition, this review also excluded construction contracts that are processed by OSFSS as these were reviewed in the "*Construction Process and Internal Controls Review*" performed by Deloitte & Touche LLP in April 2012 and July 2013. We did however follow-up with management on the status of their corrective action plans that involved Phases 3 – 5 of the Procurement Cycle.

The objectives of our review included the following:

1. To obtain a general understanding of the design and operating effectiveness of the vendor/contract management policies and processes.
2. To review, evaluate and test the adequacy of current vendor/contract management policies and processes as they relate to management's due diligence over vendor oversight, purchasing authority, contract administration and accountability for goods and services provided.
3. To provide recommendations based on leading practices to improve the efficiency and effectiveness of vendor/contract management.

OBSERVATIONS:

Based upon our review, we found the DOE's controls related to vendor/contract management and administration are functioning at an "acceptable" level. An acceptable rating indicates that no significant deficiencies exist, while improvement continues to be appropriate; controls are considered adequate and findings are not significant to the overall unit/department.

Please refer to the Risk Ratings section of this report (page 5) for a complete definition of the ratings used by IA and the Observations and Recommendations section for a detailed description of our findings.

We discussed our preliminary findings and recommendations with Management and they were receptive to our findings and agreed to consider our recommendations for implementation.

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Each observation presented in this report is followed by specific recommendations that will help to ensure that control gaps are addressed and, if enforced and monitored, will mitigate the control weaknesses. In summary, our observations are as follows:

1. Need for better oversight, monitoring and accountability at the school/office level
2. Need for better tracking and monitoring of contracts and vendors
3. Strengthening controls over IT vendors

PLANNED FOLLOW UP BY MANAGEMENT AND INTERNAL AUDIT:

IA will follow up with Management on their progress of completion for their action plans and report accordingly through the audit committee quarterly updates.

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Rating Scale Definitions

| OVERALL RATING SCALE | |
|-----------------------------|---|
| <i>Acceptable</i> | No significant deficiencies exist, while improvement continues to be appropriate; controls are considered adequate and findings are not significant to the overall unit/department. |
| <i>Marginal</i> | Potential for loss to the auditable unit/department and ultimately to the DOE. Indicates a number of observations, more serious in nature related to the control environment. Some improvement is needed to bring the unit to an acceptable status, but if weaknesses continue without attention, it could lead to further deterioration of the rating to an unacceptable status. |
| <i>Unacceptable</i> | Significant deficiencies exist which could lead to material financial loss to the auditable unit/department and potentially to the DOE. Corrective action should be a high priority of Management and may require significant amounts of time and resources to implement. |

| OBSERVATION RATING SCALE | |
|---------------------------------|---|
| <i>High (1)</i> | <p>1 - The impact of the finding is <i>material</i>¹ and the likelihood of loss is probable in one of the following ways:</p> <ul style="list-style-type: none"> • A material misstatement of the DOE’s financial statements could occur; • The DOE’s business objectives, processes, financial results or image could be materially impaired; • The DOE may fail to comply with applicable laws, regulations or contractual agreements, which could result in fines, sanctions and/or liabilities that are material to the DOE’s financial performance, operations or image. <p><i>Immediate action is recommended to mitigate the DOE’s exposure</i></p> |
| <i>Moderate (2)</i> | <p>2 - The impact of the finding is <i>significant</i>¹ and the likelihood of loss is possible in one of the following ways:</p> <ul style="list-style-type: none"> ➤ A significant misstatement of the DOE’s financial statements could occur; ➤ The DOE’s business objectives, processes, financial performance or image could be notably impaired; ➤ The DOE may fail to comply with applicable laws, regulations or contractual agreements, which could result in fines, sanctions and/or liabilities that are significant to the DOE’s financial performance, operations or image. <p><i>Corrective action by Management should be prioritized and completed in a timely manner to mitigate any risk exposure.</i></p> |
| <i>Low (3)</i> | <p>3 – The impact of the finding is moderate and the probability of an event resulting in loss is possible.</p> <p><i>Action is recommended to limit further deterioration of controls.</i></p> |

