



To: APOs

AUD #19-01

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

From: Audits, State Purchasing Division

Date: September 18, 2018

Re: Fiscal Year 2017 audit of Sole Source Purchase Orders (POs) issued by Team Georgia Marketplace (TGM) entities

Conclusion

We did not find any major issues with sole source purchase orders. Our audit identified 231 POs totaling \$30.2 million classified as sole source "SS" in fiscal year 2017. Sole source POs represented only a small fraction of the POs issued in fiscal year 2017 by TGM agencies: only 0.0016% of the 145,180 POs were classified as sole source, which was only 0.05% of the \$5.6 billion of the POs issued. Forty-six (20%) of the POs classified as sole source did not need to have such a designation, since they were less than \$25,000. State law does not require a solicitation for purchases less than \$25,000 and the GPM does not require the state entity to complete a sole source justification form (SPD-PS020) for purchases under this threshold. Most of the sole source POs could be reconciled to a sole source posting on the Georgia Procurement Registry (GPR). For the few POs (10) that could not readily be reconciled to a sole source posting, we contacted the four respective state entities for clarification.

Background

Sole source POs allow state entities to conduct procurement outside of the required competitive process. 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" of form SPD-PS020 Sole-Source Intent to Award Justification. Furthermore, SPD did release an official announcement (#16-02) on 12/3/2015 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.

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. To promote consistency across the enterprise (including USG schools), SPD further recommends the following best practices for the sole source scenarios described:

Recommendations

1. Sole source issued 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 SS. The SS event ID from the GPR is noted in the PO header¹.
2. Sole source issued 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 SS. The SS event ID from the GPR is noted in the PO header.
3. Sole source issued to create a multi-year contract for the purchase of goods/services: after the NOA is posted an agency contract is created and the SS event ID now becomes the agency contract number. All subsequent POs from this event are coded as Agency Contract (AC) and the agency contract number is noted in the PO header.

¹ For purchasing systems where access to the header is limited or restricted, the SS event ID should be entered in an available PO Reference field.