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Department agreed to nearly double the contract price, drastically extend the deadline for deliverables, and cut the deliverables by two-thirds.

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Lack of Procurement Controls Exposes Health Department to Waste and Abuse: Procurement Examination of the Department of Health

Report No. 15-09, July 2015

Health department's decentralized procurement system lacks clarity, consistency, and oversight

Department provides little support for and minimal oversight of staff involved in procurements

With the diversity of its programs, the department's delegation of procurement functions to individual staff is understandable. However, we found there is minimal oversight over these staff and no process to provide them with procurement service support. When a procurement issue arises, staff do not have clearly defined procedures for how they should obtain technical assistance. Some staff consult with the Administrative Service Office, while others go directly to the Department of the Attorney General or the State Procurement Office for advice. In addition, the department does not systemically review procurement activities to monitor and promote compliance to ensure that all staff adhere to key procurement requirements, particularly contract administration. This scarcity of oversight and support exposes the department to risks that purchases will not meet procurement requirements and jeopardizes the department's assurance that it is receiving what it has paid for.

We found that only one of the five divisions we reviewed has a procedures manual for evaluating and monitoring contracts. Consequently, monitoring practices among divisions were generally informal and vastly inconsistent. We also found there is no oversight of contract administrators or a periodic and systematic review to ensure that functions are being conducted appropriately. Of 55 contracts we reviewed, nine did not have completed monitoring reports. In two cases, staff incorrectly believed that monitoring was not required; for the remaining seven contracts, staff blamed the lack of contract monitoring on a shortage of staff resources. We also found that the department did not have documentation of when proposals were received for eight of 40 contracts we tested (20 percent).

Contract for redemption centers audit exemplifies DOH's faulty procurement process

In October 2008, the department sought a contractor to audit six certified redemption centers in the Deposit Beverage Container (DBC) Program. The contract was solicited and awarded via a request for proposals (RFP), which is designed to solicit multiple bidders. However, only one bid was received, and the contract was renegotiated with the sole bidder from \$76,400 to \$340,000 (an increase of 345 percent). Over the next three years, the contract was amended three times, increasing the total award to \$543,374 (611 percent above the original bid), extending the contract by one year, and reducing the number of redemption centers to be audited from six to two. The department eventually accepted the first redemption center audit report but rejected the contractor's draft of the second. However, since the contract's procurement was fundamentally and significantly flawed, we question the value of either audit effort.

Agency response

In its response to the audit, the department did not dispute our findings or recommendations. In order to better clarify roles, responsibilities, and procurement procedures, it will be forming an internal procurement working group to further assess its current decentralized system. While it acknowledged that its contract with Grant Thornton LLP/PKF Pacific Hawai'i LLP had problems, it did not believe that its procurement and monitoring of this contract accurately reflects the department's procurement practices as a whole. However, it will utilize the findings of the audit to improve future contracts and avoid repeating past mistakes.