



To: College and University Purchasing Officers

AUD #21-07

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: February 4, 2021

Re: Fiscal Year 2020 audit of Sole Source Purchase Orders issued by University System of Georgia entities

Conclusion

We did not find any major issues with sole source purchase orders (POs). Our audit identified 541 POs totaling \$32 million classified as sole source in fiscal year 2020. Sole source POs represented only a small fraction of the POs issued in fiscal year 2020 by University System of Georgia (USG) entities: only 0.21% of the 281,636 POs were classified as sole source, which amounted to only 1.54% of the \$2.1 billion of the total PO amount.

Of the 541 POs classified as sole source, we found:

- 205 POs (38%) could be traced to a sole source posting on the Georgia Procurement Registry (GPR).
- 336 POs (62%) did not require a posting on the GPR for the following reasons:
 - 171 POs were less than \$25,000 and the *Georgia Procurement Manual* (GPM) does not require a sole source posting under this threshold;
 - 103 POs were renewals of existing state entity contracts. In these instances, the PO type should not have been sole source.
 - 62 POs were miscoded as a sole source. Of these POs
 - 49 POs should have been coded as exempt, since the item or service purchased was exempt from the State Purchasing Act
 - 9 POs should have been coded as statewide contract convenience since the items purchased were available through a statewide contract
 - 4 POs referenced an RFX and should have been coded as a state entity contract or a sole brand purchase.

There were 14 POs (3%) related to eight sole source postings, which were \$500,000 or more and the status of the posting was listed as awarded. These postings were reviewed to determine if the SPD's approval was obtained pursuant to section 2.3.2.2 of the GPM. The GPM states "if the value of the sole source purchase amounts to \$500,000 or greater, the GPR system will route the proposed sole source to the Agency Sourcing Division for review prior to posting." Of the eight postings we found:

- Seven postings were approved by SPD. Two of the five postings approved did not require SPD approval since it was related to a contract renewal.
- One posting was not approved by SPD. The estimated value of this posting was initially \$165,000, which was the first year of the contract. The contract was ultimately done for three years at \$518,983. At the time of the sole source posting, it was not known the contract would be for three years at this amount.

Background

A sole source *solicitation* allows state entities to conduct a procurement outside of the required competitive solicitation process. 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. The result of the sole source solicitation, therefore, might simply be a one-time purchase order for a good or service or the purpose of the solicitation could just as likely be for the establishment of a state entity contract.

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”. Furthermore, SPD did release an official announcement (#15-01) on 12/1/2015 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.

Audit Objectives

1. Was the sole source PO coded correctly?
2. Did the sole source PO meet the requirements of the GPM?
3. Was the sole source PO matched to a posting on the GPR?
4. Was the sole source posting approved, where required, by SPD?

Recommendations

To promote consistency across the enterprise, SPD continues to recommend the following best practices for the sole source scenarios described:

1. Sole source solicitation posted 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 sole source. The sole source event ID from the GPR is noted in the PO header¹.
2. Sole source solicitation posted 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 sole source. The sole source event ID from the GPR is noted in the PO header.

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

3. Sole source solicitation posted to create a multi-year state entity contract² for the purchase of goods/services: after the NOA is posted a state entity contract is created and the sole source event ID now becomes the state entity contract number. All subsequent POs from this event are coded as State entity contract (AC) and the state entity contract number is noted in the PO header. The sole source notice must clearly state that a multi-year state entity contract is being created by identifying the initial and the number of renewal options.
4. When the state entity contract created in #3 above is being renewed, there is no need to repost the sole source notice to the GPR. The posting requirements will have been satisfied during the initial (first year) of the contract. However, if the state entity contract has no remaining renewals a new sole source solicitation must be posted to the GPR if the goods or services are still required and there exists only a single source of supply.

CUPOs are also reminded of the need to annually review multi-year agreements that were created from sole source postings to ensure that the maximum allowable number of renewals is not exceeded. If the maximum life of the contract has been reached, before reposting a new sole source, as per Section 2.3.2.2 of the *GPM*, “research must be conducted to determine if other goods or service providers exist and can satisfy procurement requirements.” This is especially relevant in areas where technology evolves and changes rapidly.

² See section 3.6.2, “Requirements for Multi-Year Agreements” of the *GPM* for guidance on allowable number of renewals. See, also, section 2.3.2.2 for the requirement that the initial sole source posting must contain the expected term of the contract.