



To: APOs and CUPOs

AUD #24-58

CC: Jim Barnaby, Deputy Commissioner, State Purchasing Division
Mary Chapman, Deputy Division Director
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From: Audits, State Purchasing Division

Date: January 24, 2024

Re: Audit of Open Market Purchases – POs issued in December 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 26 POs that totaled \$4.3 million. These 26 POs represented 0.09% of all OMP POs for December 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 December 2023, 29,063 POs totaling \$25.5 million were coded as an open market purchase (OMP). Of these POs, 26 POs were \$50,000 or more. These 26 POs totaled \$4.3 million, or 17% of all OMP POs issued in December 2023. SPD Audits reviewed these POs to determine if they were correctly coded as OMP.

SPD Audits found that 19 (73%) of the 26 POs sampled appeared to be incorrectly coded as OMP. These POs totaled \$3.6 million (84%) of the \$4.3 million POs reviewed. These 19 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 contract (SWCC) – this PO was to a supplier on a statewide convenience contract (SWCC).
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.
5. Emergency (EMER) - these POs appeared to be related to procurements made necessary by an emergency.
6. Intergovernmental Agreements (IGA) – this PO was issued to another state entity. A PO of this sort should be coded as IGA.
7. Sole Source (SS) – this PO appeared to be related to a sole source since a sole source contract was attached to the PO or a sole source contract number was referenced in the PO header or cited in the Contract ID field.

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

Original Purchase Type Code	Correct Purchase Type Code	Description	Number of POs	PO Amount
OMP	AC	State Entity Contract	4	\$1,560,935
OMP	EXM	Exempt	9	\$1,451,518
OMP	SWCC	Statewide Contract - Convenience	1	\$156,446
OMP	T32	Title 32 (a)	1	\$131,000
OMP	EMER	Emergency	2	\$140,297
OMP	IGA	Intergovernmental	1	\$72,989
OMP	SS	Sole Source	1	\$53,220
		Total	19	\$3,566,404

Sources: 1) PeopleSoft query TGM_oEPO019D_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.

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

For the remaining seven POs, totaling \$706,728, we found the following:

1. Six POs, totaling \$706,728, 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. One PO for \$75,000 for software should have been awarded through a competitive solicitation (e.g., RFQ or RFP) or other appropriate procurement action (e.g., sole source, piggyback, etc.). The CUPO did not respond to a request for information on this PO. However, SPD Audits was able to identify similar postings on the GPR for the same supplier and product. We were unable to locate a posting on the GPR for this entity's PO. In fiscal year 2023, this state entity issued two POs to this supplier, with each PO totaling \$37,500. Since these POs were under the \$50,000 threshold for this audit, they were not part of the fiscal year 2023 sample for their respective months.

Summary Data

Appendices B and C summarize the results of audits of POs coded as OMP with an amount of \$50,000 or greater since July 2022. **Appendix B** graphs the number of OMP POs from the sample of OMP POs that were \$50,000 or greater that were found to be incorrectly coded as OMP.

Appendix C graphs the total dollar amount of OMP POs issued to the total dollar amount of OMP POs sampled that were found to be incorrectly coded as OMP.

Recommendations

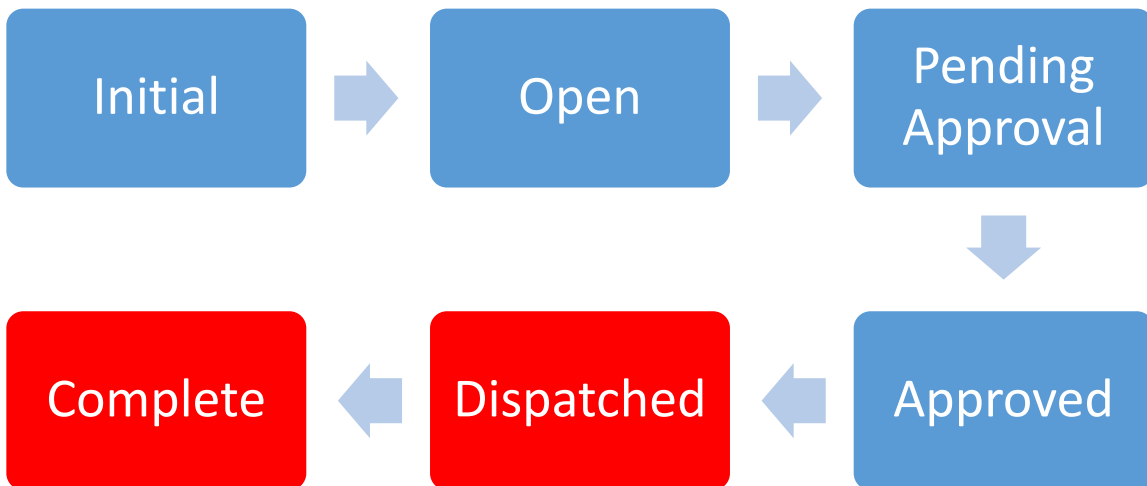
1. APOs and CUPOs should review all recent POs coded as OMP with a value of \$50,000 or more to determine whether the correct purchase type code has been used.
2. APOs/CUPOs should review PO data from this audit at the buyer level to ensure that staff are adequately trained and, where necessary, re-trained in the correct use of purchase type codes.
3. SPD should revise the GPM and issue 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. Additionally, APOs and CUPOs should remind their procurement staff that POs should always be sourced from an event, where possible, so event IDs can easily be referenced on POs and POs to the event from which they emanate.

