

DAVID Y. IGE  
GOVERNOR

SHAN S. TSUTSUI  
LIEUTENANT GOVERNOR



15 OCT -2 P1:28

LINDA CHU TAKAYAMA  
DIRECTOR

LEONARD HOSHIJO  
DEPUTY DIRECTOR

RONA M. SUZUKI  
EXECUTIVE DIRECTOR

ADMINISTRATION  
STATE PROCUREMENT OFFICE  
STATE OF HAWAII  
STATE OF HAWAII  
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS  
OFFICE OF COMMUNITY SERVICES  
830 PUNCHBOWL STREET, ROOM 420  
HONOLULU, HAWAII 96813  
[www.hawaii.gov/labor](http://www.hawaii.gov/labor)  
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IN REPLY REFER TO:  
OCS 15.1104

October 1, 2015

TO: Ms. Sarah Allen  
Administrator, State Procurement Office

FR: Rona M. Suzuki  
Executive Director

A handwritten signature in black ink, appearing to read "Rona M. Suzuki".

RE: PEH No. 15-19 and PEH No. 15-02

It has been brought to our attention through a request under the Hawaii Uniform Information Practices Act by Mr. Kevin Dayton of the Honolulu Star-Advertiser that OCS indicated that internal controls and approval requirements justifying exemption from procurement for the Community Services Block Grant (CSBG) program on PEH Nos. 15-19 and 15-02 (attached, see #8) included an annual risk assessment of the providers.

I joined OCS on June 1, 2015, and these forms were submitted by my predecessor. Thus, I was not aware of this statement, nor have we been able to find any record that any such risk assessment was ever completed.

Despite the lack of record of an annual risk assessment, we believe that the exemption should still be granted as OCS has other internal controls and approval requirements for the exempted procurement. For example, the providers are required to submit the following documents:

- monthly fiscal and quarterly progress reports,
- minutes from Board of Directors meetings,
- an annual audit and
- a final annual report.

In addition, OCS is in constant contact with the providers, including at least one monthly statewide conference call.

In addition, the Federal law governing the CSBG funds also has escalating procedures in place should a provider be deficient. These procedures include a corrective action plan, and training and technical assistance. The State is required to follow these procedures.

PEH 15-19\_15-02\_A

As there are a number of controls in place, the lack of a yearly risk assessment should not affect the exemption. In addition, we also note that pursuant to Federal regulations, only the four providers currently receiving funds are eligible recipients of these funds (attached, see #6) in each of their respective geographical area.

While we understand that it is unnecessary to amend the current PEH Nos. 15-19 and 15-02(available online); we believe it is our responsibility to inform your office of our proposed correction to our internal controls and approval requirements to ensure that it would (1) not change the approval of the procurement exemption and (2) correct the expectation for an annual risk assessment document. In the future, our response to this section will be as follows (underscored material is added, deleted material is struck through):

Currently, ~~the State is required to monitor and conduct yearly risk assessments the performance of the agencies eligible entities. The State accomplishes this through regular reports and meetings and review of additional materials required to be submitted by the eligible entities (e.g., Board of Directors meeting minutes, annual financial audit). In addition, Federal law governing the CSBG program specifies a corrective action process (a Training and Technical Assistance-based Corrective Action Plan) that the State must follow to assist the eligible entities with maintaining their compliance and continued participation. However, the State is not allowed to withhold funds from eligible entities. Should any of the agencies be found not be compliant, the State must initiate a Training and Technical Assistance-based Corrective Action Plan to correct the deficiency without stopping the flow of funding.~~

We apologize for the inconvenience. If you have any questions, please feel free to contact Rona Suzuki, Executive Director (phone: 586-8678, email: rona.m.suzuki@hawaii.gov) or Joy Kobayashi, Procurement Officer (phone: 586-8696, email: joy.k.kobayashi@hawaii.gov).

Attachment

Chief Procurement Officer Comments:

No procurement action is required on the Department's amendment to item #8 of the approved exemptions (PEH Nos. 15-19 and 15-02). OCS' amendment is an assurance that internal controls continue to guide the contract resulting from the approved exemption requests.

