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STATE PROCUREMENT OFFICE
NOTICE OF AND REQUEST FOR EXEMPTION
FROM CHAPTER 103D, HRS, STATE OF HAWAII

1. TO: Chief Procurement Officer
2. FROM: Russ K. Saito, State Comptroller

Department/Division/Agency

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

3. Description of goods, services or construction:

This is our annual request for exemption from the Mandatory Purchase of Office Paper and Printed Material with Recycled Content, Section 3-124-26(b), Hawaii Administrative Rules. Approval is being requested to utilize 100% virgin paper for State of Hawaii checks to be purchased under the new Invitation For Bids for fiscal year 2010-2011.

Although recycled cut sheet form is available for 28# white check stock, XEROX Hawaii (the manufacturer of the laser printers used to print our checks), does not recommend the use of recycled paper for check stock (see attached letter). The reason is that recycled paper contains composites that affect the scanning readability of the MICR line, which could provide incorrect financial information when being processed by the bank.

Unless we can be assured the recycled check stock is completely free of all impurities, XEROX highly recommends the use of virgin check stock.

4. Name of Vendor: To be determined

Address:

5. Price:

\$55,000

6.

Term of Contract:

From: 7/1/10

To: 6/30/11

7. Prior Exemption Ref. No.

09-046-J

8. Explanation describing how procurement by competitive means is either not practicable or not advantageous to the State:
Procurement of the check stock will be through HePS.

9. Details of the process or procedures to be followed in selecting the vendor to ensure maximum fair and open competition as practicable:

Procurement of the check stock will be through HePS.

REQUEST FOR EXEMPTION FROM CHAPTER 103D, HRS (Cont.)

10. A description of the agency's internal controls and approval requirements for the exempted procurement:
 Procurement of the check stock will be through HePS.

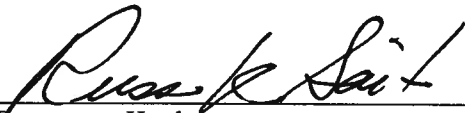
12. A list of agency personnel, by position, who will be involved in the approval process and administration of the contract:

Name	Position	Involvement in Process	
Kurt Muraoka	Accounting System Manager	<input type="checkbox"/> Approval	<input checked="" type="checkbox"/> Administration
Sheila Walters	Accounting System Manager	<input type="checkbox"/> Approval	<input checked="" type="checkbox"/> Administration
		<input type="checkbox"/> Approval	<input type="checkbox"/> Administration
		<input type="checkbox"/> Approval	<input type="checkbox"/> Administration
		<input type="checkbox"/> Approval	<input type="checkbox"/> Administration
		<input type="checkbox"/> Approval	<input type="checkbox"/> Administration

13. Direct inquiries to: Department: DAGS
 Contact Name: Kurt Muraoka
 Phone Number: 586-0610
 Fax Number: 586-0739

Agency shall ensure adherence to applicable administrative and statutory requirements

14. *I certify that the information provided above is, to the best of my knowledge, true and correct.*


 Department Head

10/20/09
 Date

Reserved for SPO Use Only

15. Date Notice Posted 10-27-09

The Chief Procurement Officer is in the process of reviewing this request for exemption from Chapter 103D, HRS. Submit written objections to this notice to issue an exemption from Chapter 103D, HRS, within seven calendar days or as otherwise allowed from the above posted date to:

Chief Procurement Officer
 State Procurement Office
 P.O. Box 119
 Honolulu, Hawaii 96810-0119

REQUEST FOR EXEMPTION FROM CHAPTER 103D, HRS (Cont.)

Chief Procurement Officer's comments:

16. **APPROVED** **DISAPPROVED** **NO ACTION REQUIRED**

Chief Procurement Officer

Date



Xerox Corporation

700 Bishop Street, #1200
Honolulu, HI 96813

t 808.543.6250
f 808.543.6233

October 16, 2009

Sandy Furumori
State of Hawaii
Information & Communications Services Division
Dept. of Accounting & General Services
1151 Punchbowl Street, Room B30
Honolulu, HI 96813

Dear Ms. Furumori:

Xerox high speed printers can run a variety of paper stock. However, we highly recommend the use of virgin paper for the following reasons. Any other type of paper should only be used if there is no alternative.

Our MICR guarantee is based on the printing being within tolerances of the check scanners used by the banking industry to automate processing. This guarantee is based on 100 % readability. These tolerances are maintained in part by the quality of the paper. Recycled paper has composites that affect the scanning readability. There are particles within recycled paper the scanners might read. As a result, incorrect account information could be registered requiring operator intervention or incorrect financial information.

In addition to the MICR issues, performance of the printers is affected. More jams will occur using recycled paper. High-speed printers performance is based on paper stock. Paper stock is the by far the most crucial element in the performance/reliability of any printing engine. There is a recommended range of paper where the expectation will be acceptable. Outside of this range and performance is negatively affected.

We hope these points offer some insight to the use of recycled paper

Sincerely,

Ian Yee
Xerox Hawaii
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E-Mail: ian.yee@usa.xerox.com