



STATE PROCUREMENT OFFICE
NOTICE & REQUEST FOR SOLE SOURCE 15 FEB 25 P2 21

ADMINISTRATION
STATE PROCUREMENT OFFICE
STATE OF HAWAII

TO: Chief Procurement Officer

FROM: Department of Taxation
Name of Requesting Department

Pursuant to HRS §103D-306 and HAR chapter 3-122, Subchapter 9, the Department requests sole source approval to purchase the following:

1. Describe the goods, services, or construction to be procured. Heat-applied cigarette tax stamps

2. Vendor/Contractor/Service Provider Name: Meyercord Revenue, Inc. 475 Village Drive, Carol Stream, IL 60188-1830	3. Amount of Request: \$49,000.00/yr
4. Term of contract (shall not exceed 12 months), if applicable: From: 7/1/2015 To: 6/30/2016	5. Prior SPO-001, Sole Source (SS) No.: 11-077-D

6. Describe in detail the following: a. The unique features, characteristics, or capabilities of the goods, service or construction. Pursuant to Act 249, Session Laws of Hawaii 2000, cigarette and tobacco wholesalers and dealers(licensees) are required to affix stamps to individual cigarette packages as proof of payment of cigarette taxes. The cigarette tax stamp must be affixed in such a manner as to adhere securely to the bottom of each cigarette package. The cigarette tax stamp must be clearly visible, legible and complete. b. How the unique features, characteristics or capabilities of the goods, service or construction are essential for the department The Department of Taxation is responsible for furnishing the cigarette tax stamps for sale to licensees. Meyercord Revenue, Inc. provides heat applied cigarette tax stamping system which is proven and most reliable, designed to maximize the collection of cigarette tax stamps. The company offers a cost-effective solution to deter illicit activity, including counterfeiting of cigarette tax stamps.
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7. Describe the efforts and results in determining that this is the only vendor/contractor/service provider who can provide the goods, services or construction.

See attached explanation

8. Alternate source. Describe the other possible sources for the goods, services, or construction that were investigated but did not meet the department's needs.

See attached explanation

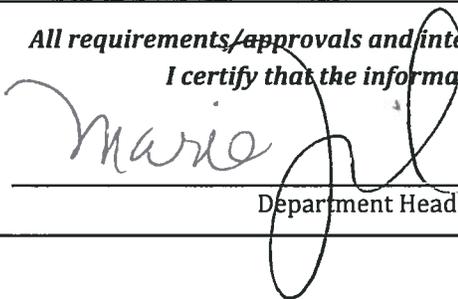
9. Identify the primary responsible staff person(s) conducting and managing this procurement. (Appropriate delegated procurement authority and completion of mandatory training required.)

*Point of contact (Place asterisk after name of person to contact for additional information).

Name	Division/Agency	Phone Number	E-mail Address
<i>Priscila P. Timoteo</i>	<i>Department of Taxation</i>	<i>808-587-1520</i>	<i>priscila.p.timoteo@hawaii.gov</i>

Department shall ensure adherence to applicable administrative and statutory requirements, including HAR chapter 3-122, Subchapter 15, Cost or Pricing Data if required.

***All requirements, approvals and internal controls for this expenditure is the responsibility of the department.
I certify that the information provided is to the best of my knowledge, true and correct.***



Department Head Signature

2/24/15

Date

For Chief Procurement Officer Use Only

Date Notice Posted: 2/20/2015

Submit written objection to this notice to issue a sole source contract within seven calendar days or as otherwise allowed from date notice posted to:

state.procurement.office@hawaii.gov

Chief Procurement Officer (CPO) Comments:

This request is disapproved as it does not meet the requirements of a sole source procurement pursuant to HAR section 3-122-81. There are other companies that could provide the heat applied tax stamps. Department shall utilize the appropriate method of procurement.

If there are any questions, please contact Bonnie Kahakui at 587-4702, or bonnie.a.kahakui@hawaii.gov.

Approved

Disapproved

No Action Required


Chief Procurement Officer Signature

Date

3/9/15

7. Describe the efforts and results in determining that this is the only vendor/contractor/service provider who can provide the goods, services or construction.

The cigarette tax stamp must be affixed in such a manner as to adhere securely to the bottom of each cigarette package. Heat-applied cigarette tax stamps provide a secure method of application and facilitate enforcement.

We have contacted Alexander Spellman, Business Development Director at Meyercord Revenue, Inc. and he confirmed that Meyercord currently provides heat-applied cigarette tax stamps to 42 states. Of the 42 states, Alabama, Colorado, Idaho, Mississippi, Montana, Nebraska and Wyoming have recently renewed sole source agreements with Meyercord. The remaining states use either the pressure applied track and trace solution or the new digital cigarette tax stamping programs. The FUSON tax stamp is the heat-applied tax stamp that does not require Hawaii stamping agents to make changes and adjustments to existing stamping equipment. (see attached letter with list of states serviced by Meyercord; e-mail correspondence about sole source agreement of the other states with Meyercord)

8. Alternate source. Describe the other possible sources for the goods, services or construction that were investigated but did not meet the department's needs.

✓ Two companies, Sekuworks LLC and Meyers Printing, were mentioned in an article at Reconnaissance Tax Stamp News Volume 6 No. 5 dated May 2014 as suppliers of heat-applied cigarette tax stamps. However, there were application issues observed with the Sekuworks' product and also application difficulties encountered by the Meyers Printing stamps on equipment used in the field. The two states, Ohio and Arkansas, serviced by these two companies eventually cancelled their contracts and returned to Meyercord for their heat-applied cigarette tax stamps due to these problems. (see attached newsletter)

The department needs a company that provides satisfactory goods and services for printing the heat-applied cigarette tax stamps. Both Sekuworks LLC and Meyers Printing are unable to prove that they are able to provide the kind of service that we need. The department believes Meyercord Revenue, Inc. is the sole provider of cost-effective and upgraded tax stamps with multi-level security features.