

Reviewed and Approved by Executive Director:   
November 2, 2022

## **FOR ACTION**

### **I. REQUEST**

Consider Revising the Threshold for Contracts and Expenditures Requiring Pre-Approval from the Authority by modifying the delegation to the Executive Director.

### **II. BACKGROUND**

This is a follow up to the agenda item discussed at the October 5, 2022 regular monthly meeting. This purpose of this for action is to streamline board governance by revising the current threshold for contracts and expenditures requiring pre-approval from the Authority. Currently, all contracts, and those expenditures exceeding \$25,000 require pre-approval from the Authority.

Under the Agency's Rules of Practice and Procedure, the Authority may delegate such power or authority, as the Authority deems reasonable and proper, to the Executive Director, except for the power to adopt, amend, or repeal administrative rules, such power being reserved to the Authority.

The following information to support revising the threshold for expenditures requiring pre-approval from the Authority was shared with the Authority:

1. Agency Staff must comply with the State Procurement Code – requesting board approval does not affect the steps taken prior to expending funds.
2. Contracts are listed in the Monthly Financial Highlights – the Authority will remain informed of any newly executed contracts.
3. The Hawaii Housing Finance and Development Corporation does not require board approval to execute contracts and contracts over \$25,000 are presented during their board meetings.
4. Since January 2021, the Authority approved 13 requests to expend totaling approximately \$4.8 million.
5. The dollar threshold for small purchases is \$100,000 pursuant to §103D-305 Hawaii Revised Statutes (“HRS”)

### **III. DISCUSSION**

A revision of the threshold for contracts and expenditures requiring pre-approval by the Authority necessitates consideration of the Authority's oversight responsibilities and duties, including overseeing fiscal discipline and fiscal management and control of the Agency.

Maintaining oversight by the Authority over Agency fiscal management, contracts awarded, and expenditures made, while conferring more authority to the Executive Director, could be addressed by requiring that:

1. Contracts, regardless of amount, shall be executed by the Executive Director.
2. Contracts awarded, regardless of amount, will be reported to the Authority along with a short description of the nature and amount of the contract.
3. Expenditures in the ordinary course of the Agency's business exceeding \$100,000 be pre-approved by the Authority.
4. Transactions, whether a contract, loan, expenditure of funds, or any other transaction, not in the ordinary course of the Agency's business, regardless of amount, be pre-approved by the Authority.

The Authority may, at any time, revise the delegation of power or authority to the Executive Director, as the Authority deems reasonable and proper.

#### **IV. RECOMMENDATION**

It is recommended that the Authority revise the thresholds for contracts and expenditures requiring pre-approval from the Authority by modifying the delegation to the Executive Director as follows:

1. Contracts procured in accordance with §103D Hawaii Revised Statutes, in the ordinary course of the Agency's business, regardless of amount, do not require prior Authority approval;
2. Expenditures in the ordinary course of the Agency's business, less than \$100,000.00, do not require prior Authority approval; and
3. Transactions, whether a contract, loan, expenditure of funds, or any other transaction, that is not in the ordinary course of the Agency's business, regardless of amount, does require prior Authority approval.

And it is further recommended that the Executive Director report to the Authority contracts awarded, regardless of amount, along with a short description of the nature and amount of the contracts awarded.

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