Appendix A

Audit Background, Scope, and Methodology

January 24, 2024
Page 1 of 1

This audit is of purchase orders (POs) issued in December 2023 - PO dates between December 1, 2023, through December 31, 2023. The PO dates were current as of the date the PO queries were run, which was the first week of January. 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:



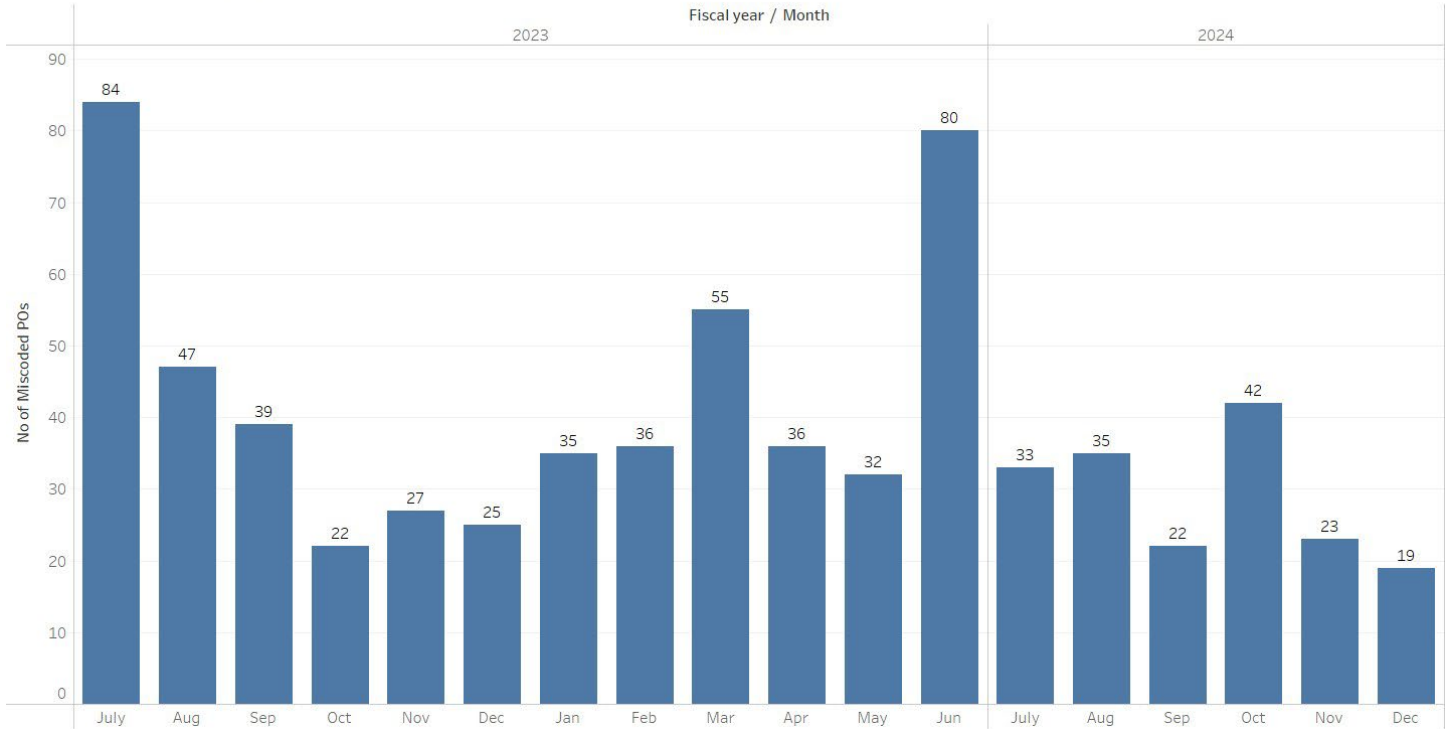
Only those POs in the stage of dispatched or complete were included in this audit. Phases, before dispatched, represent the internal approval process a state entity uses before the PO is sent to the supplier. For the TGM entities, this is known as dispatched. Complete is the status used when the PO is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

Appendix C

Miscoded OMP POs by Amount by Month

January 24, 2024
Page 1 of 1

Miscoded OMP POs by Month



Appendix C

Miscoded OMP POs by Amount by Month

January 24, 2024
Page 1 of 1

Miscoded OMP Amount Per Month

