



To: APOs

AUD #20-01

CC: Lisa Eason, Deputy Commissioner, State Purchasing Division
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From: Audits, State Purchasing Division

Date: August 19, 2019

Re: Fiscal Year 2018 Audit of Agency Contract Purchase Orders (POs) issued by Team Georgia Marketplace™ (TGM) entities

Conclusion

We did not find any major issues with agency contract POs or with the management of agency contracts in Team Georgia Marketplace™ but only 44% of the POs tested had contract documents uploaded to the Supplier Contracts module. Our audit identified 17,298 POs (9% of the 190,160 POs) classified as agency contract (designated as purchase type code “AC”) issued in fiscal year 2018 totaling \$3.7 billion (63% of the \$5.8 billion in POs).

Background

The audit reviewed the use of POs in combination with stand-alone agency contracts and how POs identified as agency contracts under the “AC” purchase type code referenced the contracts. Agency contracts can be created from sourcing events [e.g. Request for Quotations (RFQ), Request for Proposals (RFP), sole source] or they may simply arise when an entity enters a contractual relationship with a supplier or organization to deliver or receive goods and services or to disburse grant funds. The derivation of the contract cannot necessarily be identified on a PO and practices vary with agencies using the “PO Ref”, “Contract ID” and “Line Item Descr” fields for recording agency contract identification numbers. Slightly more than 31% of PO lines reviewed contained an agency contract number in the “Contract ID” field. Similarly, an analysis of the “PO Ref Field” found what might be construed as a contract descriptor (not necessarily the exact contract ID) on just 37% of PO lines. The existence of an agency contract ID number did not necessarily indicate that the contract was in TGM. We also identified that 11% of agency contract PO spend was with other government agencies. Agency contract POs did not appear to be used to circumvent the bidding process.

Our goal was to reconcile POs to existing agency contracts using any contract identifiers that were available on the POs. Through TGM, the State Purchasing Division (SPD) provides a module called Supplier Contracts that allows state entities to manage their agency contracts. Section 8.5.4 of the *Georgia Procurement Manual* (GPM) states that “with the exception of intergovernmental agreements, all new [agency] contracts should be created and maintained in the Supplier Contracts module for the duration of that contract.” In addition to this module, TeamWorks Financials also contains two queries that allow agency contracts to be identified:

- oPO096_AGENCY_CONTRACTS_ACTIVE; and,
- oSC003_CONTRACTS_BY_AGENCY.

The audit team requested the creation of an additional query, which allows agency contact documents to be identified in TeamWorks. This query is called:

- oSC003B_AGENCY_CONTRACTS_DOCS

and shows which documents have been uploaded to Supplier Contracts.

| Audit Objectives | Results |
|--|---|
| Which agencies had the highest dollar amount of agency contract POs? | Table 1 |
| Which agencies issued the most agency contract POs? | Table 2 |
| Are agency contract POs being used for IGA purchases? | Table 3 We found \$402.7 million (11%) of the agency contract POs were for intergovernmental agreements. Please also see the section below entitled “Agency Contract POs and the Statewide Purchase Order Policy.” |
| Do agency contract POs meet the requirements of the GPM? | The requirements in the GPM are vague as to exactly what is required of an agency contract PO. The GPM does state contracts should be maintained in the Supplier Contracts module. We only found 44% of the POs tested had contract documents uploaded to the module. |
| Are agency contract POs issued for non-contract purchases (i.e. do not require a PO or do not involve an agency contract)? | Yes, in addition to the intergovernmental agreements, we found an additional \$2 million in POs, for real estate rental or lease payments, which do not require a PO as per the Statewide Purchase Order Policy. There were also \$6.6 million in POs which referenced a statewide contract number. |

Audit Summary

Our audit identified 55 agencies used the agency contract PO type in fiscal year 2018. Agency contract POs issued by the top six agencies accounted for 92% of the total dollar amount of POs issued in fiscal year 2018. The top 10 agencies are shown in **Table 1**.

Table 1
Agency Contract PO Amounts by Agency

| State Entity | PO Amount | Percent |
|--|------------------|----------------|
| Transportation, Department of | \$2,265,323,546 | 61% |
| Community Health, Department of | \$557,058,886 | 15% |
| DBHDD | \$283,735,490 | 8% |
| Corrections, Department of | \$156,335,893 | 4% |
| Public Health, Department of | \$71,870,756 | 2% |
| Early Care and Learning, Department of | \$60,217,202 | 2% |
| Georgia Technology Authority | \$49,800,092 | 1% |
| Revenue, Department of | \$42,905,838 | 1% |
| Human Services, Department of | \$33,420,119 | <1% |
| Juvenile Justice, Department of | \$28,338,872 | <1% |
| Source: Source: PeopleSoft query TGM_oEPO019D_PO_SPEND_BY_DATE | | |

In terms of PO amounts, the top five agencies issuing the highest number of agency contract POs in fiscal year 2018 accounted for 74% of all POs. The agencies that issued the highest number of agency contract POs are shown in **Table 2**.

