

Hawaii School Food Services Branch (SFSB) SY 24-25 Procurement Review Summary of Findings & Corrective Action Plan

Overview

The Hawaii Department of Education (HIDOE) School Food Services Branch (SFSB) operates as the sole School Food Authority (SFA) for all 250+ State of Hawaii Public Schools, making it one of the largest School Food Authorities in the United States. This centralized statewide operation of the Child Nutrition Program (CNP) administers a school food service program with over \$161 million in expenditures, as reported in the Annual Financial Report for School Year 23-24 (SY 23-24) and is supported by substantial federal funding.

School Food Service Branch Procurement Authority

In accepting USDA assistance, HIDOE requires that CNP meal services through School Food Service Branch (SFSB) comply with all federal nutrition and operational regulations, including the procurement standards outlined in federal, state, and local regulations. These regulations govern purchasing related to food, supplies, and services within federally reimbursed CNPs.

HIDOE is an oversight agency for SFSB. SFSB has formally assumed ownership of the food and service procurement process and is responsible for ensuring all procurements are carried out in compliance with applicable federal, state, and local regulations and policies.

HIDOE mandates that all procurement processes are overseen by the Procurement and Contracts Branch (PCB). In accordance with HIDOE's [Plan of Organization, Updated June 30, 2023](#), this centralized approach aims to ensure that all procurement activities under HIDOE adhere to the Hawaii Public Procurement Code ([HRS Chapter 103D](#)), Federal regulations, and departmental policies. PCB provides a manual titled "Guidelines for Procurement and Contracting" as a guide to HIDOE procurement policies, last updated June 2019.

HIDOE policy requires all school and state-level offices to conform to federal and state laws, State Procurement Board rules, and Department policies and procedures. The Department's purchasing policies are outlined in the "Guidelines for Procurement and Contracting", last updated June 2019 and on the Hawaiipublicschools.org website, titled "Aligning the Purpose of Purchases" under the heading "[Vendors Working with HIDOE](#)".

Purpose

This document outlines key procurement findings identified during the review of the Hawaii Department of Education's School Food Services Branch for School Year 2023–2024. The purpose of this report is to summarize a review of compliance with USDA Child Nutrition Program procurement requirements and regulations, as required under 2 CFR, 7 CFR, State of Hawaii regulations, HIDOE and applicable local policies. A plan of corrective action will follow the findings report.

Financial Management Overview

Regulation in 7 CFR 210.9 (b)(17) requires that all accounts and records pertaining to an SFAs school food service be available for audit or review at a reasonable time and place and that records be retained for a period of 3 years or until audit findings are resolved.

The recipient's and subrecipient's financial management system must provide accurate, current, and complete disclosure of the financial results of each Federal award or program, in accordance with the reporting requirements in 2 CFR 200.328 and 2 CFR 200.329. (2 CFR 200.302(b)(2))

Procurement Overview

- **HIDOE's Procurement Thresholds** require:
 - Formal procurement procedures for purchases in aggregate of \$25,000 or more over a 12-month period, and
 - Small procurement procedures for purchases below \$25,000.
 - A Record of Small Purchase, HIDOE Form 10-B is required for approval of any purchases less than \$25,000. No Micro-Purchase procedures apply.
 - P-card policies and procedures were not submitted, accounted for by SFSB, or reviewed during the review period.
- **HIDOE Procurement Policy** HIDOE requires all school and state-level offices to conform to state laws, State Procurement Board rules, and Department policies and procedures. HIDOE purchasing policies are included under the title "Aligning the Purpose of Purchases" under guidance provided at Hawaiipublicschools.org, titled "[Vendors Working with HIDOE](#)". SFSB is responsible for following federal and state procurement regulatory guidelines, at a minimum, and more restrictive guidelines under HIDOE policy.
- **Parceling Prohibition** State of Hawaii regulation at [HAR 3-131-2](#) prohibits parceling. The definition of parceling is when the total of multiple purchases of same, like or related goods, services or construction exceeds the small purchase threshold for any 12-month period without formal procurement procedures.
- **Buy American for Hawaii (BAH)** While Alaska, Hawaii, and U.S. territories are generally exempt from the [Buy American Provision](#), USDA requires that SFAs in Hawaii purchase food products produced in Hawaii in sufficient quantities. (7 CFR 210.21(d)) For reference, the following titles link to the [HCNP slide deck on Buy American for Hawaii](#) and [USDA Memo SP 23-2024: Buy American Provisions Related to the Final Rule](#), which provide further detail on the Buy American for Hawaii requirements. The Buy American clause must be used in all food solicitations; however, it only applies for Hawaii foods, not U.S. foods. It is the SFAs responsibility to document why a purchase was not made in accordance with BAH due to cost or insufficient quantity. SFAs must monitor their vendors to ensure compliance with buying foods produced or >50% grown in Hawaii.
- **Procurement Agents** Susan Kirchstein was Temporarily Assigned (TA) as SFSB's School Food Services Program Administrator on December 31, 2024. SFSB authorized procurement agents listed on the procurement tool include:
 - Laureen Oda, Procurement and Supply Specialist III
 - Iris Fujimoto, SFS Supervisor
 - Weston Yap, Farm to School Coordinator
 - Lindsay Nakamura, Program Specialist V

- Miho Yoshioka, Accountant II has been a primary contact at SFSB throughout the review process.

