



To: Agency Purchasing Officers

AUD #20-05

CC: Lisa Eason, Deputy Commissioner, State Purchasing Division
Mary Chapman, Director of Policy, Training and Outreach, State Purchasing Division

From: Audits, State Purchasing Division

Date: December 10, 2019

Re: Fiscal Years 2018 and 2019 audit of Sole Source Purchase Orders issued by Team Georgia Marketplace™ entities

Background

A sole source *solicitation* allows state entities to conduct a procurement outside of the required competitive solicitation process. Since section 2.3.2.2 of the GPM does not prescribe any specific post-award steps or processes that must be followed for sole source POs, the audit also found that practices varied depending on the business requirement for which the sole source was being issued. The result of the sole source solicitation, therefore, might simply be a one-time purchase order for a good or service or the purpose of the solicitation could just as likely be for the establishment of a state entity contract.

Section 2.3.2.1 of the Georgia Procurement Manual (GPM) states that “for purchases with a value of \$25,000 or more, sole source purchases are prohibited unless the state entity establishes justification why the needed goods or services should not be procured through open competition.” Section 2.3.2.2 of the GPM further requires that the state entity “must provide public notice of the intended sole-source purchase or contract through a posting to the GPR”. Furthermore, SPD did release an official announcement (#15-01) on 12/1/2015 requiring all sole source procurements over \$500,000 be submitted to SPD for approval prior to posting. This requirement went into effect on January 1, 2016.

Audit Objectives

1. Was the sole source PO coded correctly?
2. Did the sole source PO meet the requirements of the GPM?
3. Was the sole source PO matched to a posting on the GPR?
4. Was the sole source posting approved, where required, by SPD?

Conclusion

Overall, we did not find any major issues with sole source purchase orders (POs); however, we did identify one item for concern: one PO issued in fiscal year 2018, which could not be traced to a sole source posting on the Georgia Procurement Registry (GPR).

Fiscal year 2018:

Our audit identified 351 POs totaling \$32.3 million classified as sole source in fiscal year 2018. Sole source POs represented only a small fraction of the POs issued in fiscal year 2018 by Team Georgia Marketplace™ (TGM) entities: only 0.18% of the 190,160 POs were classified as sole source, which amounted to only 0.55% of the \$5.8 billion of the total PO amount.

Of the 351 POs classified as sole source we found:

- 124 POs (35%) could be traced to a sole source posting on the GPR.
- 219 POs (62%) where the sole source designation was not needed since:
 - 182 POs were less than \$25,000 and the *Georgia Procurement Manual (GPM)* does not require a solicitation for purchases under this threshold; and,
 - 36 POs were renewals of existing state entity contracts. In these instances, the PO type should not have been sole source.
 - 1 PO involved the purchase of an exempt item, and the sole source was posted in error¹
- 4 POs (1%) where issued by an authority², which does not fall under the purview of the State Purchasing Division (SPD) of the Georgia Department of Administrative Services (DOAS). These four POs totaled \$632,783 or 2% of the POs issued in fiscal year 2018.
- 3 POs (1%) were incorrectly coded as a sole source; two POs should have been coded as an open market purchase and one PO referenced a solicitation, which was an RFP and not a sole source.
- 1 PO related to a sole source solicitation that was never posted to the GPR (see “Issue noted” below)

Nine (3%) of the 351 POs were found to be in excess of \$500,000. These POs were reviewed to determine if the SPD’s approval was obtained pursuant to section 2.3.2.2 of the GPM. The GPM states “if the value of the sole source purchase amounts to \$500,000 or greater, the GPR system will route the proposed sole source to the Agency Sourcing Division for review prior to posting.” We found:

- Two sole source postings were approved by SPD
- The remaining seven solicitations did not require SPD approval since they were related to contract renewals³.

Issue noted:

A PO in the amount of \$33,480 issued for mail barcode automation software by the Georgia Vocational Rehabilitation Agency did not have a sole source solicitation posted to the GPR. Section 2.3.2.2 requires that:

- “The procurement professional must develop written justification for the proposed sole source to be posted with the public notice on the Georgia Procurement Registry.”
- “The procurement professional must provide public notice of the intended sole source purchase or contract through a posting to the GPR. The purpose of publicizing the sole source is to allow the free market to act as a check and balance on invalid sole sources by allowing suppliers to protest a sole source 1) if suppliers believe and can document that they

¹ Clarification on this PO was provided by the Agency Purchasing Officer (APO).

