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**The Connector
expected Mansha
to be a "Swiss
army knife" for the
health exchange.**

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A Multitude of Missteps: Audit of the Hawai'i Health Connector's Mansha Contracts

Report No. 15-10, September 2015

Connector board and management wasted and abused millions of dollars in public funds

Management's hasty and inept procurement practices wasted more than \$11 million in taxpayer moneys

Facing an April 17, 2013, federal deadline, the Connector first engaged Mansha Consulting LLC in March 2013 through an emergency sole-source procurement for \$56,000 for IT system design review services. A month later, anticipating the federally required October 1, 2013, exchange go-live date, the Connector procured a second emergency sole-source contract with Mansha, for \$12.4 million to oversee the integration of two IT systems into a single health insurance exchange.

We found that instead of taking steps to ensure it selected the most qualified vendor at the best price, the Connector awarded Mansha a multi-million dollar contract based on personal recommendations. In total, the Connector awarded \$21.6 million in IT contracts to Mansha. The Connector also failed to sufficiently analyze Mansha's proposed fees to ensure contract amounts were reasonable, as required by federal procurement standards. Thus, the Connector could neither justify its selection of Mansha nor the fixed fees awarded for each of the two Mansha contracts. Furthermore, the Connector executed vague, poorly written contracts with flawed terms and conditions that prevented it from effectively monitoring and evaluating Mansha's performance.

Connector board's and management's inattention to contract administration abused public funds

We found that the Connector board and management paid little attention to contract administration and the Connector's organization lacked a contract administration function. By neglecting to establish a functional area dedicated to managing the Connector's numerous contracts, the board prevented staff from effectively administering any of its numerous contracts worth \$176.7 million. Furthermore, the Connector was unable to demonstrate that the \$15.3 million paid to Mansha were used as intended. The Connector did not approve its contract administration procedures until more than a year after the Mansha contracts were executed, and the former executive director did not ensure the administrator for the Mansha contracts was qualified.

The Connector also had no procedures for amending contracts. The former executive director executed a \$168,000 contract amendment without the board's knowledge or approval. In addition, contracts were not amended to reflect changes in scope of work; and amendments that were made were not done timely. This led to higher contractual costs, further wasting public moneys, and could result in federal enforcement action. Such practices constitute abuse of public funds, which involves behavior that is deficient or improper compared to what a prudent person would consider reasonable and necessary business practice in the circumstances.

Agency response

The Connector agreed that our findings appeared consistent with material in our previous audit and information the Connector has made public during the last year. It said it shared our concerns about Mansha and other significant contractors and has worked to improve its procurement and contract management practices.

The Connector pointed out a number of items it considered inaccurate, including references to the executed versus effective dates of the contracts, our analysis regarding staffing requirements, and our conclusion regarding burden to taxpayers in the event of federal enforcement action. We addressed these and other minor technicalities prior to publication but stand by our findings.