Summary of Findings

A. Documentation Submission

I. No documented procurement procedures (also referred to as a Procurement Plan)

- **Finding:** No written procurement procedures submitted
- **Regulation:** 2 CFR 200.318(a) – Non-federal entities must have and use documented procurement procedures consistent with federal, state, and local laws
- Procurement agents and the TA Administrator were unable to describe SFSB’s procurement procedures or identify applicable thresholds for determining the method of procurement to be followed.

II. No proof of annual/periodic procurement training or documentation

- **Finding:** No periodic/annual procurement training of staff involved in SFSB’s procurement activities
- **Regulation:** 7 CFR 210.21(h)
- The Child Nutrition Program Integrity Final Rule published August 23, 2023, includes an Annual NSLP Procurement requirement. This provision requires that school nutrition program directors, management, and staff who work on NSLP procurement activities to complete annual training in procurement standards.
- Procurement staff responsible for school food service procurements have not attended and documented procurement training during SY 2023–24. This lack of ongoing training may prevent staff from effectively implementing procurement procedures consistent with federal, state, and local regulations.

III. No Vendor Paid List

- **Finding:** No vendor paid list was provided for review and total annual expenditures by vendor could not be validated when comparing SFSB’s Expenditure Reports to the 2023-2024 Annual Financial Report.
- **Regulation:** 2 CFR 200.318(i) - Entities must maintain records sufficient to detail the history of procurement, including the rationale for the method of procurement, vendor selection, and basis for the contract price.

IV. Absence of a written Code of Conduct for Procurement

- **Finding:** The SFA did not provide a written Code of Conduct for Procurement in Child Nutrition Programs
- **Regulation:** 2 CFR 200.318(c)(1) - Non-Federal entities must maintain written standards of conduct covering conflicts of interest and organizational relationships in procurement. A written Code of Conduct for procurement includes language that:

1. Prohibits officers, employees and agents from soliciting or accepting gratuities, favors or anything of monetary value from contractors or parties of subcontracts;
2. Provides for disciplinary actions for violations by officers, employees, or agents;
3. Includes that the SFA will neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts, or language with standards for situations when the financial interest is not substantial or the gift is unsolicited and of nominal value.

V. No Cost/Price Analysis

- **Finding:** No cost/price analysis documentation was provided for any procurement transaction exceeding the simplified acquisition threshold
- **Regulation:** 2 CFR 200.324 - A cost/price analysis must be conducted for every procurement action above the simplified acquisition threshold.

VI. Lack of forecasting / steps to avoid parceling

- **Finding:** SFSB did not conduct a forecast of school food service needs for SY 2023–2024 to determine aggregate procurement amounts or identify when the small acquisition threshold/other thresholds would be exceeded. This practice risks “parceling” purchases, which circumvents competition.
- **Regulation:** 2 CFR 200.318(a); 2 CFR 200.319(a); HAR 3-131-2 – The Non-Federal entity must have and use documented procurement procedures consistent with State, local, and tribal laws and regulations. All procurement transactions must be conducted in a manner providing full and open competition. Parceling of purchases to circumvent procurement requirements is prohibited under Hawaii Administrative Rules.

B. Execution and Documentation of Procurement Activities

During the on-site portion of the review, the School Food Services Branch (SFSB) reported \$4,195,401.87 in School Food Service funds paid to vendors without documented procurement procedures.

- \$3,643,145.31 in expenditures exceeded the small purchase threshold and therefore required formal procurement procedures.
- \$630,975.04 should have been procured using small purchase procedures, consistent with HIDOE policy.

VII. Inadequate Small Acquisition Documentation

- **Finding:** Form 10-B documentation was incomplete or incorrectly completed. Required procurement steps such as specifications, quotes, and administrative approvals were missing or insufficiently detailed, indicating lack of compliance with required small acquisition procedures. The following issues in review of small acquisition procedures were noted:
 - Specifications were not completed.

