



To: APOs

AUD #20-09

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: June 23, 2020

Re: Fiscal Year 2019 Audit of Emergency Purchase Orders (POs) issued by Team Georgia Marketplace™ (TGM) entities

Background

The State Purchasing Division has granted the authority to state entities to purchase urgently needed items arising from unforeseen causes, including, but not limited to, extreme weather conditions, official declared emergencies, or immediate welfare of the general public. These types of events are described as emergency purchases. Emergency purchase orders (POs) allow state entities to conduct procurements outside of the required competitive process. Consequently, emergency POs could be used to circumvent state procurement laws and regulations by claiming that a procurement is an emergency when it is not. Section 1.3.5 of the Georgia Procurement Manual (GPM) states that “an emergency procurement is handled outside of the normal competitive process for purchases greater than \$24,999.99 because of the urgency of the circumstances.” It further requires an emergency justification form (SPD-N1004) “must be attached at the header level of the PO in the system as well as other pertinent documentation relating to the emergency purchase.”

Audit Objectives

1. Was an emergency purchase required?
2. Was an emergency justification form completed?
3. Does the PO qualify as an emergency purchase?

Audit Summary

Our audit identified 119 POs totaling \$15 million classified as emergency “EMER” in fiscal year 2019. Out of the 22 agencies who used the emergency type PO, we identified the top 5 agencies accounting for 90% of the total dollar amount in spend of emergency POs issued (located in the Table below). Emergency POs represented only a small fraction of the POs issued in fiscal year 2019 by TGM agencies: only 0.07% of the 181,931 POs were classified as emergency, which was only 0.22% of the \$6.7 billion of the POs issued.

Top 5 Entities	PO Amount	Percent	PO Count
Governor, Office of the (a)	\$6,430,374	43%	9
Transportation, Department of	\$2,309,812	15%	16
Corrections, Department of	\$2,216,067	15%	27
Natural Resources, Department of	\$1,896,625	13%	12
Georgia Piedmont Technical College	\$624,827	4%	2
Source: PeopleSoft query TGM_oEPO019D_PO_SPEND_BY_DATE			
<u>Notes</u>			
(a) These were done by the Georgia Emergency Management and Homeland Security Agency, which is administratively attached to the Office of the Governor.			

Audit Findings

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

1. Forty-seven (40%) of the 119 POs classified as emergencies were less than \$24,999.99 and were not required to be coded as emergencies. Of the 72 POs greater than \$24,999.99; 11 were with the Georgia Department of Transportation (GDOT). The GDOT POs involved work covered under Title 32 of the Official Code of Georgia Annotated (O.C.G.A.). Procurement under this title of the O.C.G.A. is exempt from the State Purchasing Act and does not fall under the purview of DOAS. As a result, an emergency justification form was not required for these POs.
2. Twelve (20%) of the remaining 61 POs did not have an emergency justification form attached to the PO, and we inquired with the respective state entities.
 - a. Nine POs without an emergency justification were with the Office of the Governor. These POs involved work under the Georgia Emergency and Homeland Security Agency (GEMA). We contacted the agency purchasing officer and the emergency justification forms will be submitted for future purchase orders coded as emergencies for GEMA.
 - b. We contacted the three remaining state entities regarding the emergency justification form.
 - Two submitted the emergency justification forms.
 - The remaining state entity did not provide the emergency justification form. The PO was issued to replace a HVAC system. The state entity obtained two quotes to replace the broken system.

Recommendations

1. We have met with the Agency Procurement Officer (APO) at the Georgia Department of Transportation regarding emergency POs, which are exempt under the State Purchasing Act. The APO has agreed to label such emergencies as Title 32 emergencies in the PO reference field to indicate they are not under the purview of DOAS.
2. To promote efficiency across the enterprise the audit team recommends to state entities that the SPD-NI004 and any other supporting documentation be uploaded as a single PDF document at the header¹ level of the PO rather than each separate document being attached individually to the PO.

¹ For purchasing systems where access to the header is limited or restricted, the documentation should be attached in an available PO Reference field.

3. Emergency POs should only be used for emergencies. If violations are found, a state entity's delegated purchasing authority could be reduced as a result.