

OVERVIEW

Study of Printing Products and Services Utilized, Contracted, and Subcontracted by Hawaii State Government

Report No. 02-18, October 2002

Summary

Although printing is an integral part of the functioning of state government, there has been concern about the lack of information on state agency practices with respect to printing. Reflecting this concern, the Legislature, during the 2002 Regular Session, adopted House Concurrent Resolution 105, which requested the State Auditor to conduct a study of printing products and services utilized, contracted, and subcontracted by Hawaii state government.

We developed a two-pronged approach to the study, a questionnaire and a case study, in order to address the issues raised in the resolution. A questionnaire was developed and sent to state executive, judicial, and legislative agencies as well as the Office of Hawaiian Affairs. Utilizing the state procurement code's definition of printed materials, we asked agencies to estimate the cost, volume and number of print services performed in-house, with the Correctional Industries Program, or contracted out, either directly or through a subcontract. In addition, agencies were to identify whether contracted services were obtained in-state, in the U.S. but outside Hawaii, or outside the U.S.

We found that for FY2001-02 state agencies reported expending approximately \$15 million for printing services statewide. Of this amount, approximately \$13.5 million (90 percent) was expended in-state, with approximately \$6.2 million expended with vendors in Hawaii by direct contract. In addition, of the \$2.6 million for printing services expended through subcontract, approximately \$1.66 million (64 percent) was also expended in-state. Agencies further reported expending approximately \$3.6 million (24 percent) for in-house printing.

However, the reliability of this data, particularly the in-house printing expenditures, is questionable. Most state agencies do not formally assess in-house printing costs, resulting in incomplete and sometimes confusing information. While instructions were given to utilize the state procurement code's definition of printed materials as a guide, a number of agency responses did not fall within the definition. We found that especially in light of recent technological developments, the procurement code's printed materials definition may be insufficient to permit an accurate identification of state printing practices. For example, at least two agencies consider compact discs, which are not specified as printed materials in the procurement code, to be printed materials.

We also performed a case study to provide a more in-depth look at printing practices. We selected the Department of Business, Economic Development and Tourism and its administratively attached agencies – including the Hawaii Tourism Authority – as the focus of the case study. We found that state agencies generally appear to be in compliance with the state procurement code's printing



preference requirements, but that a lack of clarity about the requirements leads to inconsistent application. We also found in a limited number of contract procedures that the printing preference requirements were properly administered. However, in the majority of cases examined, the printing preference requirement did not apply. As a result, we are unable to substantiate the need for the printing preference requirement. Most contracted printing services are apparently awarded to in-state vendors regardless of the printing preference requirement.

Recommendations and Response

We recommended that all branches of state government consider the use of cost-benefit analyses to compare and evaluate alternatives when considering large volume printing, changing technology, or other similar situations. We also recommended that the Legislature review and assess the need for the printing preference requirement under Section 103D-1003, HRS. Finally, we recommended that if the Legislature intends that Chapter 103D, HRS, be followed at all contract and subcontract levels, it should consider revising the code to provide a clear statement of purpose and objectives.

The Department of Business, Economic Development and Tourism responded that it found the study to be professional and thorough and that “enterprise-wide” analyses of government operations were very beneficial. The department noted specifically that it believes that current state law does not require printing preference requirements to be stated in contracts when subcontracting is involved. The department also stated that since clearly written rules and regulations pertaining to the application of the printing preference requirements to subcontracting do not exist, compliance is not an issue. The department’s statements support the report’s finding on the need to review and clarify the intent of the state procurement code in this area.

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