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Governor

Rebecca N. Sullivan
Commissioner

To: CUPOs

AUD #22-07R

CC: Jim Barnaby, Deputy Commissioner, State Purchasing Division

From: Audits, State Purchasing Division

Date: January 31, 2022 (revised on March 8, 2022, please see section 1b)

Re: Fiscal Year 2021 Audit of Emergency Purchase Orders (POs) issued by University System of Georgia (USG) entities

Background

The State Purchasing Division (SPD) has granted the authority to state entities to purchase urgently needed items arising from unforeseen causes, including, but not limited to, extreme weather conditions, official declared emergencies, or immediate welfare of the general public. These types of events are described as emergency purchases. Emergency purchase orders (POs) allow state entities to conduct procurements outside of the required competitive process. Consequently, emergency POs could be used to circumvent state procurement laws and regulations by claiming that a procurement is an emergency when it is not. Section 1.3.5 of the Georgia Procurement Manual (GPM) states that “an emergency procurement is handled outside of the normal competitive process for purchases greater than \$24,999.99 because of the urgency of the circumstances.” It further requires that SPD-N1004 emergency justification form “must be attached at the header level of the PO in the system as well as other pertinent documentation relating to the emergency purchase.”

Audit Objectives

1. Was an emergency purchase required?
2. Was an emergency justification form completed?
3. Does the PO qualify as an emergency purchase?

Audit Summary

Our audit identified 317 POs totaling \$10.6 million, were classified as an emergency in fiscal year 2021. Of these, 48 POs totaling \$3.7 million (35%) were related to the COVID-19 pandemic. There were 13 USG entities, which classified a PO as an emergency. These USG entities are summarized in the table on page 2. Emergency POs represented (0.11%) of the 276,556 POs issued in fiscal year 2021 by USG entities, which accounted for 0.51% of the \$2.1 billion of POs issued.

State Entity	PO Amount	PO Count	Percent
Kennesaw State University	\$3,378,881	183	32%
Georgia State University	\$1,373,221	20	13%
University of Georgia	\$1,350,761	19	13%
University of North Georgia	\$1,343,395	4	13%
Georgia Institute of Technology	\$1,143,553	22	11%
Board of Regents	\$755,459	7	7%
Dalton State College	\$423,666	7	4%
Georgia Southern University	\$415,880	4	4%
Fort Valley State University	\$212,498	45	2%
Savannah State University	\$71,017	2	1%
Albany State University	\$65,000	1	1%
Georgia Gwinnett College	\$39,609	2	<1%
Augusta State University	\$107	1	<1%
Total	\$10,573,045	317	100%
Source: BOR_OPO19D_PO_LIST_BY_BU_DTL; PO data provided by Augusta University, Georgia Institute of Technology, Georgia State University and University of Georgia			

Audit Findings

Using the requirements from the GPM and state law as guidance, the audit identified:

1. 223 (70%) of the 317 POs classified as emergencies were misclassified. These POs were less than \$24,999.99. Two universities: Kennesaw State University and Fort Valley State University issued 90% (200 of the 223) of these POs. These POs are described in greater detail below.
 - a. Kennesaw State University issued 156 POs, which were less than \$24,999.99. These POs totaled \$1.0 million. Of these 156 POs, 125 POs were with two suppliers (Capital Restoration and Full Circle Restoration and Construction) to do remediation construction work caused by water damage. Of these POs, 105 were less than \$10,000. For the POs less than \$10,000 these may have fell under the Board of Regents public works contract exemption.ⁱ Procurements of this type and amount do not require a public advertisement or competitive bidding. This is also true for emergency purchases. Therefore, there is no advantage or benefit gained from coding these POs as emergencies; doing so actually creates extra work since an emergency PO requires an emergency justification form to be completed. There were 17 POs, which were less than \$2,500. The statewide PO policy does not require a PO for purchases less than \$2,500. These purchases could have been made on the State's procurement card (p-card) or paid without a PO.
 - b. Fort Valley State University issued 44 POs, which were less than \$24,999.99. These POs totaled \$153,208. Of these POs, 40 were less than \$10,000ⁱⁱ and 22 were less than \$2,500. Most POs issued by Fort Valley State University were for repairs or maintenance related to facilities. Although these were emergencies in the sense that they needed to be addressed urgently they did not require the issuance of an emergency PO since they were less than \$24,999.99. Issuing an emergency PO does not expedite these procurements. **Correction: In October 2018 Fort Valley State University had contacted DOAS for permission to use the emergency PO type for urgent jobs over \$10,000. DOAS**

granted Fort Valley State University permission to do this. The audit team was not aware of this request until February 2022 after this audit was completed.

2. The remaining 94 POs required an emergency justification form. We could not locate an emergency justification form for 26 (28%) of the 94 POs.

Recommendations

1. USG entities should continue to submit completed emergency justification forms and supporting documentation to process.improvement@doas.ga.gov.
2. Emergency POs should only be used for emergencies over \$24,999.99 and only for instances, which meet the criteria outlined in the GPM.
3. Kennesaw State University should establish an agency contract with one or more of the winning suppliers, one of which is Full Circle Restoration and Construction, of the USG Disaster Recovery Services RFP (ES-RFP-47200-388). This solicitation covers repairs to facilities and was awarded on June 24, 2021.

ⁱ Board of Regents bid requirements for public works contracts do not require public advertisement and competitive bidding for projects with construction costs less than \$50,000. For construction costs equal to or greater than \$50,000 but less than \$100,000 public advertisement is not required; however, competitive sealed bids from at least three contractors should be obtained.

ⁱⁱ Board of Regents bid requirements for public works contracts do not require public advertisement and competitive bidding for projects with construction costs less than \$50,000. For construction costs equal to or greater than \$50,000 but less than \$100,000 public advertisement is not required; however, competitive sealed bids from at least three contractors should be obtained.