¹ The application of these terms are consistent with the guidelines provided by the Institute of Internal Auditors

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Observations

The detailed observations noted herein were based on work performed by IA through the last date of fieldwork and are generally focused on internal controls and enhancing the effectiveness of processes for future organizational benefit.

| Obs. No. | Description | Page # |
|-----------------|---|---------------|
| 1 | Need for better oversight, monitoring and accountability at the school/office level | 7 |
| 2 | Need for better tracking and monitoring of contracts and vendors | 9 |
| 3 | Strengthening controls over IT vendors | 11 |

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Observations

| | |
|---|--------------------|
| Observation Number: 1 | |
| Observation: Need for better oversight, monitoring and accountability at the school/office level | Rating: Low |
| <p>As previously stated in the background section, contract activities and delegations are spread throughout the DOE based on spending authority. As stated in the “<i>Guidelines for Procurement and Contracting</i>,” purchases \$25,000 and over for goods (not exempt by HRS/HAR and not on price list/vendor list) or services (not on a price list/vendor list) must be procured in a contract with proper authorized authority.</p> <p>IA obtained a listing of purchase orders within our scope and narrowed the scope to test 55 purchase orders that were \$25,000 and over and not issued to a price list vendor. IA reviewed the 55 purchase orders and noted that eighteen (18) should have been contracts as they were not exempt by HRS/HAR or price list/vendor list purchases. Six (6) of the eighteen (18) purchases used a price list number on the purchase order; however, the vendor they used was not an authorized reseller on the list, therefore did not qualify for the price list exemption. In addition, three (3) of the eighteen (18) purchases used the “<i>Computer Purchase Approval Request</i>” (CPAR) number as their procurement exemption; however, they are still required to follow procurement rules.</p> <p>Through interviews with PCB, IA learned that some procurement violations are reported to PCB when they receive a DOE Form 16 - “<i>Report of Findings and Corrective Action/Request for After the Fact Payment</i>,” from the school/office. The DOE Form 16 is submitted either because the school/office was instructed by Vendor Payment to contact PCB or the school/office discovered the violation and self-reported it. IA noted that five (5) of the above eighteen (18) purchases were reported to PCB on a DOE Form 16 for placement on the “<i>Violations Summary Report</i>” which is given to Amy Kunz, Senior Assistant Superintendent and CFO of OFS for review. However, no consequences are issued to keep the procurement violators accountable.</p> <p>IA also tested the payment processing of contract related invoices from PCB’s contract list. IA tested forty-seven (47) payments for twenty (20) contracts that were active during the scope of our review (July 2014 – March 2016). IA noted the following exception:</p> <ul style="list-style-type: none"> ➤ One (1) invoice was for services provided prior to the contract timeframe. The total value for the amount paid for these services is \$81,500.00. | |
| Impact | |
| <p>Lack of oversight, monitoring and accountability at the school/office level may possibly lead to:</p> <ul style="list-style-type: none"> ➤ Unauthorized purchases which may result in a financial loss to the DOE. ➤ Violation of procurement laws and DOE policies and procedures. ➤ Reputational exposure for DOE | |
| Recommendation and Management Plan | |
| <p>Recommendations to address the lack of oversight, monitoring and accountability at the school/office level include:</p> <ul style="list-style-type: none"> ➤ Recommendation: Continue issuing memos to the field about General Procurement and Contracting reminders as well as about the training sessions available to them. <p>Management Plan: PCB issues annual memos for the Procurement and Contracts Training module that is available via the Hawaii Virtual Learning Network, and for Procurement and</p> | |

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Contract Reminders. These memos are posted on LotusNotes and the PCB’s intranet site. PCB also highlights these memos under the Announcements section of the PCB’s intranet site.

Last year, as part of OFS’ presentation for the New Principal Academy, PCB included information and web links to the annual memos and PCB’s intranet site. The New Principal Academy members were also pre-registered for the Procurement and Contracts Training module. This year, PCB will once again present the information to this year’s New Principal Academy members and has already pre-registered the members for the Procurement and Contracts Training module.