Table 2
Agency Contract POs Issued by Agency

| State Entity | Number of POs | Percent |
|--|----------------------|----------------|
| Georgia Correctional Industries | 6,529 | 38% |
| Transportation, Department of | 3,772 | 22% |
| Corrections, Department of | 1,007 | 6% |
| Education, Department of | 708 | 4% |
| DBHDD | 707 | 4% |
| Natural Resources, Department of | 544 | 3% |
| Public Health, Department of | 493 | 3% |
| Human Services, Department of | 489 | 3% |
| Public Safety, Department of | 390 | 2% |
| Savannah Technical College | 346 | 2% |
| Source: PeopleSoft query TGM_oEPO019D_PO_SPEND_BY_DATE | | |

Agency Contract POs and the Statewide Purchase Order Policy

In the final section of this audit, we looked at agency contract POs and how they might be impacted by the Statewide PO Policy (rev. 07/01/2017). This policy removes the requirement for entities to create a PO for the following types of payments:

- Attorney and legal related payments, as such procurements are prescribed to the Department of Law via OCGA §45-15-34
- Benefit payments made directly to recipients
- Intergovernmental agreements/payments (e.g., GTA bills, Risk Management premiums, HRA assessments, etc.)
- Membership dues and/or subscriptions
- Payroll and associated tax and benefit payments
- Postage and shipping
- Real estate rental/lease payments
- Registration fees
- Sales and Use tax payments
- Travel expense reimbursements
- Utilities (e.g., electricity, telephone land lines, cell phone charges, etc.)
- WEX and ARI payments

Our review found that 12% of the total amount of agency contract POs was for intergovernmental agreements and utilities. A further \$2 million of the total amount of POs was for real estate rental or lease payments. See **Table 3** below for a breakdown of the top amounts by supplier where no PO would be required by the SAO policy.

Table 3
Agency Contract PO Amounts by Supplier (No PO Required)

| Supplier | PO Amount |
|--|------------------|
| Augusta University | \$39,258,228 |
| Bartow County | \$24,836,008 |
| Atlanta Regional Commission | \$20,824,565 |
| Georgia Power Company | \$17,937,558 |
| Unified Government of Athens-Clarke County | \$16,142,069 |
| State Road and Tollway Authority | \$16,000,000 |
| Human Services, Department of | \$15,002,009 |
| City of Johns Creek | \$14,074,990 |
| University of Georgia | \$9,905,919 |
| Georgia Correctional Industries | \$9,092,357 |
| City of Augusta | \$8,742,888 |
| Source: PeopleSoft query TGM_oEPO019D_PO_SPEND_BY_DATE | |

Do agency contract POs meet the requirements of the GPM?

As part of the audit we reviewed 43 POs¹ classified as agency contract to determine if the PO met the requirements of the GPM. For agency contract POs, the GPM only requires the use of the correct PO type code. In the review we attempted to locate a contract ID on the PO. If we could locate a contract ID, we then determined if this contract ID appeared on either of the TeamWorks Financials queries. The final step of the review was to verify that contract documents had been uploaded to the contract in TGM by visiting the actual contract (not via the query that had been designed).

We found 25 of the 43 (58%) POs reviewed contained a contract ID that could also be identified on one of the two queries. Where a contract ID could be identified from the POs, we found that 19 of the 43 (44%) contracts in TGM had documents uploaded.

Are agency contract POs issued for non-agency contract purchases?

In addition to the POs issued to other state government agencies mentioned previously, the review also identified that 39 different statewide contract (SWC) IDs were used on agency contract POs. The total amount on POs with SWC IDs was \$6.6 million.

Recommendations

1. APOs are requested to review the attached State Accounting Office's Statewide Purchase Order Policy (rev. 07/01/2017). If your internal processes require you to use a PO to encumber funds for contracts with other government agencies or there is a need to encumber the funds, so they do not lapse, please classify these POs as intergovernmental by using the purchase type code IGA. SPD's policies or processes do not require the creation of POs for any of the payments listed in the SAO policy.

¹ For the sample we reviewed the 26 POs greater than \$5 million for agencies other than the Department of Transportation (DOT). For DOT we reviewed their largest 10 POs by amount. We also reviewed a further seven POs across all agencies that contained in excess of 200 lines each.

2. APOs should also share this memo and the attached Statewide Purchase Order Policy with their agency's finance staff for further guidance on the use of POs for encumbering funds where the SAO policy does not require POs to be used.
3. APOs are also reminded of the requirements in Section 8.5.4 of the GPM, which are:
 - a. all new agency contracts should be created and maintained in the Supplier Contracts Module;
 - b. all existing, active, multi-year contracts with more than one renewal option remaining and which the state entity intends to renew should be imported into, and maintained in the Supplier Contracts Module;
 - c. intergovernmental agreements are not required to be managed in Supplier Contracts Module.