

UNIVERSITY OF HAWAII NOTICE OF EXEMPTION CHAPTER 103D, HRS

The President, University of Hawaii, is in the process of reviewing the request from
Office of Human Resources, University of Hawaii (Department/Campus)
for exemption from Chapter 103D, HRS, for the following goods and services:
Services to manage the University's Affordable Care Act processes and IRS Reporting Services.

Vendor: Ernst & Young U.S. LLP
(If known)
Address:
200 Plaza Drive
Secaucus, New Jersey 07094

Term of Contract: (If known)	From: May 2021 (est.)	To: April 2024 (est.)	Cost: \$96,000 per year (est.)
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<p>Direct any inquiries to: Department: Office of Human Resources</p> <p>Contact Name/Title: Katherine Wong-Nakamura, Director, System Integration</p> <p>Address: 2440 Campus Road Administrative Services Building 2 Honolulu, Hawaii 96822</p>	<p>Phone Number: (808) 956-8989</p> <p>Fax Number: (808) 956-3175</p>
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Date Posted: April 13, 2021

Submit written objections to this notice to issue an exemption from Chapter 103D, HRS, within seven (7) calendar days from the date posted to:

Office of Procurement Management
1400 Lower Campus Road, Room 15
Honolulu, Hawai'i 96822
email: OPM@hawaii.edu

REQUEST FOR EXEMPTION FROM CHAPTER 103D, HRS

TO: OFFICE OF PROCUREMENT MANAGEMENT

FROM: Office of Human Resources
(Department/Program)

Pursuant to APM Section A8.220, the Department requests a procurement exemption to purchase the following:

Description of goods, services, or construction:
Services to manage the University's Affordable Care Act processes and IRS reporting services. (See attached for additional detail).

Estimated Cost: \$ 96,000.00 per year (est.)

(1) **Explanation describing how procurement by standard competitive means is either not practicable or not advantageous to the University;**
See attached.

(2) **Details of the process or procedures to be followed in selecting the vendor to ensure as fair and open competition as practicable;**
See attached.

(3) A description of the Department's internal controls and approval requirements for the exempted procurement; and
See attached.

(4) A list of Department personnel, by position title, who will be involved in the approval process and administration of the contract:
See attached.

Direct questions to: Katherine Wong-Nakamura Phone: (808) 956-8989

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

Katherine Wong-Nakamura, Director, OSI
Full Name of Principal Investigator, Department Head, or Administrator

Kathy Wong-Nakamura Digitally signed by Kathy Wong-Nakamura
Date: 2021.04.12 09:21:36 -10'00' 4/12/2021
Signature Date

Trisha Shibuya, Fiscal Manager, SAS
Full Name of Fiscal Administrator

Trisha Shibuya Digitally signed by Trisha Shibuya
Date: 2021.04.12 14:08:36 -10'00' 04/12/21
Signature Date

APPROVED:

Jan Gouveia, Vice President for Administration
Full Name of Vice President or Chancellor

Jan Gouveia Digitally signed by Jan Gouveia
Date: 2021.04.13 10:40:52 -10'00' 4/13/21
Signature Date

FOR OPM USE ONLY

OPM COMMENTS:

APPROVED DENIED

David Lassner Digitally signed by David Lassner
Date: 2021.04.23 10:42:32 -10'00'
PRESIDENT, UNIVERSITY OF HAWAII

4/23/2021
DATE

REQUEST FOR EXEMPTION FROM CHAPTER 103D, HRS

Description of goods or services:

Services to assist the University to manage its annual Affordable Care Act (ACA) reporting compliance to the IRS. Services will include but are not limited to: data processing, advice on handling data exceptions, identifying and addressing potential reporting exceptions that may translate into potential fines to the University, generating and mailing 1095C forms to University employees, and ensuring timely transmission of the University file to the IRS.

The period of performance shall be for three years for ACA reporting for tax years 2021, 2022, and 2023.

Estimated Cost: \$96,000.00 per year (estimated)

(1) Explanation describing how procurement by standard competitive means is either not practicable or not advantageous to the University;

The University issued two competitive solicitations in 2018. The first solicitation issued was a Request for Quotation (RFQ) under the small purchase procedures. Only one quotation was received. However, no award was made under the RFQ as it was subsequently determined that there was a need to have a multi term agreement due to the amount of time and effort it would take for the initial set up of the University's ACA Reporting Program. The University issued a formal Invitation for Bids (IFB) under the competitive sealed bidding procedures. Again, only one bid was received. Under both the RFQ and the IFB, the sole quote/bid were received from Ernst and Young LLP (E&Y). An agreement was executed with E&Y for a period of one year and extended for two additional one-year periods. For the past three years, the University's ACA reporting program has been a success.

