



Brian P. Kemp  
Governor

J. Alexander Atwood  
Commissioner

**To:** CUPOs

**AUD #21-09**

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

**From:** Audits, State Purchasing Division

**Date:** May 11, 2021

**Re:** Fiscal Year 2020 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?

## **Audit Summary**

Our audit identified 412 POs totaling \$10.2 million, were classified as an emergency in fiscal year 2020. Of these, 38 POs totaling \$2.8 million (28%) were related to the COVID-19 pandemic. There were 17 USG entities, which classified a PO as an emergency. These USG entities are summarized in the table on page 2. Emergency POs represented (0.1%) of the 281,636 POs issued in fiscal year 2020 by USG entities, which accounted for 0.5% of the \$2.1 billion of POs issued.

Entity	PO Amount	PO Count	Percent
Georgia State University	\$3,428,591	28	33.7%
Kennesaw State University	\$3,184,966	303	31.3%
University of Georgia	\$1,241,746	10	12.2%
Georgia Institute of Technology	\$1,115,557	17	11.0%
Georgia College & State University	\$288,652	6	2.8%
Clayton State University	\$250,583	3	2.5%
Fort Valley State University	\$178,584	29	1.8%
Board of Regents	\$114,801	2	1.1%
University of North Georgia	\$73,590	2	0.7%
Georgia Southern University	\$72,334	2	0.7%
Georgia Southwestern State University	\$58,793	1	0.6%
Middle Georgia State University	\$54,300	2	0.5%
College of Coastal Georgia	\$44,873	3	0.4%
University of West Georgia	\$40,275	2	0.4%
Augusta University	\$25,775	1	0.3%
Savannah State University	\$2,295	1	0.02%
<b>Total</b>	<b>\$ 10,175,713</b>	<b>412</b>	<b>100%</b>

Source: BOR\_OPO019D\_PO\_LIST\_BY\_BU\_DTL; 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. 330 (80%) of the 412 POs classified as emergencies were less than \$24,999.99 and were not required to be coded as emergencies. There were 86 purchases, which did not require a PO, since they were less than \$2,500<sup>1</sup>. There were 231 purchases, which were construction related and less than \$10,000, which may have fell under Board of Regents public works contract exemption. Procurements of this type and amount do not require a public advertisement or competitive bidding, which is the same as an emergency purchase. For POs less than \$24,999.99 we did not determine if the purchase met the GPM definition of an emergency. We did categorize the purchases for the two entities, who issued the most POs, which were less than \$24,999.99 to determine the type of procurement. These results are summarized below.
  - a. 282 POs were issued by Kennesaw State University. Of these POs, 263 appeared to be related to construction; of those POs, 215 were less than \$10,000. There were 66 POs less than \$2,500. There were also 13 POs related to chiller or HVAC work, two POs for purchases related to the COVID-19 pandemic, and one PO related to freezer or refrigerator repairs.
  - b. 27 POs were issued by Fort Valley State University. Of these POs, nine appeared to be related to construction and were less than \$10,000. There were 16 POs less than \$2,500. There were also three POs related to chiller or HVAC work and four POs related to freezer or refrigerator repairs.

<sup>1</sup> The statewide purchase order policy requires a PO for all purchases or obligations to purchase goods and services greater than \$2,500. There are several exceptions to the policy, which can found here: <https://sao.georgia.gov/policies-and-procedures/business-process-policies#toc-disbursements-and-purchases>

2. The remaining 82 POs were greater than \$24,999.99 and required an emergency justification form. We could not locate emergency justification forms for six (7%) of the 82 POs. These six POs are summarized below:
  - a. One PO was from Georgia State University and, due to the nature of the emergency, was advised by their Legal Affairs office not to complete an emergency justification form.
  - b. Two POs were misclassified as emergencies and should have been classified as exempt. One PO fell under the Board of Regents public works construction exemption and one PO was for a purchase of aircraft avionics equipment. This type of equipment is included on the list of goods and service exempt by NIGP code.
  - c. The remaining three POs should have had an emergency justification form submitted. These POs were for purchases related to the COVID-19 pandemic.
3. It should be noted there were 151 POs issued (127 were issued by Kennesaw State University) to four suppliers<sup>2</sup> designated as pre-qualified firms in a RFQ issued by the Board of Regents (BOR) for disaster recovery services<sup>3</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. As of April 20, 2020, there is an RFP by the Board of Regents for disaster recovery services, which is under evaluation.
4. Section 1.3.5.2 of the GPM requires emergency justification forms be sent to SPD 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.” We examined 45 emergency justification forms related to non-COVID-19 emergencies to determine when the forms were completed, and the POs issued to see if this requirement was met. On average the emergency justification forms were completed 27 days before the PO was issued. As they relate to the POs, the forms were completed as follows.
  - a. Thirty-six forms were completed before the PO was issued ranging from 1 to 219 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 one to seven days. The form completed seven days after the PO was issued, was completed 103 days before the final payment was made.All 45 emergency justification forms reviewed met the GPM submission requirement.
5. There were 20 emergency POs issued for repairing or replacing failing chillers. Of these 20 POs, 14 were less than \$24,999.99 and were not required to be coded as emergencies.

## Recommendations

1. USG entities should continue to submit completed emergency justification forms and supporting documentation to process.improvement@doas.ga.gov.
2. Emergency POs should only be used for emergencies over \$24,999.99 and only for instances, which meet the criteria outlined in the GPM.
3. SPD should reinforce the submission of emergency justification forms within 5 business days.

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<sup>2</sup> These four suppliers were: Full Circle Restoration and Construction; Firestar, Inc.; Parker Young Construction; and Paul Davis Restoration.

<sup>3</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.