² State Authorities are exempt for the State Purchasing Act. Furthermore, use of the GPR by the authority is optional.

³ As per the number of allowable renewals as defined in section 3.6.2 of the GPM.

also meet the requirements of the sole source; or 2) if suppliers believe the sole source requirements are unjustifiably restrictive.

- “If the estimated contract value is \$25,000 - \$249,999.99, the notice is to be posted for a minimum of five (5) business days.”

Fiscal year 2019:

Our audit identified 341 POs totaling \$41.9 million classified as sole source in fiscal year 2019. Sole source POs represented only a small fraction of the POs issued in fiscal year 2019 by Team Georgia Marketplace™ entities: only 0.19% of the 181,930 POs were classified as sole source, which amounted to only 0.63% of the \$6.7 billion of the total PO amount.

Of the 341 POs classified as sole source we found:

- 142 POs (41%) could be traced to a sole source posting on the GPR.
- 192 POs (56%) where the sole source designation was not needed since:
 - 148 POs were less than \$25,000 and the *Georgia Procurement Manual (GPM)* does not require a solicitation for purchases under this threshold; and,
 - 44 POs were renewals of existing state entity contracts. In these instances, the PO type should not have been sole source.
- 4 POs (1%) were incorrectly coded as a sole source; two POs should have been coded as exempt and two POs should have been coded as agency contract.
- 3 POs (1%) where issued by an authority⁴, which does not fall under the purview of the State Purchasing Division (SPD) of the Georgia Department of Administrative Services (DOAS). These three POs totaled \$757,521 or 2% of the POs issued in fiscal year 2019.

After reviewing the 341 sole source POs, 142 could easily be reconciled to a sole source posting on the Georgia Procurement Registry (GPR). There were 148 POs classified as sole source that did not need to have such a designation because state law does not require a solicitation for purchases less than \$25,000 and the GPM does not require the state entity to post a sole source justification for purchases under this threshold. A further 44 POs also did not require a solicitation as these were renewals of existing state entity contracts. Three POs were issued by an authority that does not operate under SPD rules. Four POs were incorrectly coded as sole source purchase type code.

Nine (3%) of the 341 POs were found to be in excess of \$500,000 and were therefore reviewed. These POs were reviewed to determine if the SPD’s approval was obtained pursuant to section 2.3.2.2 of the GPM. The GPM states “if the value of the sole source purchase amounts to \$500,000 or greater, the GPR system will route the proposed sole source to the Agency Sourcing Division for review prior to posting.” We found:

- Three sole source posting was approved by SPD
- Six solicitations did not require SPD approval since they were related to contract renewals⁵.

Recommendations

⁴ State Authorities are exempt for the State Purchasing Act. Furthermore, use of the GPR by the authority is optional.

⁵ As per the number of allowable renewals as defined in section 3.6.2 of the GPM.

To promote consistency across the enterprise, SPD continues to recommend the following best practices for the sole source scenarios described:

1. Sole source solicitation posted for a one-time purchase of a good or service: after the Notice of Award (NOA) is posted, the PO is created and coded as sole source. The sole source event ID from the GPR is noted in the PO header⁶.
2. Sole source solicitation posted for multiple purchases of goods/services for a period **not to exceed** one year: after the NOA is posted, the POs are created as needed and coded as sole source. The sole source event ID from the GPR is noted in the PO header.
3. Sole source solicitation posted to create a multi-year state entity contract for the purchase of goods/services: after the NOA is posted a state entity contract is created and the sole source event ID now becomes the state entity contract number. All subsequent POs from this event are coded as State entity contract (AC) and the state entity contract number is noted in the PO header.
4. When the state entity contract created in #3 above is being renewed, there is no need to repost the sole source notice to the GPR. The posting requirements will have been satisfied during the initial (first year) of the contract. However, if the state entity contract has no remaining renewals a new sole source solicitation must be posted to the GPR if the goods or services are still required and there exists only a single source of supply.

⁶ For purchasing systems where access to the header is limited or restricted, the sole source event ID should be entered in any available PO Reference field.