The PCB Team also continues its customer service efforts to inform schools and offices that contact us about the various information and tools (i.e. Quick Reference Matrix Procurement – Goods, Quick Reference Matrix Procurement – Services) that are available on LotusNotes and the PCB intranet site.

Anticipated Completion Date: Already in place – ongoing effort to promote customer service. Last “Procurement and Contracts Reminders for School Year 2016-2017” memo was issued August 1, 2016.

- **Recommendation:** Management should use the “*Violations Summary Report*” to hold schools/offices accountable for not following procurement procedures.

Management Plan: Amy Kunz, Senior Assistant Superintendent and CFO, OFS and Carole Kwock, Executive Assistant to the CFO, have already started to address this recommendation by participating in separate operational feedback sessions with Complex Area Superintendents (CAS). Violations are minimal and not due to the misuse of funds. Most of the violations occur because proper purchase order or HCE documents are not completed prior to when the goods or services are received. PCB monitors the violations report for areas of concern and coordinates additional training in Complex Areas or offices with major issues. The annual procurement reminders memo also addresses the key areas of violations.

In addition, the “*Violations Summary Report*” is disseminated on a monthly basis to the Assistant Superintendents, CAS, and Complex Area Business Managers (CABM). The administrators receiving the report are able to compare the current fiscal year FY17 violation numbers and violation types with those for FY14, FY15, and FY16. Management/Administrators review and sign off on each DOE Form 16 and therefore could use the information to hold schools/offices under their purview, accountable for not following procurement procedures.

Anticipated Completion Date: This process started in 2015 and will continue. Information is made available on a monthly basis to Management/Administrators for their appropriate use and further dissemination.

Contact Person: Lois Mow, Director, PCB, OFS

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|---------------------------|
| Responsible Office |
| PCB, OFS |

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Observations

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| Observation Number: 2 | |
| Observation: Need for better tracking and monitoring of contracts and vendors | Rating: Low |
| <p>During the course of our review, we noted that the DOE has limited information regarding its contract activities. IA noted the following issues related to the current process:</p> <ul style="list-style-type: none"> ➤ DOE has no efficient means for identifying the total number of contracts currently in effect and the amount of funds associated with those. However, IA noted that PCB and OSFSS both individually keep track of procurement contracts they assist in. ➤ PCB’s contract list does not include dollar amount changes in the contract from either supplemental agreements or contract modifications; therefore, it’s not an effective monitoring tool for contract reporting purposes. <p>During the course of our review, IA reviewed 16 questionnaires throughout the field regarding internal controls related to vendor/contract monitoring. Most responses were very positive towards PCB and their guidance as noted that 94% followed PCB’s “<i>Guidelines for Procurement and Contracting</i>” and that 81% felt that overall they were provided with adequate policies and procedures to perform contract administrative duties. IA did note the following issues to vendor/contract management monitoring based on the responses from the questionnaires:</p> <ul style="list-style-type: none"> ➤ Some responders felt that additional training for new Program Managers could be provided to help them understand what they should be monitoring and how often, especially if they had just taken over as Contract Administrator due to office turnover. IA noted that all of the schools and offices reviewed had some form of monitoring over their vendor prior to payment; although, not all methods and timing of monitoring were documented in the contract. ➤ Responders as also felt that additional guidance was needed for situations when the vendor/contractor is not performing the contracted services. | |
| Impact | |
| <p>The need for better tracking and monitoring of contracts and vendors may possibly lead to:</p> <ul style="list-style-type: none"> ➤ Inability for the DOE to effectively manage its contracts and ensure that all Contract Administrators are appropriately monitoring their contracts. ➤ Inability to ensure that DOE personnel are not entering into contracts without the proper approval. ➤ Potential volatile relationship with a vendor and project not being completed properly or timely. | |
| Recommendation and Management Plan | |
| <p>Recommendations to address the need for better tracking and monitoring of contracts and vendors include:</p> <ul style="list-style-type: none"> ➤ Recommendation: Consider implementing an information system to track all contract activities or adding a column in their existing tracking sheet to account for additional funds added into a contract either from a modification or supplemental agreement. <p>Management Plan: As a result of this recommendation that was presented during the Internal Audit Exit Meeting, PCB has added an additional column to our Excel database to capture the Total Contract Value for all active/open contracts. PCB Team members have already started entering this information and should have this completed for all open contracts by December 31, 2016.</p> | |

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Anticipated Completion Date: December 31, 2016

- **Recommendation:** Consider a requirement to have Contract Administrators keep a “Contract Administrator Monitoring Plan” along with their contract documents that includes formalities such as method of monitoring (i.e. on-site visits, review of reports, etc.) as well as timing of the monitoring (i.e. monthly, quarterly, when vendor meets milestones, etc.).

