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STATE PROCUREMENT OFFICE  
STATE OF HAWAII

STATE PROCUREMENT OFFICE  
NOTICE OF AND REQUEST FOR EXEMPTION  
FROM CHAPTER 103D, HRS

- 1. TO: Chief Procurement Officer
- 2. FROM: DBEDT/HSDC

Department/Division/Agency

Pursuant to §103D-102(b)(4), HRS, and Chapter 3-120, HAR, the Department requests a procurement exemption to purchase the following:

3. Description of goods, services or construction:  
 Financial bookkeeping services of HSDC Capital Fund, LLC, a fund of funds in which HSDC has invested.

4. Name of Vendor: Kirio & Company, Inc.  Address: 1580 Makaloa Street, Suite 1220 Honolulu, Hawaii 96814	5. Price: \$\$3,000 - \$3,500
6. Term of Contract: <i>1/2 Upon CPO Approval Date</i> From: <del>6/22/09</del> To: 7/24/09	7. Prior Exemption Ref. No.

8. Explanation describing how procurement by competitive means is either not practicable or not advantageous to the State:  
 HSDC recently lost the services of the fund manager who was responsible for overseeing our investments in HSDC Capital Fund, LLC. HSDC has decided to manage these investments internally and not through a contract with another fund manager. To effect the transfer of management responsibility, reports need to be prepared that require the services of a bookkeeper. The former fund manager had engaged the services of Kirio & Company for bookkeeping services. As this vendor is familiar with the investments (which are illiquid, unregistered securities) and the accounting and tax policies used in the past they would be able to complete the work faster and more efficiently than other vendors and would be better able to spot irregularities. We would like to complete this transfer as quickly as possible and minimize the disruption.

9. Details of the process or procedures to be followed in selecting the vendor to ensure maximum fair and open competition as practicable:  
 It is usual business practice not to change bookkeepers, but to retain them for an extended period of time. Firms competing for this business understand these dynamics. So long as the cost of their services do not diverge from industry practice they can expect to be retained. As HSDC has investments in other funds that utilize bookkeepers and auditors, HSDC will be able to ascertain if the cost of their services are outside of industry norms.

**REQUEST FOR EXEMPTION FROM CHAPTER 103D, HRS (Cont.)**

10. A description of the agency's internal controls and approval requirements for the exempted procurement:  
 Potential contracts will have to be disclosed to HSDC's board of directors, which include bankers and lawyers, and the board will have to approve the contract.

12. A list of agency personnel, by position, who will be involved in the approval process and administration of the contract:

Name	Position	Involvement in Process	
B.Fujimoto, G. Yamada	HSDC Board members	<input checked="" type="checkbox"/> Approval	<input type="checkbox"/> Administration
R. Resurreccion, D. Kimura	HSDC Board members	<input checked="" type="checkbox"/> Approval	<input type="checkbox"/> Administration
E. Yee, D.Wong, T. Liu,	HSDC Board members	<input checked="" type="checkbox"/> Approval	<input type="checkbox"/> Administration
V.Piekarski, Ed Young	HSDC Board members	<input checked="" type="checkbox"/> Approval	<input type="checkbox"/> Administration
J. Hauanio,A. Rapoza	HSDC Board memers	<input checked="" type="checkbox"/> Approval	<input type="checkbox"/> Administration
Karl Fooks	President	<input type="checkbox"/> Approval	<input checked="" type="checkbox"/> Administration

13. Direct inquiries to: Department: HSDC  
 Contact Name: Karl Fooks  
 Phone Number: 587-3830  
 Fax Number:

Agency shall ensure adherence to applicable administrative and statutory requirements

14. *I certify that the information provided above is, to the best of my knowledge, true and correct.*



JUN 24 2009

Department Head

Date

**Reserved for SPO Use Only**

15. Date Notice Posted 7/6/09

The Chief Procurement Officer is in the process of reviewing this request for exemption from Chapter 103D, HRS. Submit written objections to this notice to issue an exemption from Chapter 103D, HRS, within seven calendar days or as otherwise allowed from the above posted date to:

Chief Procurement Officer  
 State Procurement Office  
 P.O. Box 119  
 Honolulu, Hawaii 96810-0119

REQUEST FOR EXEMPTION FROM CHAPTER 103D, HRS (Cont.)

Chief Procurement Officer's comments:

Request is disapproved, as it does not meet the requirements for an exemption from competition. There are numerous bookkeeping services available able to render services to the agency. The basis of "... able to complete the work faster and more efficiently than other vendors and would be better able to spot irregularities ..." is not justification for an exemption. It is recommended that the department use the applicable procurement method such as small purchases, or if award is based on "best value", may use the request for proposal process.

16.

APPROVED

DISAPPROVED

NO ACTION REQUIRED

Alvin S. Fajal 9/8/09  
Chief Procurement Officer Date