- Three quotes were not obtained for purchases in aggregate of \$5,000 to \$24,999.
- Inadequate justification was provided for sole source vendor selection.
- Emergency procurement was used for routinely required services.
- Required administrative signatures were not consistently obtained.
- Documentation was not maintained in accordance with regulations requiring retention of records.
- Price was not weighed predominantly in evaluation for award.
- Small acquisition procedures were conducted for expenditures in excess of the small acquisition threshold of \$25,000 aggregate for SY 23-24, prohibited under parceling regulations in Hawaii.
- **Regulation:** 2 CFR 200.318(i); 2 CFR 200.319(c)(1); 2 CFR 200.320(b); 2 CFR 200.319(a); 7 CFR 210.21; 2 CFR 200.320; 7 CFR 210.21(c)(3); HIDOE Procurement Procedures Manual, Form 10-B requirements

II. Non-Compliance with Formal Procurement Requirements

- During the review of SY 2023–2024 procurement activity, the School Food Services Branch (SFSB) did not follow required formal procurement procedures for purchases that exceeded the small purchase threshold. The following deficiencies were identified:
 - No cost/price analysis was performed prior to contract award.
 - No public advertisement or solicitation was conducted by SFSB.
 - Competition was restricted by use of overly restrictive delivery requirements (requiring delivery across all six islands), which resulted in only one response received.
 - NASPO cooperative pricing was used as a single-source without conducting a formal, CNP-compliant solicitation, evaluation, scoring, and award.
 - No scoring or evaluation documentation was submitted demonstrating that price was weighted as the primary factor for award.

Software-Related Expenditures

- **eWorld**
 - No eWorld procurement or contract documents were provided by SFSB. Despite payments totaling \$1,312,049.94 for SY 23-24, using School Food Service funds, SFSB reported that no bid or procurement documentation was completed for eWorld. The SFA indicated a vendor description of services for eWorld as “other repairs & maintenance”.
 - HCNP retained documentation of the history of SFSB’s contracts with eWorld, which were collected on-site. According to a review of these documents, the eWorld contract is consistent with gap software analysis and implementation services including nutrition software training across islands and external SFSB software integration. No software is provided through eWorld and duplication of services, including training and integration services, has been identified when compared to other contracted software vendors paid with school food service funds during SY 23-24 (N Harris Solutions and SHI International)
 - eWorld purchases were made without supporting procurement documentation or competitive solicitation. HCNP deemed eWorld costs unallowable and required HIDOE to transfer \$3,391,894 into the SFS account. An email dated December 26, 2024, sent by Brian Hallet, CFO, Office of

Fiscal Services, HIDOE indicated a transfer-in of funds was performed in the full amount under (Org ID 720, Program ID 12400). Proof of the transfer-in of non-federal funds and the source of funds is pending review of documentation submitted by HCNP on 5/12/2025.

- The original eWorld contract was issued by HIDOE Auxiliary Services Branch in November 2019 with a base value of \$241,248 and was extended annually through 2024. SFSB utilized the contract without following procurement procedures.
- Seven scope modifications were made, with an initial value of \$241,248 to the final contract value of \$6,685,481. This constitutes a material change requiring a new solicitation process under 2 CFR 200.319 and 200.320.
- HCNP, as the State oversight agency, directed SFSB to cease the eWorld contract and services.
- SFSB continued use of eWorld services, citing that discontinuation would disrupt CNP operations.
- SFSB initiated a new procurement for nutrition software and services, which were evaluated and slated to be awarded to Titan under the parent company LINQ.
- The TA Administrator of SFSB, Sue Kirchstein, provided a justification that due to implementation timelines for the new software and integration system, Titan/LINQ would not be ready until SY 26-27. Ms. Kirchstein indicated that the Titan/LINQ procurement and contract was cancelled/terminated by SFSB.
- On 5/12/2025 HCNP notified the reviewer that new email correspondence was received that stated the eWorld contract and services have been terminated.
- **SHI International**
 - Deliverables include Nutrislice Software, integration via “Go Enterprise”, and training via “Start Up Program”
 - SFSB reported following small purchase procedures for this procurement, with aggregate expenditures exceeding the small purchase threshold, which is prohibited under parceling regulation. The sponsor did not develop specifications for the software and deliverables required to fulfill small purchase procedures.
 - Formal procurement procedures were required for the vendor expenditures totaling \$72,285.40 for SY 23-24 and no cost-price analysis was performed to forecast expenditures.
 - SFSB compared two prices from a NASPO state contract, considered a Third-Party Non-CNP Cooperative, instead of conducting a formal, CNP-compliant solicitation, evaluation, scoring, and award.
- **N Harris Solutions**
 - Provides eTriton Point of Sale System and EXSchoolPay, a remote parent payment portal.
 - A total of \$463,577.70 was expended in SY 23-24.
 - SFSB reported that a bid was completed for this vendor. This vendor was outside of the vendor sample selected; therefore, no further review of procurement or documentation of invoices was completed.