Management Plan: During the current fiscal year, PCB will be updating the Procurement and Contracts Training module as well as the Guidelines for Procurement and Contracting. As part of this update the PCB Team will look at how to best incorporate additional information and/or resources to address this recommendation.

Anticipated Completion Date: June 30, 2017

- **Recommendation:** Consider creating additional guidance on what the school/office can do when they are dealing with a problem vendor.

Management Plan: During the current fiscal year, PCB will be updating the Procurement and Contracts Training module as well as the Guidelines for Procurement and Contracting. As part of this update the PCB Team will look at how to best incorporate additional information and/or resources to address this recommendation. This is an infrequent occurrence and each situation has unique circumstances. PCB is available to assist with steps to resolution. The CABM are also informed if there is a wide spread issue that would impact multiple schools.

Anticipated Completion Date: June 30, 2017

Contact Person: Lois Mow, Director, PCB, OFS

Responsible Office

PCB, OFS

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Observations

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|---|--------------------|
| Observation Number: 3 | |
| Observation: Strengthening controls over IT vendors | Rating: Low |
| <p>As the DOE continues to carry out the “<i>Strategic Plan’s Goal 3: Successful Systems of Support</i>” by improving efficiency through the use of technology in the DOE, it is important that they address all the risks involved with IT vendors and ensure that vendors are fully compliant and have the necessary controls in place to safeguard sensitive data. As reported in the PricewaterhouseCoopers (PwC) “<i>Global State of Information Security Survey 2016</i>,” service providers/consultants/contractors were rated among the top likely sources of IT security incidents at 22% for current service providers and 19% for former service providers.</p> <p>Through review and testing of IT contracts and discussions with personnel from the Office of Information Technology Services (OITS) and the Data Governance and Analysis Branch (DGA) in the Office of Strategy, Innovation and Performance (OSIP), IA noted that the DOE does well in providing guidance on data sharing, contract language and monitoring for student personal data but could use more guidance on other areas. IA noted the following internal control issues related to monitoring IT vendors:</p> <ul style="list-style-type: none"> ➤ Lack of due diligence when it came to the Contract Administrator ensuring that certain “<i>Special Conditions</i>” and “<i>General Conditions</i>” were met by the contractor prior to the start of the contract. Examples include: <ul style="list-style-type: none"> ○ DOE primarily relies on contract language for roles and responsibilities of the contractor, but they don’t take it a step further and review a contractor’s internal controls (i.e. review a SAS70/SSAE16/SOC2 report or walkthrough of vendor facilities). ○ IA also noted that the DOE does not always keep a listing of all contractor employees with access to DOE data, as well as ensuring they have all signed the “<i>Confidentiality Agreement</i>.” ➤ DOE does not have a complete inventory of all third-parties that handle DOE data, including employee personal data as multiple offices are responsible for managing the different types of data (i.e. student data, employee data, financial data). DGA has a list but it only tracks data sharing agreements that involve student personal data. | |
| Impact | |
| <p>The need for strengthening DOE’s controls over IT vendors may possibly lead to:</p> <ul style="list-style-type: none"> ➤ Inability to ensure DOE is working with a vendor that has good internal controls. ➤ Inability to effectively manage all our data risks. | |
| Recommendation and Management Plan | |
| <p>Recommendations to strengthen DOE’s controls over IT vendors include:</p> <ul style="list-style-type: none"> ➤ Recommendation: PCB should consider requiring that the Contract Administrator ensure that an examination of an IT vendor’s internal control environment, security history, legal compliance and confidentiality compliance is performed to satisfaction prior to signing any contract agreement that involves data sharing. <p>Management Plan: PCB would suggest including requirements such as those listed above, to be part of the Offeror Qualifications and/or Proposal Content. In this way, the Program/Contract Administrator and/or evaluation committee would have the information available during the evaluation phase of the procurement process, before awarding a contract.</p> | |

