



To: APOs and CUPOs

AUD #23-05

CC: Jim Barnaby, Deputy Commissioner, State Purchasing Division
Mary Chapman, Deputy Division Director, State Purchasing Division

From: Audits, State Purchasing Division (SPD)

Date: October 31, 2022

Re: Audit of Emergency Purchase Orders (POs) issued by Team Georgia Marketplace™ and University System of Georgia entities¹ in July 2022

Audit Objectives

1. Was an emergency purchase needed?
2. Was the Emergency Justification Form (SPD-NI004) completed?

Background

In accordance with O.C.G.A. §50-5-71, SPD has granted the authority to state entities to purchase urgently needed items during emergencies. Emergency purchases shall be limited to those supplies, services, or items necessary to respond to the emergency. On April 12, 2022, the Department of Administrative Services (DOAS) released Official Announcement #**22-06**, which revised the emergency purchasing policy. These changes became effective July 1, 2022, and included the updates summarized below.

1. Definition of emergency: the definition of an emergency was clarified and requires the state entity to use reasoned discretion to determine whether “immediate” or “prompt” action is required based on the unique circumstances.
2. Competitively bid resources and informal quotes: the policy was updated to identify available competitively bid resources to consider using during an emergency situation. If an emergency situation requires prompt but not immediate action, the state entity should, to the extent possible given the circumstances, contact multiple suppliers (three recommended) to obtain informal quotes.
3. Emergency contracts exceeding 12 months in duration: the policy was updated to clarify any new emergency contracts in excess of 12 months and any renewal or extension of existing multi-year emergency contracts requires SPD prior approval. If the need for the good or service will be for a prolonged period, emergency contracts should be transitioned to competitively bid contracts to the extent reasonably feasible.
4. Disclosure of conflicts of interests and financial interests: the policy was updated to incorporate the Governor’s Code of Ethics executive order (04.01.21.57) governing state employee disclosure of possible conflicts of interest, financial interests, etc. The APO/CUPO

¹ Excluding Augusta University. Augusta University provides their PO query quarterly. The audit team is working with Augusta University to get read-only access to their financial system so their POs can be audited monthly.

should consult with the state entity's designated ethics officer regarding any potential conflicts of interest, financial interest, or other ethical concerns arising before or after the emergency purchase. The Emergency Justification Form (SPD-NI004) has been updated to incorporate an attestation of compliance by the APO/CUPO and identified state entity business owner.

5. Chief Financial Officer (CFO) approval: after the emergency purchase has been completed and as part of the emergency justification documentation, the CFO must sign the Emergency Justification Form to provide approval of the emergency circumstances. The CFO's review and approval may be delegated to another individual with SPD prior approval.
6. Emergency justification documentation and submission: the policy was updated to revise and clarify the process for attaching the emergency justification form within the financial system. For select entities that are required to email the emergency justification form directly to SPD, the submission timeframe has been increased to 10 calendar days.
7. Annual review of reoccurring emergency purchases: the policy was updated to include a requirement for the APO/CUPO to review emergency purchases on an annual basis and determine whether it is advantageous and feasible to transition certain reoccurring emergency contracts to competitively bid contracts to address future needs.
8. SPD audit team review: the policy has been updated to include reference to the SPD audit team's role in reviewing emergency purchases and acknowledgment that any improper activity may be reported to the Office of Inspector General or other appropriate entity.
9. Updated the Emergency Justification Form (SPD-NI004): the form was updated to capture additional information about the emergency circumstances and purchase, attestation from APO/CUPO and state entity business owner, and CFO's approval.

SPD Audits will audit emergency POs monthly to ensure these policy updates are followed.

Audit Summary

SPD Audits identified 10 POs totaling \$2.9 million classified as an emergency in July 2022. Of these, eight POs totaling \$2.9 million were under the purview of the DOAS, and two POs totaling \$48,100 were not. The emergency POs not under the purview of DOAS were POs issued by entities not subject to the State Purchasing Act (section 1.2.1.1 of the Georgia Procurement Manual (GPM)) or were under the Board of Regents public works exemption (section 1.2.1.2 of the GPM). These emergency POs under the purview of DOAS are summarized in **Table 1**.

Table 1
State entities under the purview of DOAS
Emergency POs issued in July 2022

State Entities	PO Amount	Percent	PO Count
Labor, Department of	\$2,620,189	89.9%	1
Forestry Commission	\$118,700	4.1%	2
Agriculture, Department of	\$109,658	3.8%	1
Corrections, Department of	\$33,560	1.2%	1
Oconee Fall Line Technical College	\$26,339	0.9%	1
Behavioral Health and Developmental Disabilities, Department of	\$5,247	0.2%	1
University of Georgia	\$203	0.01%	1
Sources: 1) TGM_oEPO019D_PO_SPEND_BY_DATE; 2) BOR_OPO019D_PO_LIST_BY_BU_DTL; 3) PO data provided by Georgia Institute of Technology, Georgia State University, and University of Georgia.			

Audit Results

Using the requirements from the GPM and State law as guidance, the audit identified the following:

1. Of the eight emergency POs under the purview of DOAS, four POs required an Emergency Justification Form. We were able to locate one (25%) Emergency Justification Form.
2. Three POs were related to emergencies in the prior fiscal year, which were being amended or updated to encumber funds for those emergencies and complete the processing of invoices or required payments and did not require that a new Emergency Justification Form be submitted.
3. One PO was miscoded as an emergency.
4. The state entity, which issued the remaining two emergency POs, was contacted regarding the missing forms and has taken action to submit these forms to SPD.
5. SPD Audits commends Oconee Fall Line Technical College and the Georgia Correctional Industries (GCI) for following the new emergency purchase procedures and completing the newly revised Emergency Justification Form. GCI is not under the purview of DOAS but completed the Emergency Justification Form, nonetheless.

Recommendations

1. SPD Audits recommend that APOs and CUPOs, and state entity procurement staff be reminded of the requirements of Section 1.3.5 of the Georgia Procurement Manual before coding POs as “emergency.”
2. APOs and CUPOs should review the current (revised 07/01/2022) version of Form SPD-NI004 with procurement staff and business owners at their entity. They should also share the [Emergency Purchasing Policy Updates](#) webinar with the team and business owners involved in emergency procurements.
3. For existing emergencies that span fiscal years and now require longer-term solutions and procurements to resolve, APOs and CUPOs should seek advice, guidance, and approval, as applicable from SPD Policy via process.improvement@doas.ga.gov before
 - a. encumbering additional funds on existing POs
 - b. creating new POs, or
 - c. extending a contractual relationship with a supplier