



**To:** CUPOs

**AUD #21-04**

**CC:** Lisa Eason, Deputy Commissioner, State Purchasing Division  
Mary Chapman, Director of Policy & Training, State Purchasing Division

**From:** Audits, State Purchasing Division

**Date:** September 15, 2020

**Re:** Fiscal Year 2019 Audit of Emergency Purchase Orders (POs) issued by University System of Georgia (USG) 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 that SPD-N1004 emergency justification form “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?
4. Do the posting times between the PO and Emergency Justification Form show an emergency purchase should instead be an RFQ?

## Audit Summary

Our audit identified 276 POs totaling \$6.6 million classified as emergency in fiscal year 2019. There were 14 USG entities, which classified a PO as an emergency. These USG entities are summarized in the table below. Emergency POs represented only a small fraction of the POs issued in fiscal year 2019 by USG agencies, which accounted for only 0.3% of the \$2.1 billion of the POs issued.

<b>USG Entities with Emergency POs</b>	<b>PO Amount</b>	<b>Percent</b>	<b>PO Count</b>
Kennesaw State University	\$2,099,050	32%	182
Georgia Institute of Technology	\$2,035,262	31%	11
Augusta University	\$614,100	9%	2
Fort Valley State University	\$403,247	6%	29
Albany State University	\$360,615	5%	12
University of Georgia	\$328,149	5%	15
Georgia Southern University	\$281,714	4%	2
Clayton State University	\$139,499	2%	2
Georgia State University	\$131,183	2%	14
Georgia Southwestern State University	\$69,010	1%	2
Georgia Gwinnett College	\$59,180	1%	2
Georgia Highlands College	\$44,985	1%	1
Savannah State University	\$32,000	1%	1
Dalton State College	\$19,683	>1%	1
<b>Total</b>	<b>\$6,617,677</b>	<b>100%</b>	<b>276</b>
Source: 1) BOR_OPO019D_PO_LIST_BY_BU_DTL; 2) PO data provided by Augusta University, Georgia Institute of Technology, Georgia State University and University of Georgia			

## Audit Findings

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

1. 229 (83%) of the 276 POs classified as emergencies were less than \$24,999.99 and were not required to be coded as emergencies. The remaining 47 POs were greater than \$24,999.99 and required an emergency justification form.
2. We could not locate emergency justification forms for 12 (26%) of the 47 POs. These 12 POs are summarized below:
  - a. Three POs: two POs with Albany State University and one PO with Fort Valley State University fell under the Board of Regents Public Works/Construction exemption. Section 1.3.6.1 of the GPM refers to this exemption. Since this type of procurement is exempt under the State Purchasing Act the POs could have been classified as exempt or “EXM” and consequently no emergency justification form would have been needed.
  - b. There were eight POs where an emergency justification form was either not done or could not be located. These were as follows:
    - Two POs were issued to purchase motel rooms for the overflow of students due to the merger of Albany State University and Dorton State College. The emergency justification forms were not filed for these POs.
    - Two POs issued by Fort Valley State University were done when the CUPO was on leave and her replacement did not submit an emergency justification form.
    - There were four POs where the emergency justification form could not be located – these POs were issued by Georgia Highlands College, Savannah State University, Kennesaw State University and the Georgia Institute of Technology.
  - c. One PO issued by Kennesaw State University was cancelled.

3. Of the 182 emergency POs issued by Kennesaw State University, 140 POs in the amount of \$1.6 million were issued to two suppliers: 1. Full Circle Restoration and Construction and 2. Parker Young Construction. Both suppliers were designated as pre-qualified firms (four suppliers were given this designation) in a RFQ issued by the Board of Regents (BOR) for disaster recovery services<sup>1</sup> in August 2015. The RFQ did not establish any firm pricing and did not result in a BOR contract with any of the suppliers. The intent of this RFQ was for the colleges and universities to enter into agreements with the pre-qualified firms when disaster recovery services were needed. Although the nature of the work performed by these two suppliers appeared to be for construction related emergencies (for the POs over \$24,999.99); Kennesaw State University should establish a contract with the suppliers due to the frequency (monthly) and amount of work performed. There were four other USG entities who also used suppliers designated as pre-qualified firms under the RFQ who also should consider contracting with these suppliers if the demand for their services warrants it. These four USG entities issued 13 POs totaling \$589,964 to three suppliers – BBMK Contracting and the two suppliers used by Kennesaw State University.

## **Recommendations**

1. USG entities should continue to submit emergency justification forms and supporting documentation to [process.improvement@doas.ga.gov](mailto:process.improvement@doas.ga.gov).
2. Emergency POs should only be used for emergencies. If further violations are found, an entity may be subject to additional oversight or its delegated purchasing authority could be reduced as a result.
3. USG entities should consider establishing contracts with suppliers used frequently for construction related emergencies rather than issuing emergency POs to these suppliers. Having a contract in place would increase the response time to these emergencies.

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<sup>1</sup> In the RFQ the Board of Regents was seeking services of qualified disaster recovery service contractors to provide 24/7 response to provide storm strengthening, stabilizations, debris removal, and/or emergency repairs to property/facilities. The RFQ also included mold remediation, fire and water restoration, and carpet and floor drying.