



**To:** APOs & CUPOs

**AUD #20-02**

**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:** August 19, 2019

**Re:** Enterprise-wide fiscal year 2018 audit of Purchase Orders (POs) issued to state and local governments not identified as intergovernmental agreements under the “IGA” purchase type code

### **Conclusion**

In fiscal year 2018, we found \$685.8 million in purchase orders (POs) issued to state and local government entities but the purchase type code for intergovernmental agreements “IGA” was not used. Of the \$685.8 million in POs:

- \$616.3 million was issued by Team Georgia Marketplace™ (TGM) entities or 12.3% of POs issued by these entities; and,
- \$69.4 million was issued by University System of Georgia (USG) entities or 3.8% of POs issued by these entities.

These POs should have been identified with the IGA purchase type code.

### **Background**

POs are subject to the *Georgia Procurement Manual* (GPM) and the Statewide Purchase Order Policy (rev. 07/01/2017). The GPM requires that the purchase type code must be identified on each PO. The purchase type code IGA is to assist in identifying purchases that are exempt from competitive bidding. According to section 1.2.2.1 of the GPM “the Georgia Constitution authorizes state entities to enter into an intergovernmental agreement if the items to be acquired are available from that source. An intergovernmental agreement is a contract between two or more government entities. Permissible government entities include state and local (county, city, etc.) government entities within the state of Georgia as well as other states of the United States of America. Intergovernmental agreements do not require approval from SPD or competitive bidding and are not subject to dollar limits. NOTE: To be considered exempt from the competitive bidding requirements of the State Purchasing Act, the good or service must be materially provided by the other governmental entity and not passed through the governmental entity by a private third party.”

The PO policy does not require a PO be created for intergovernmental agreements or payments. The Statewide Purchase Order 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

Although the Statewide Purchase Order Policy does not require a PO for intergovernmental agreements or payments; there still could be valid reasons to create a PO. State entities may need to issue POs to ensure funds are encumbered and do not lapse at the end of the fiscal year, which is especially important for Federal grants, which may provide funding over multiple fiscal years.

<b>Audit Objectives</b>	<b>Results</b>
Which state and local governments were issued POs where the purchase type code IGA was not used by TGM entities?	<b>Table 1</b>
Which state and local governments were issued POs where the purchase type code IGA was not used by USG entities?	<b>Table 2</b>

### Audit Summary

In fiscal year 2018, there were 190,160 POs issued totaling \$5.8 billion by TGM entities. Of these there were:

- 9,425 POs totaling \$860.4 million where the purchase type code of IGA was used.
- 180,735 POs totaling \$4.9 billion where the purchase type code of IGA was not used.

We examined the POs not coded to IGA to determine if any of the POs were issued to state or local governments and found that \$616.3 million or 12.3% of the POs issued were to government entities. In total, 683 government entities were issued POs. The top 10 government entities were issued 84 POs, which totaled \$221.2 million or 36% of the total dollar amount of POs issued. These government entities are summarized in **Table 1**.

**Table 1**  
**Top ten state and local governments issued POs without the PO type code IGA**  
**PO Amounts and Number of POs – TGM**

<b>Supplier</b>	<b>PO Amount</b>	<b>Percent</b>	<b>Number of POs</b>
Augusta University	\$39,260,428	6%	12
Atlanta Regional Commission	\$34,629,987	6%	17
One Georgia Authority	\$34,500,000	6%	1
Bartow County	\$24,886,504	4%	12
Unified Government of Athens-Clarke County	\$16,151,904	3%	11
State Road and Tollway Authority	\$16,000,000	3%	1
Human Services, Department of	\$15,092,429	2%	76

City of Johns Creek	\$14,074,989	2%	2
City of Albany	\$13,773,904	2%	16
Dekalb County	\$12,841,239	2%	21
Source: PeopleSoft query TGM_oEPO019D_PO_SPEND_BY_DATE			

In fiscal year 2018, there were 308,256 POs issued totaling \$1.98 billion by USG entities. Of these there were:

- 1,844 POs totaling \$130.2 million where the purchase type code indicated intergovernmental.
- 306,412 POs totaling \$1.8 billion where the purchase type code of IGA was not used.

We examined the POs not coded to IGA to determine if any of the POs were issued to state or local governments and found that \$69.4 million or 3.8% of the POs issued were to government entities. In total, 416 government entities were issued POs. The top 10 government entities were issued 435 POs, which totaled \$30.3 million or 43% of the total dollar amount of POs issued. These government entities are summarized in **Table 2**.

**Table 2**  
**Top ten state and local governments issued POs without the PO type code IGA**  
**IGA Supplier PO Amounts and Number of POs – USG**

Supplier	PO Amount	Percent	Number of POs
City of Atlanta	\$11,276,078	<1%	197
Board of Regents	\$5,445,730	<1%	147
University of Texas Medical Branch	\$3,284,044	<1%	13
Regents of the Univ Michigan	\$1,809,013	<1%	12
City of Marietta	\$1,784,778	<1%	9
BOR-University System of Georgia	\$1,565,486	<1%	27
Georgia Building Authority	\$1,475,151	<1%	2
Univ Texas at Austin	\$1,397,598	<1%	11
Univ of Illinois	\$1,167,404	<1%	12
City Carrollton	\$1,110,783	<1%	5
Source: BOR_OPO019D_PO_LIST_BY_BU_DTL and PO queries provided by University of Georgia, Georgia Institute of Technology, Georgia State University, and Augusta University.			

It appears the dollar amount of POs issued to governmental entities but not coded to the purchase type intergovernmental is severely understated since many POs were issued to government entities without using the IGA purchase type code. In fiscal year 2018, the dollar amount of POs coded to the purchase type of IGA totaled \$990.6 million but should have been \$1.7 billion or 69% more. These differences are summarized in **Table 3**.

**Table 3**  
**Comparison of actual IGA POs to what should have been coded as IGA POs**

	Actual amount of IGA POs	Amount that should have been coded to IGA POs
TGM entities	\$860,352,758	\$1,476,618,973
USG entities	\$130,171,047	\$199,665,975
<b>Total</b>	<b>\$990,523,805</b>	<b>\$1,676,284,948</b>

## **Recommendations**

1. APOs and CUPOs are requested to review the State Accounting Office's Statewide Purchase Order Policy (rev. 07/01/2017). If your internal processes require you to complete a PO to encumber funds for purchases with other government agencies, please always classify these POs as intergovernmental agreements and always use 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.
2. SPD will be reviewing the use of the IGA, MAN and PRF purchase type codes with respect to purchases from Georgia Correctional Industries. Further guidance will be issued shortly.