The Office of Human Resources is requesting an exemption to engage with E&Y for another three-year period. Procurement by standard competitive means is neither practical nor advantageous for the following reasons:

A. The ACA Compliance Program that has been established utilizes proprietary goods and services specific to E&Y

- 1) Extending the engagement with E&Y for another three years would provide the University with continuity in the areas discussed below differentiating E&Y from other ACA compliance service providers.
- 2) All required ACA validation data from the University's PeopleSoft and Student Employment systems have been imported into E&Y's proprietary ACA Compass system for 2018 - 2020.
- 3) Custom queries from various University systems that house data for the requisite populations for ACA reporting were developed during the implementation with E&Y.

- 4) E&Y's ACA Compass System was configured based on inputs from the University's Office of Human Resources business unit and customer profile information which is updated annually.
- 5) A dedicated Data Analyst from E&Y was assigned to the University has intimate knowledge of the University's data so that the introduction of new or changes to ACA laws and statutes at the federal and state level can now be readily addressed with E&Y's guidance.
- 6) E&Y's ACA Compass System is designed and configured to analyze the University's data to vet full-time determination based on our systems' data. When processed through E&Y's system along with related business rules relevant to the University's data, exception reports are generated for our review.
- 7) The ACA Compass System is also used to generate the University's 1095C forms to ensure mailings are completed by the requisite deadline.
- 8) E&Y also ensures successful transmission of our ACA files to the IRS by the required deadline. In addition, they respond to any transmission and data integrity issues from the IRS.
- 9) The University has the capability to use the ACA Compass System to search for employees' 1095C, upon request, and can re-print them as needed.
- 10) As annual audits are conducted, E&Y is responsible for fielding any questions and defend any findings on behalf of the University.

B. Additional Considerations

- 1) E&Y provides services to RCUH and has a working knowledge of the state's requirements for ACA compliance. In addition, the University shares some very similar considerations with RCUH in determining full-time status for employees. It is our understanding that E&Y continues to support RCUH with their ACA compliance requirements.
- 2) If we disengage with E&Y in favor of issuing another competitive solicitation for these services, the University would be confronted with the following operational and timing issues which are not easily bridged:
 - a) If a new service provider is engaged, it is estimated that it would take another year to implement the same services and system that E&Y currently has in place with their proprietary system.
 - b) Although E&Y will provide the University with our data if the University were to transition to a new provider, the University will not be able to readily leverage the use of its data in another service provider's solution for historical context.
 - c) Upon termination of their services E&Y as required, will purge all of the University's employee data from its system. If the University were to get

audited for the 2018-2020 years that E&Y supported the University with these services, E&Y will continue to respond on our behalf however, they will no longer have our data for reference.

- d) This estimated two+ year gap would require the University to manage the ACA compliance requirements on its own. This will mean that the University would manage the ACA mandates via spreadsheets and manipulate the data based on the University's medical coverage offerings and ACA business rules via a series of scripts, queries and manual updates. The University would also need to preserve the data with relevant documentation to respond to audit inquiries. This would be very resource intensive.

(2) Details of the process or procedures to be followed in selecting the vendor to ensure as fair and open competition as practicable;

The University will directly negotiate with E&Y to establish new pricing for the next three years. Negotiation will take into consideration what the University has paid for the past three years and current budgetary restrictions. In addition, the University will analyze the cost proposal from E&Y and prepare a determination of cost and price reasonableness.

(3) A description of the Department's internal controls and approval requirements for the exempted procurement; and

The Vice President for Administration and Office of Procurement Management will assist in reviewing the proposed services and negotiate a new contract with E&Y. Proposed fees and expenditures under the contract will be subject to administrative review, approval, and processing in conformity with the University's expenditure policies and procedures.

(4) A list of Department personnel, by position title, who will be involved in the approval process and administration of the contract:

Vice President for Administration, University of Hawaii System
Director of Systems Integration, University of Hawaii System
Director of Human Resources, University of Hawaii System
Interim Director of Procurement Management Services, University of Hawaii System