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Governor

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**To:** APOs

**AUD #20-06**

**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:** March 6, 2020

**Re:** Fiscal Year 2018 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-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 153 POs totaling \$11 million classified as emergency “EMER” in fiscal year 2018. Out of the 21 agencies who used the emergency type PO, we identified the top 10 agencies accounted for 96% of the total dollar amount of emergency POs issued in fiscal year 2018 (summarized in the table on page 2). Emergency POs represented only a small fraction of the POs issued in fiscal year 2018 by TGM agencies: only 0.08% of the 190,160 POs were classified as emergency, which was only 0.19% of the \$5.85 billion of the POs issued.

<b>Top 10 Entities</b>	<b>PO Amount</b>	<b>Percent</b>	<b>PO Count</b>
Behavioral Health & Developmental Disabilities, Department of	\$2,084,406	19%	11
Natural Resources, Department of	\$1,872,829	17%	13
Transportation, Department of	\$1,519,308	14%	11
Corrections, Department of	\$1,496,792	14%	29
Governor, Office of the (a)	\$953,224	9%	23
Juvenile Justice, Department of	\$860,202	8%	13
Human Services, Department of	\$796,254	7%	6
Agriculture, Department of	\$503,075	5%	20
Wiregrass Georgia Technical College	\$205,100	2%	2
Central Georgia Technical College	\$154,261	1%	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. Seventy (46%) of the 153 POs classified as emergencies were less than \$24,999.99 and were not required to be coded as emergencies. Of the 83 POs greater than \$24,999.99; eight were with 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. Fifteen (20%) of the remaining 75 POs did not have an emergency justification form attached to the PO. We contacted the state entities, who issued these POs regarding the missing documentation. The 15 POs without an emergency justification form were as follows:
  - a. Thirteen POs appeared to be for emergencies. Eight POs were with the Georgia Emergency Management and Homeland Security Agency (GEMA) and most of GEMA POs involved medical transportation.
  - b. We could not determine if the issues referenced in the remaining two POs were an emergency. These two issues are described below:
    - Removing items contaminated with oil from a shop.
    - A well abandonment project capping four wells, which were found to be in violation of Environmental Protection Division regulations.

## 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-N1004 and any other supporting documentation be uploaded as a single PDF document at the header<sup>1</sup> level of the PO rather than each separate document being attached individually to the PO.
3. Emergency POs should only be used for emergencies. If further violations are found, a state entity's delegated purchasing authority could be reduced as a result.

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