Summary

The SFS Branch demonstrated non-compliance with regulatory procurement requirements across the vendor sample by threshold for CNP operations in SY 23-24. These findings are repeat in nature, when

compared to SY 18-19 review documents shared by HCNP. USDA provides guidance in the procurement tool regarding this level of non-compliance, as follows:

“If the State agency determines the SFA is not compliant with Federal procurement requirements, lacks documentation to support the history of its procurement processes, or fails to use the required procurement methods, etc., there is no need to complete the Tool. The State agency will document this lack of procurement documentation, provide technical assistance, establish findings, require a corrective action plan... and work with the SFA to achieve compliance. The State agency will document all efforts and the technical assistance provided.”

“In cases of this level of non-compliance, re-solicitation of bids is required. Corrective action is to be assessed on a case-by-case basis with assistance from the appropriate Regional Office.”

Formal discussion and coordination with USDA and the Hawaii CNP State Agency have been conducted to develop a corrective action plan that aligns with federal expectations.

See attached corrective action plan, Appendix A

**Appendix A: Hawaii School Food Services Branch (SFSB)
SY 24-25 Procurement Review Corrective Action Plan**

#	Finding	Required Corrective Action	Responsible Party	Due Date
I	No Documented Procurement Plan/Procedures	<ul style="list-style-type: none"> • Develop and submit written procurement procedures consistent with 2 CFR 200.318(a), including documentation of thresholds, procurement methods, and recordkeeping practices. • Identify within the plan who will be responsible, when activities will be conducted, and where documents in support of the full history of procurement will be kept on file. Include that records will be maintained on file in compliance with record retention requirements in 2 CFR 200.334 and reporting and recordkeeping requirements in 7 CFR 210.20. 	SFSB Administrator	
II	No Proof of Annual Procurement Training and Demonstrated Lack of Staff Knowledge on Procurement Procedures	<ul style="list-style-type: none"> • The SFSB Administrator and SFSB Procurement Administrator must complete procurement training and submit an agenda and certificate of training as proof of completion, in fulfillment of the current year's requirement. • Procurement training must include regulations, thresholds, and internal procedures. • Develop, submit, and implement an annual procurement training plan, in compliance with 7 CFR 210.21(h), to ensure that all procurement and administrative staff receive ongoing instruction on federal, state, and local procurement requirements. Specify how training will be provided to all staff involved in procurement activities in the current school year. Identify who will be responsible, when this 	SFSB Administrator	

		will be conducted, and where it will be kept on file.		
III	No Vendor Paid List	<ul style="list-style-type: none"> Develop and maintain a vendor paid list identifying all vendors paid, including total expenditures by vendor and procurement method used. Submit a plan to show who will be responsible for completing the Vendor Paid List, when the vendor paid list will be created and reconciled with the general ledger, and where it will be kept on file. 	SFSB Administrator	
V	No Written Code of Conduct	<ul style="list-style-type: none"> Draft and implement a written Code of Conduct for Procurement per 2 CFR 200.318(c)(1), ensuring all procurement staff acknowledge and sign the policy. Submit the policy in corrective action. Develop, implement, and submit a plan identifying who will be responsible for the plan, and who will monitor compliance. In addition, include an annual review plan to show when it will be reviewed and updated as needed, who will be responsible for the review, and where it will be kept on file. 	SFSB Administrator	
VI	No Cost/Price Analysis:	<p>In accordance with 2 CFR 200.324(a), Sponsors must perform a cost or price analysis for every procurement transaction, including contract modifications, in excess of the Simplified Acquisition Threshold. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, the Sponsor must make independent estimates before receiving bids or proposals. For corrective action:</p> <ul style="list-style-type: none"> Submit a procedure and template for conducting and documenting cost or price 	SFSB Administrator	

		<p>analyses for all procurements exceeding the simplified acquisition threshold.</p> <ul style="list-style-type: none"> Identify within the procedure who will be responsible for the cost/price analysis, when activities will be conducted, and where documents will be kept on file. 		
VII	No Forecasting / Policies in Place to Prevent Parceling	<p>Design and implement an annual forecasting process to project school food service needs, identify aggregate purchases, and prevent parceling. To fulfill corrective action in this area:</p> <ul style="list-style-type: none"> Submit a documented forecast plan, including a plan to prevent parceling, and indicate who will be responsible for the forecasting, when activities will be conducted, and where documents will be kept on file. 	SFSB Administrator	
VIII	Bid for All Formal Procurements for SY 26-27	<ul style="list-style-type: none"> Provide an attestation statement indicating that bids will be conducted for all formal procurements, in advance and effective for SY 26-27 and that the procurement plan / procedures submitted will be followed. Indicate who will be responsible for formal procurement activities, when it will be completed, what documentation will be maintained on file, and where documentation will be maintained. 	SFSB Administrator	