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During the current fiscal year, PCB plans to complete revisions to the Request for Proposal (RFP) solicitation template and will look at including language to address this recommendation. PCB will also look at including language to address this recommendation in other solicitation templates, such as those for Invitation for Bids (IFB) and Professional Services (PS). In this way, during the solicitation drafting stage, Program/Contract Administrators can revise the Offeror Qualifications and/or Proposal Content as they determine appropriate for their project.

Anticipated Completion Date: June 30, 2017

Contact Person: Lois Mow, Director, PCB, OFS

- **Recommendation:** DGA should consider working together with other offices to create a shared database to monitor third-party vendors that have access to DOE data. This database should include contractor, contract period, type of data accessed, as well as contract employees with access to data. This database should be monitored and updated with any changes to contract periods and access rights.

Management Plan:

| Description of Activity | Timeline | Responsible Office |
|--|-------------------------|-------------------------------|
| Meet to discuss high-level requirements for the database | 09/07/2016 | OFS-PCB, OITS-WADS & OSIP-DGA |
| Memo to field regarding data sharing agreements with third-party vendors | 10/31/2016 | OSIP-DGA |
| Database (SharePoint modification) | 11/01/2016 – 01/04/2017 | OSIP-DGA |
| User Acceptance Testing | 01/04/2017 – 01/06/2017 | OSIP-DGA |
| Additional Modification to SharePoint, if required | 01/09/2017 – 01/31/2017 | OSIP-DGA |
| Final Release | 02/02/2017 | OSIP-DGA |
| Business and Process Owner | | OSIP-DGA |

- PCB will continue the practice to ask Contract Administrators who create new contracts through PCB, to consult with DGA if they think or are told that data sharing might be involved.
- PCB will email DGA a copy of the fully-executed contract (including supplemental contracts, modifications and amendments) so that DGA can follow-up with the Contract Administrator on the data sharing agreement (DSA).
- DGA will post a copy of the fully-executed contract in the database.
- DGA will continue using their existing SharePoint database to track the DSA information.
- Based on the Department’s desire to be able to provide information on contractors with DSAs

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and the specific persons under the contract authorized to handle data, DGA may be able to provide this; however, only for the information maintained in their SharePoint database.

Anticipated Completion Date: February 2, 2017

Contact Person: Jan Fukada, Acting Director, DGA, OSIP

| Responsible Offices |
|----------------------------|
| PCB, OFS and DGA, OSIP |

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Acknowledgements

We also wish to express our appreciation for the cooperation and assistance afforded to the review team by Management and staff during the course of this review.

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Appendix

**QUICK REFERENCE MATRIX
PROCUREMENT – GOODS**

| METHOD OF PROCUREMENT: | EXEMPT BY HRS, HAR | PRICE LIST, VENDOR LIST | SMALL PURCHASE | CPO EXEMPT, SOLE SOURCE, IFB, RFP, EMERGENCY |
|---|---|---|--|---|
| \$THRESHOLD: | ANY AMOUNT | ANY AMOUNT | LESS THAN \$25,000 | \$25,000 OR MORE |
| PURCHASING & CONTRACTING AUTHORITY: | Principal or Director | Principal or Director | Principal or Director | Superintendent |
| HAWAII COMPLIANCE EXPRESS (HCE) – UPON AWARD | Not required | Follow Price or Vendor List directions | Required for \$2,500 or more | Required (PCB will obtain) |
| SCHOOL OR OFFICE IS REQUIRED TO: | Issue PO | 1) Follow Price or Vendor List directions 2) Issue PO | Solicit quotes (Forms 10A, and 10B or 10B EZ): <i>Less than \$5,000</i> - must be fair & reasonable <i>\$5,000 to \$14,999</i> – three verbal <i>\$15,000 to \$24,999</i> – three written | Develop specifications and requirements; <u>Submit Form 18, Request for Procurement Services</u> |
| AWARD BASIS: | N/A | N/A | Most advantageous quote (usually lowest price) | Lowest price and/or evaluation criteria (as applicable to the Method) |
| CONTRACT: | <u>OPTIONAL</u> If contract desired: • Complete Small Purchase Contract (Form 10C) for <\$25,000 • Contact PCB for contracts of \$25,000 or more | N/A | <u>OPTIONAL</u> If contract desired: Complete Small Purchase Contract (Form 10C) | PCB completes contract |
| ENCUMBRANCE: | School/Program issues PO and cites: 1) In Terms – applicable HRS/HAR 2) In Approval Field – exact exemption # | School/Program issues PO and cites: In Approval Field - exact PL # | School/Program issues PO | PCB issues Contract Encumbrance |
| COMMENTS: | | Exceptions to PL; submit Form 5 (obtain approval prior to purchase) | Caution against parceling | |

