



Brian P. Kemp
Governor

Rebecca N. Sullivan
Commissioner

To: APOs

AUD #22-06

CC: Jim Barnaby, Deputy Commissioner, State Purchasing Division

From: Audits, State Purchasing Division

Date: January 31, 2022

Re: Fiscal Year 2021 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-NI004) “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 169 POs totaling \$97 million were classified as an emergency “EMER” in fiscal year 2021. Of these, 74 POs totaling \$90.8 million (94%) were related to the COVID-19 pandemic. Of the 35 state entities who used the emergency type PO; three state entities issued over a million dollars in emergency POs and accounted for 97% of the emergency POs issued. These three state entities are summarized in a Table on page 2. Emergency POs represented 0.11% of the 152,646 POs issued in fiscal year 2021 by TGM agencies, which was 1.4% of the \$6.5 billion of POs issued.

Top 3 State Entities	PO Amount	PO Count	Percentage of PO Amount
Office of the Governor (a)	\$43,268,783	34	48%
Department of Public Health	\$42,037,030	12	46%
Department of Corrections	\$3,033,531	21	3%
Total	\$88,339,343	67	97%

Source: PeopleSoft query TGM_oEPO019D_PO_SPEND_BY_DATE

Notes

(a) These were mostly done by the Georgia Emergency Management 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. Thirty (18%) of the 169 POs classified as emergencies were misclassified. These POs should have been classified as follows:
 - a. Twenty-seven POs were less than \$24,999.99 and could have been classified as open market purchases or agency contract. 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. Two POs should have been classified as “AC” for state agency contract since the state entity had a contract with the supplier used.
 - c. One PO should have been classified as “IGA” for intergovernmental agreements. This PO referenced an intergovernmental contract between the Georgia Department of Public Health and the Georgia Emergency Management and Homeland Security Agency. This contract was attached to the PO and was for personal protective equipment.
2. One PO was 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 this PO. This PO should have been coded as “T32E”. This purchase type code was created for emergencies, which fall under Title 32.
3. The remaining 138 POs required an emergency justification form. We could not locate an emergency justification form for 30 (18%) of the POs.
4. There were twenty-four emergency POs totaling \$2.9 million issued for repairing or replacing failing chillers or HVAC systems.

Recommendations

1. To promote efficiency across the enterprise the audit team recommends that state entities upload the SPD-NI004 and any other supporting documentation as a single PDF document at the header 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.