



To: APOs

AUD #21-10

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: May 11, 2021

Re: Fiscal Year 2020 Audit of Emergency Purchase Orders (POs) issued by Team Georgia Marketplace™ (TGM) entities

Background

The State Purchasing Division (SPD) 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-NIO04) “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 179 POs totaling \$485.4 million were classified as an emergency “EMER” in fiscal year 2020. Of these, 96 POs totaling \$478.5 million (99%) were related to the COVID-19 pandemic. Of the 20 state entities who used the emergency type PO; three state entities accounted for 98% of the emergency POs issued. These three state entities are summarized in a Table on page 2. Emergency POs represented 0.1% of the 159,197 POs issued in fiscal year 2020 by TGM agencies, which was 7.5% of the \$6.5 billion of POs issued.

Top 3 State Entities	PO Amount	PO Count	Percentage
Community Health, Department of	\$271,500,000	2	56.9%
Governor, Office of the (a)	\$169,289,881	70	34.9%
Public Health, Department of	\$36,254,174	5	7.5%
Total	\$477,044,055	77	98.3%
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. 51 (28%) of the 179 POs classified as emergencies were misclassified. These POs should have been classified as follows:
 - a. Thirty-nine POs were less than \$24,999.99 and could have been classified as open market purchases. It should be noted, if multiple or repetitive purchases were made for the same product or service, which in aggregate would exceed \$24,999.99 then an emergency justification form would be needed.
 - b. Ten POs should have been classified as a statewide contract – convenience. One of these POs was corrected after the agency purchasing officer was notified since the PO was still open.
 - c. One PO should have been classified as Mandatory since it was with Georgia Enterprises for Products and Services (GEPS); and,
 - d. One PO should have been classified as IGA since it was with Georgia Correctional Industries (GCI). This PO was also less than \$24,999.99.
2. Four POs were with the Georgia Department of Transportation and 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.
3. The remaining 124 POs required an emergency justification form. We could not locate an emergency justification form for 27 (22%) of the 124 POs.
4. There were seven emergency POs issued for repairing or replacing failing chillers.
5. Section 1.3.5.2 of the GPM requires emergency justification forms be sent to SPD by non-TGM entities as “soon as possible but no later than five business days following the state entity’s final payment or receipt and acceptance of the goods/services, whichever occurs last.” Although this requirement does not apply to TGM entities, we examined 40 emergency justification forms related to non-COVID-19 emergencies to determine when the forms were completed and the POs issued as a benchmark to see if the forms were submitted timely. On average the emergency justification forms were completed 12 days before the PO was issued. As they relate to the POs, the forms were completed as follows.
 - a. Thirty-one forms were completed before the PO was issued ranging from 1 to 91 days.
 - b. Two forms were completed on the same day the PO was issued.
 - c. Seven forms were completed after the PO was issued ranging from 3 to 127 days. These forms were all completed on or before the date of the last payment. On average the forms were completed 127 days before the date of last payment.

All 40 emergency justification forms reviewed met the GPM submission requirement for non-TGM entities.

Recommendations

1. To promote efficiency across the enterprise the audit team recommends that state entities upload 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.
2. We recommend SPD conduct a spend analysis to determine if a statewide contract for chiller repair and replacement or amending an existing contract to include this type of work would be warranted. Although, University of System of Georgia entities can have such repairs done under the Board of Regents public works construction exemption, having a statewide contract in place would allow them to take advantage of the cost savings associated with a statewide contract.
3. The GPM should include a submission requirement for TGM entities. The submission deadline of five business days appears only to apply to non-TGM entities.

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