To: APOs & CUPOs   **AUD #20-03**

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

From: Audits, State Purchasing Division

Date: September 25, 2019

Re: Fiscal Year 2018 Audit of Purchase Orders coded as Open Market Purchase that reference a Contract ID for all entities in Team Georgia Marketplace™ (TGM) and the University System of Georgia (USG).

Conclusion

In fiscal year 2018, there were 138,797 POs issued totaling $482.6 million coded as an open market purchase. Of these, $14.3 million or 3% referenced a contract number on the PO. Of the $14.3 million in POs:

- $11.6 million was issued by Team Georgia Marketplace™ (TGM) entities or 4% of the POs coded as an open market purchase (purchase type code – OMP); and,
- $2.7 million was issued by University System of Georgia (USG) entities or 1.5% of the POs coded as an open market purchase

A PO coded as an open market purchase should not reference a contract number, since an open market purchase according to section 6.3.1.2 of the *Georgia Procurement Manual* (GPM) is "a state entity's purchase made on the open market regardless of dollar amount on a one-time basis (e.g., the state entity is not establishing a term contract).

Background

Section 6.3.1 of the GPM pertains to POs. The GPM defines a PO as "a contract between the state entity and the supplier" and "may also be used to establish minimum contract terms." The GPM further requires POs must contain the appropriate "purchase type" codes. The purchase type codes are defined in section 6.3.1.2 of the GPM. The GPM states for TGM™ entities "when utilizing a statewide contract or state entity contract for a purchase, each purchase order line should reflect the contract number whether the purchase is sourced from a catalog or not." For non-TGM™ entities "purchase orders should reflect the solicitation [contract] number in the PO reference field."

The correct purchase type code to use when there is an existing contract with the supplier is not the open market purchase code. The correct purchase type code for these types of procurement would depend on the nature of the contract, but could include:

- AC for a state entity contract;
- ACC for a state entity cooperative/consortia purchase;
- ACP for a state entity contract piggyback;
- CSN for a construction contract;

- SS for a sole source contract;
- SWCM for a mandatory statewide contract;
- SWCC for a convenience statewide contract; and,
- MUL for when a statewide contract or an agency contract is used with another purchase type.

Correctly referencing agency and statewide contract IDs on POs allows accurate spend data to be captured by contract managers, entity procurement staff and auditors. However, if an analysis was solely based on purchase type codes, this and other recent reviews have highlighted that further clarification and guidance is necessary to refine PO data to where it is more accurate and more valuable. In summary, the open market purchase type should not be used when there is a contract.

Audit Objectives	Results
Which TGM™ entities had the highest amount of OMP purchase orders that contained a contract ID?	**Table 1**
Which USG entities had the highest amount of OMP purchase orders that contained a contract ID?	**Table 2**
Which entities had the highest amounts by percentage of OMP purchase orders that contained a contract ID?	**Tables 3 and 4**

Audit Summary

Our audit reviewed 76,866 POs (40% of the 190,160 POs) issued in fiscal year 2018 totaling $295.0 million (5% of the $5.8 billion in POs) classified as "OMP" by TGM™ agencies. Our review found that 53 entities issued purchase orders totaling $11.6 million coded as OMP that contained a reference to a contract ID. The top 10 TGM™ entities accounted for 90% of the total dollar amount of OMP POs issued in fiscal year 2018 that referenced a contract ID. These entities are shown in **Table 1**.

Table 1
OMP PO Amounts: POs with Contract ID – TGM™

State Entity	Number of POs Referencing Contract ID	PO Amount Referencing Contract ID	Percent of OMP PO Amount
Human Services, Department of	289	$4,522,994	39%
Transportation, Department of	367	$1,796,676	16%
Georgia Bureau of Investigation	24	$971,259	8%
Labor, Department of	75	$804,346	7%
Public Health, Department of	22	$554,177	5%
Public Safety, Department of	17	$472,922	4%
Corrections, Department of	407	$385,219	3%
Chattahoochee Technical College	32	$313,413	3%
Natural Resources, Department of	36	$309,235	3%
Juvenile Justice, Department of	102	$240,372	2%
Source: PeopleSoft query TGM_0EPO019D_PO_SPEND_BY_DATE			

Our audit also reviewed 61,931 POs (20% of the 308,256 POs) issued in fiscal year 2018 totaling $187.5 million (9% of the $1.98 billion in POs) classified as open market purchases by USG agencies. Our review found that 17 USG entities issued purchase orders totaling $2.7 million coded as OMP that

contained a reference to a contract ID. The top 5 USG entities accounted for 91% of the total dollar amount of OMP POs issued in fiscal year 2018 that referenced a contract ID. These entities are shown in **Table 2**.

