To: APOs and CUPOs

AUD #24-29

CC: Jim Barnaby, Deputy Commissioner, State Purchasing Division
Mary Chapman, Deputy Division Director
Mukesh Patel, State Purchasing Division Portfolio Manager

From: Audits, State Purchasing Division

Date: November 7, 2023

Re: Audit of Open Market Purchases – POs issued in July 2023

Background

Section 1.3.4.5 of the Georgia Procurement Manual (GPM) provides that state entities "may elect to go to the open market to identify a source of supply for the needed good or service (if) the APO/CUPO determines an open market purchase is the appropriate purchasing method under Tier 4 of the Order of Precedence." When the competitive bidding rules are applicable, under normal circumstances, this election may only be made when no source of supply exists from a:

1.   mandatory statewide contract (Tier 1 of the Order of Precedence)
2.   existing state entity contract (Tier 2 of the Order of Precedence)
3.   the statutory source of supply (Tier 3 of the Order of Precedence)

When purchasing from the open market, "the state entity may not split reasonably foreseeable or related purchases into two or more transactions to circumvent the requirement that any purchase of $25,000 or more is based on competitive bidding." Section 6.3.1.2 of the GPM states the purchase type of OMP should be used if "A state entity's purchase made on the open market regardless of the dollar amount on a one-time basis (e.g., the state entity is not establishing a term contract)." Selecting the correct purchase type code of "OMP" for open market purchases allows accurate spend data to be collected by various staff, from contract managers, entity procurement staff, budget analysts, and auditors. The audit scope and methodology used in this audit are summarized in **Appendix A**.

Audit Summary

SPD Audits reviewed every PO coded as an open market purchase across the enterprise with a dollar amount of $50,000 or greater. This sample included 62 POs that totaled $28.4 million. These 62 POs represented 0.41% of all OMP POs for July 2023.

Audit Objectives

1.   Determine if OMP POs were coded correctly.
2.   For OMP POs miscoded, identify the correct purchase type.
3.   Identify areas for improvement related to the coding of OMP POs.

Audit Issues

In July 2023, 15,166 POs totaling $66.2 million were coded as an open market purchase (OMP). Of these POs, 62 POs were $50,000 or more. These 62 POs totaled $28.4 million, or 43% of all OMP POs issued in July 2023. SPD Audits reviewed these POs to determine if they were correctly coded as OMP.

SPD Audits found that 33 (53%) of the 62 POs sampled appeared to be incorrectly coded as OMP. These POs totaled $18.4 million (65%) of the $28.4 million POs reviewed. These 33 POs appeared to be miscoded for the following reasons. These POs are also summarized in **Table 1**.

1. State entity contract (AC) – these POs appeared to be related to an agency contract (AC) since an existing contract was attached to the PO or a contract number was referenced in the PO header or cited in the Contract ID field.
2. Exempt (EXM) – these POs were related to services or products exempt from the State Purchasing Act or used an exempt NIGP code on the PO.
3. Statewide contracts (SWCC or SWCM) – these were POs to suppliers on either statewide convenience contracts (SWCC) or statewide mandatory contracts (SWCM). The statewide contract number was sometimes cited in the Contract ID field.
4. Title 32 (T32) – this PO appeared to relate to the services ancillary to constructing and maintaining a public road, which is exempt from the State Purchasing Act.

Table 1
Summary of OMP POs,
which appear to be miscoded - July 2023

Original Purchase Type Code	Correct Purchase Type Code	Description	Number of POs	PO Amount
OMP	EXM	Exempt	19	$15,304,078
OMP	T32	Title 32 (a)	5	$1,843,878
OMP	AC	State Entity Contract	7	$778,450
OMP	SWCM	Statewide Contract - Mandatory	2	$512,899
		Total	**33**	**$18,439,305**

Sources: 1) PeopleSoft query TGM_0EPO019D_PO_SPEND_BY_DATE; 2) BOR_OPO019D_PO_LIST_BY_BU_DTL; 3) PO queries for Georgia Institute of Technology, Georgia State University, and Augusta University; and 4) PO data provided by the University of Georgia.

Notes
(a) These 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.

Ten of these POs were related to a solicitation or posting on the Georgia Procurement Registry (GPR). These events should have resulted in 10 state entity contracts POs.

For the remaining 29 POs, totaling $9.2 million, we found the following:

1. Nineteen POs totaling $3.7 million, were correctly coded as OMP. These POs were conducted as procurements outside of the authority of the State Purchasing Act and not under the purview of the Department of Administrative Services (DOAS).
2. Six POs totaling $3.2 million, where the state entity had corrected the purchase type code by the time the audit team reviewed the POs. Two POs were changed to exempt, one to agency contract, one to intergovernmental, one to sole source, and one to bill only[1].
3. One PO totaling $2.7 million had been cancelled.
4. Two POs for $176,344 were identified as a bid violation. These POs were to the same supplier for the same service but at different locations. The amount of the POs were reduced to $50,344, which is still over the $25,000 bid threshold.
5. One PO for $135,958 was identified as a bid violation. This PO was for a service, which should have been awarded through a solicitation on the GPR.

Recommendations
1. APOs and CUPOs should review all recent POs coded as OMP with a value of $50,000 or more to determine whether the correct purchase type code has been used.
2. APOs/CUPOs should review PO data from this audit at the buyer level to ensure that staff is adequately trained and, where necessary, re-trained in the correct use of purchase type codes.
3. SPD has prepared suggested updates to the GPM and has issued guidance to state entities on the proper coding of POs, which come from a solicitation posted for a one-off purchase and were not intended to establish a term contract. Since posting on the GPR allowed the state entity to demonstrate they have satisfied the competitive bidding requirements, the resulting one-time POs with values more than $24,999.99 should include the event ID in the PO header or the PO reference field.
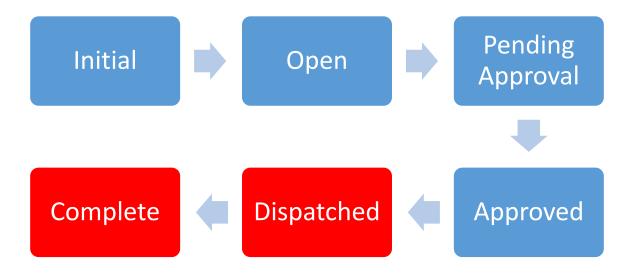
---

[1] In this instance the PO type of bill only was used by the Georgia Institute of Technology. A prior PO had been issued to the supplier but closed with funds remaining on the PO. A second PO was issued to the supplier as classified as bill only where the PO was created but not issued to the supplier. These POs were related to an RFP.

November 7, 2023
Page 1 of 1

This audit is of purchase orders (POs) issued in July 2023 - PO dates between July 1, 2023, through July 31, 2023. The PO dates were current as of the date the PO queries were run, which was the first week of August. The PO queries come from different financial systems. Except for the Georgia Institute of Technology, which uses Workday, all other audited state entities use PeopleSoft for their financial system. It is not the same instance of PeopleSoft since each instance is configured differently. The objective of the audit was to audit POs issued or dispatched. Since the PO queries are run from different financial systems, the terminology used to indicate the PO status varies. For TGM entities, the PO life cycle consists of the following steps:

Initial → Open → Pending Approval → Approved → Dispatched → Complete

Only those POs in the stage of dispatched or complete were included in this audit. Phases, before dispatched, represent the internal approval process a state entity uses before the PO is sent to the supplier. For the TGM entities, this is known as dispatched. Complete is the status used when the PO is closed and can no longer be modified or used.