APPROVED  DISAPPROVED  NO ACTION REQUIRED

  
for Chief Procurement Officer Signature

10-16-2015  
Date

STATE OF HAWAII  
**NOTICE OF AND REQUEST FOR EXEMPTION  
 FROM CHAPTER 103F, HRS**

15 APR 22 AIO 58

To: Chief Procurement Officer

From: Labor and Industrial Relations/Office of Community Services OFFICE  
Department/Division/Branch or Office STATE OF HAWAII

Pursuant to § 103F-101(a)(4), HRS, and Chapter 3-141, HAR, the Department requests a procurement exemption to purchase the following:

1. Title and description of health and human service(s):	Coordination and human service infrastructure under Community Services Block Grant. Services will include administrative costs for eligible entities, as well as coordinating activities for local human service providers. Funds may also be spent on direct service activities. Outcomes for these activities will be related to the alleviation of poverty among low-income individuals, and are determined through a stringent Needs Assessment to ensure community - based programming
2. Provider Name and Address:	<p>Honolulu Community Action Program, Inc.          33 South King St., Suite 300          Honolulu, HI 96813</p> <p>Hawaii County Economic Opportunity Council, Inc.          47 Rainbow Drive          Hilo, Hawaii 96720</p> <p>Kauai Economic Opportunity, Inc.          2804 Wehe Rd.          Lihue, Hawaii 96766</p> <p>Maui Economic Opportunity, Inc.          99 Mahalani St.          Kahului, Hawaii 96793</p>
3. Total Contract Funds:	\$3,551,915
Contract Funds per Year (if applicable):	
4. Reference number of Previous Request for this Service (if applicable):	PEH No.15-02
5. Term of Contract:	Start: 10/01/15 End: 9/30/16

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6.	<p>Describe how procurement by competitive means is either not practicable or not advantageous to the State:          Pursuant to Federal regulations, 90% of the formula block grant in question is required to be granted to eligible entities. In Hawaii, there are currently four (4) eligible entities as listed above. The State of Hawaii does not have final approval authority to designate eligible entities, thus the only providers eligible to receive these funds are the current grandfathered entities. Attached is Section 673 of the Community Opportunities, Accountability, and Training and Educational Services Act of 1998 (COATS), which states eligibility is limited to those that are eligible entities on the day prior to the enactment of the Act. Eligible entities may also be delegated by process; however, the State is not the final approver for the entities. Thus, there are no other possible providers. The Community Services Block Grant is the only grant in the Federal Government with a policy of "categorical eligibility."</p>						
7.	<p>Describe the reason for the selection of the provider including a description of how the procedure ensured the maximum fair and open competition practicable:          The State does not select providers.</p>						
8.	<p>Describe the state agency's internal controls and approval requirements for the exempted procurement:          Currently the State is required to monitor and conduct yearly risk assessments of the agencies. However, the State is not allowed to withhold funds from eligible entities. Should any of the agencies be found not to be compliant, the State must initiate a Training and Technical Assistance-based Corrective Action Plan to correct the deficiency without stopping the flow of funding.</p>						
9.	<p>List the state agency personnel, by position title, who will be involved in the approval process and administration of the contract:          Norman Ahu, Acting Executive Director          Denise M. Pierson, Procurement Officer</p>						
10.	<table style="width: 100%; border: none;"> <tr> <td style="width: 45%;">Direct questions to (name &amp; position):</td> <td>Denise M. Pierson, Procurement Officer</td> </tr> <tr> <td>Phone number:</td> <td>808-586-8675</td> </tr> <tr> <td>e-mail address:</td> <td>denise.m.pierson@hawaii.gov</td> </tr> </table>	Direct questions to (name & position):	Denise M. Pierson, Procurement Officer	Phone number:	808-586-8675	e-mail address:	denise.m.pierson@hawaii.gov
Direct questions to (name & position):	Denise M. Pierson, Procurement Officer						
Phone number:	808-586-8675						
e-mail address:	denise.m.pierson@hawaii.gov						

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

 Department Head Signature	4/9/15 Date
Leonard Hoshijo Typed Name	

**NOTICE**

The chief procurement officer is considering this request for exemption and, if there is good cause, the state intends to exempt the purchase as described in the request. Any inquiries regarding the purchase shall be directed to the contact person noted in item 10 of the request. Any concerns regarding the exemption shall be in writing and received by the chief procurement officer within seven days of the date the notice was first posted. Concerns shall be mailed to: Sarah Allen, Chief Procurement Officer, State Procurement Office, 1151 Punchbowl St., #230A, Honolulu, HI 96813.

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**Chief Procurement Officer's Comments:**

This approval is for the procurement process only. Service providers are required to be compliant with applicable laws and provide proof of compliance, if applicable. This award is required to be posted on the Awards Reporting System.

If there are any questions, please contact Corinne Higa at 587-4706, or corinne.y.higa@hawaii.gov.

APPROVED     DISAPPROVED     NO ACTION



Chief Procurement Officer Signature

5/12/15

Date

Please ensure adherence to applicable administrative requirements.