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Appendix

**QUICK REFERENCE MATRIX
PROCUREMENT – SERVICES**

| METHOD OF PROCUREMENT: | PRICE LIST, VENDOR LIST | SMALL PURCHASE & EXEMPT by HRS, HAR under \$25,000 | | CPO, HRS, HAR EXEMPT; SOLE SOURCE; IFB; RFP; PROFESSIONAL SVC; OR EMERGENCY | MOA MOU |
|--|---|--|---|--|--------------|
| \$THRESHOLD: | ANY AMOUNT | Less than \$5,000 | \$5,000 - \$24,999 | \$25,000 or MORE | ANY AMOUNT |
| PURCHASING & CONTRACTING AUTHORITY: | Principal or Director | Principal or Director | | Superintendent | |
| EMPLOYER / EMPLOYEE RELATIONSHIP: | N/A | Take ABC Test (Form 4 – Part I): If any “no”, contact OHR for assistance | | Take ABC Test (Form 4 - Part I): If any “no” contact OHR for assistance | |
| CIVIL SERVICE EXEMPTION: | Not Required | Take 4 point Test (Form 4 – Part II) Request certificate from OHR if required | | Take 4 point Test (Form 4 – Part II) Request certificate from OHR if required | |
| CERTIFICATE OF EXEMPTION FROM CIVIL SERVICE APPROVAL: | Not Required | <u>Less than \$1,000:</u> Principal approves Certificate of Exemption from Civil Service <u>\$1,000 to \$4,999:</u> OHR approves certificate (submit Form 4) | OHR approves certificate (submit Form 4) | OHR approves certificate (submit Form 4) | |
| HAWAII COMPLIANCE EXPRESS (HCE) – UPON AWARD: | Follow Price or Vendor List directions | Required for <u>Small Purchases</u> \$2,500 or more | | Required (PCB will obtain) | Not Required |
| SCHOOL OR OFFICE IS REQUIRED TO: | 1) Follow Price or Vendor List directions 2) Issue PO | Quotes not required, however price must be fair & reasonable | Solicit quotes (Forms 10A, and 10B or 10B EZ): <u>\$5,000-\$14,999:</u> 3 verbal <u>\$15,000-\$24,999:</u> 3 written Exempt – quotes not required | Develop Scope of service and requirements; Submit Form 18, Request for Procurement Services | |
| AWARD BASIS: | N/A | Most advantageous quote (usually lowest price) | | Varies by Method (may be lowest price and/or evaluation criteria) | N/A |
| CONTRACT: | Optional | Optional | Small Purchase Contract (Form 10C) | PCB completes contract | |
| ENCUMBRANCE: | Schod/Program issues PO and cites: In the Approval Field - exact PL# | Schod/Program issues PO and cites: 1) scope 2) term 3) pmt schedule If Exempt: 4) In Terms – applicable HRS/HAR 5) In Approval Field – exact exemption # | Schod/Program issues PO and cites: 1) On Small Purchase contract - PO# If Exempt: 2) In Terms – applicable HRS/HAR 3) In Approval Field – exact exemption # | PCB issues Contract Encumbrance (Schod/Program issues PO only with PCB approval) | |