Table 2
OMP PO Amounts: POs with Contract ID – USG

State Entity	Number of POs Referencing Contract ID	PO Amount Referencing Contract ID	Percent of OMP PO Amount
Georgia Southern University	187	$1,750,903	64%
Georgia Gwinnett College	10	$262,062	10%
Augusta University	47	$203,406	7%
University of Georgia	92	$167,702	6%
Board of Regents	2	$88,226	3%
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.			

When taken as a percentage of the total OMP amount for each entity, we found three TGM™ entities had more than 20% of their OMP POs reference a contract ID. The average rate for the 53 TGM™ entities was just 4%. The 11 entities that exceeded the average of 4% are shown in **Table 3**.

Table 3
TGM™ Entity Percentage of Total OMP PO Amount

State Entity	PO Amount Referencing Contract ID	Total Entity OMP PO Amount	Percent of OMP PO Amount	Number of POs Referencing Contract ID	Total Number of OMP POs	Percent of Total OMP POs
Human Services, Department of	$4,522,995	$8,005,038	57%	289	2,661	11%
Labor, Department of	$804,347	$2,663,452	30%	75	834	9%
Georgia Bureau of Investigation	$971,259	$4,619,191	21%	24	1,501	2%
Chattahoochee Technical College	$313,413	$3,995,080	8%	32	1,160	3%
Transportation, Department of	$1,796,676	$24,409,214	7%	367	9,693	4%
Georgia Piedmont Technical College	$78,046	$1,178,432	7%	8	525	2%
Juvenile Justice, Department of	$240,372	$3,903,445	6%	102	1,863	5%
Public Health, Department of	$554,178	$9,108,646	6%	22	555	4%
Public Safety, Department of	$472,923	$8,588,943	6%	17	2,605	<1%
Economic Development, Department of	$48,010	$989,921	5%	17	708	2%
Audits and Accounts, Department of	$16,124	$335,103	5%	6	109	6%
Source: PeopleSoft query TGM_0EPO019D_PO_SPEND_BY_DATE						

When taken as a percentage of the total OMP amount for each entity, no USG entity had more than 10% of their OMP POs reference a contract ID. The average rate for the 17 USG entities was just 2%. The top five entities for the USG are shown in **Table 4**.

Table 4
USG Entity Percentage of Total OMP PO Amount

State Entity	PO Amount Referencing Contract ID	Total Entity OMP PO Amount	Percent of OMP PO Amount	Number of POs Referencing Contract ID	Total Number of OMP POs	Percent of Total OMP POs
Georgia Southern University	$1,750,903	$17,834,851	10%	187	2,447	8%
Georgia Gwinnett College	$262,082	$4,763,567	6%	10	819	1%
Abraham Baldwin Agricultural College	$63,815	$1,309,196	5%	5	166	3%
Board of Regents	$88,226	$3,278,743	3%	2	436	<1%
South Georgia State College	$44,866	$2,948,259	2%	3	629	<1%
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.						

Recommendations

1. The use of the purchase type code of OMP on POs should be limited to the narrow definition found in the GPM which is a "purchase made on the open market regardless of dollar amount on a one-time basis".
2. Contract IDs should be cited on POs whenever possible. This is especially important for POs issued against a statewide contract. The contract ID field is the most logical place to reference this information. Since USG entities do not have the ability to use this field buyers should cite the contract ID in the PO reference field or the comments field for the PO header or PO line.
3. The audit team will work with the policy and training team to refine and clarify guidance on the use of the OMP purchase code type and contract IDs in the GPM and other materials.
4. The audit team will contact the entities with the largest amount and percentage of OMP purchase orders that reference a contract ID to:
    a. make them aware of the coding discrepancy that was identified; and,
    b. allow them to review their internal processes to avoid repetition of these errors in the future.