

STATE OF HAWAII
REQUEST FOR EXEMPTION FROM CHAPTER 103D, HRS

TO: Thomas Driskill, Pres/CEO, HPA, Hawaii Health Systems Corp.
FROM: Kelley Roberson, COO/CFO, Hawaii Health Systems Corp.

Pursuant to 103D-102(b)(4), HRS, and Chapter 3-120, HAR, the Department requests a procurement exemption to purchase the following:

Description of goods, services, or construction:
Agreed-Upon Procedures Report on reasonableness of revenues and expenditures claimed per the employment agreement between Dr. Peebles and Kona Community Hospital for the period 1/1/05 through 6/30/05.

Name of Vendor: Deloitte & Touche LLP
Address: 1132 Bishop Street Suite 1200 Honolulu, HI 96813

Cost: \$28,123

Term of Cont	From: 9/1/05	To: 12/31/05	Prior Exemption Ref No. NONE
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Explanation describing how procurement by competitive means is either not practicable or not advantageous to the State:
Highly sensitive federal compliance issue regarding physician contracting and billing requires additional audit work outside the scope of the annual audit for which D&T has been contracted. Because D&T is the contracted audit firm, D&T employees will be exposed to the sensitive federal compliance physician contracting and billing issues. Management desires to avoid unnecessarily disclosing sensitive information regarding these physician contracting and billing to additional third parties, and, therefore, desires to contract for the additional audit work with D&T without disclosing the information to additional third parties to get additional bids for the work. Even if it could be argued that simply getting bids would not fully expose the sensitive compliance issues, disclosure of the sensitive compliance issues would be involved if contract for work was awarded to firm other than D&T, and, HHSC would not want to award contract to the other audit firm, therefore making the apparent competition of getting three bids a sham, and Management does not want to intentionally violate the 103D process by asking for bids that will not be seriously considered. Due to these factors, this procurement action does not lend itself to competition.

Details of the process or procedure to be followed in selecting the vendor to ensure maximum fair and open competition as practicable:
See above. Due to the fact extensive auditing services are utilized by HHSC in other areas, HHSC is very familiar with the vendors who perform these services.

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A description of the agency's internal control and approval requirements for the exempted procurement:
Kelley Roberson, COO/CFO and Thomas Driskill, Jr., CEO/Pres. will personally review and approve the proposal and agreement.

A list of agency personnel, by position title, who will be involved in the approval process and administration of the contract:
Kelley C. Roberson, Chief Operating Officer/Chief Financial Officer; Thomas Driskill, Jr., Pres/CEO; Jerry Walker, Acting Reg. CEO (West Hawaii Region).

Direct questions to: Kelley Roberson
Phone Number: 808-733-4171

This exemption should be considered for list of exemptions attached to Chapter 3-120, HAR Yes No

I CERTIFY THAT THE INFORMATION PROVIDED ABOVE IS, TO THE BEST OF MY KNOWLEDGE, TRUE AND CORRECT

Kelley C. Roberson
Kelley C. Roberson *COO & CFO*
09/02/05
Department Head or Designee Date

COO & CFO
Title

Chief Procurement Officer's Comments:

APPROVED DISAPPROVED

Thomas M. Driskill, Jr.
THOMAS M. DRISKILL, JR.
President & Chief Executive Officer
09/12/05
Date