Brian P. Kemp
Governor

Rebecca N. Sullivan
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To: APOs and CUPOs **AUD #25-38**

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

From: Audits, State Purchasing Division

Date: March 31, 2025

Re: Audit of Open Market Purchases – POs issued in February 2025

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 $25,000 or greater. This sample included 46 POs that totaled $6.4 million. These 46 POs represented 0.25% of all OMP POs for February 2025.

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 February 2025, 18,272 POs totaling $37.9 million were coded as an open market purchase (OMP). Of these POs, 46 POs were $25,000 or more. These 46 POs totaled $6.4 million, or 17% of all OMP POs amount issued in February 2025. SPD Audits reviewed these POs to determine if they were correctly coded as OMP.

SPD Audits found that 31 (67%) of the 46 POs sampled appeared to be incorrectly coded as OMP. These POs totaled $3.8 million (61%) of the $6.4 million POs reviewed. These 31 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. Construction/Public Works (CSN) – this PO falls under the Construction/Public Works Exemption section of the Georgia Procurement Manual (Section 1.3.6.1).
3. 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.
4. 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.
5. 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 – February 2025

Original Purchase Type Code	Correct Purchase Type Code	Description	Number of POs	PO Amount
OMP	AC	Agency Contract	7	$1,896,006
OMP	EXM	Exempt	14	$798,521
OMP	SWCM	Statewide Convenience Mandatory	5	$577,778
OMP	T32	Title 32	2	$461,100
OMP	CSN	Construction/Public Works	2	$73,180
OMP	SWCC	Statewide Convenience Contract	1	$40,658
		Total	**31**	**$3,847,243**

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.

Seven of these POs were related to a solicitation or posting on the Georgia Procurement Registry (GPR). These events should have resulted in seven agency contract POs.

For the remaining 15 POs, totaling $2,509,433, we found the following:

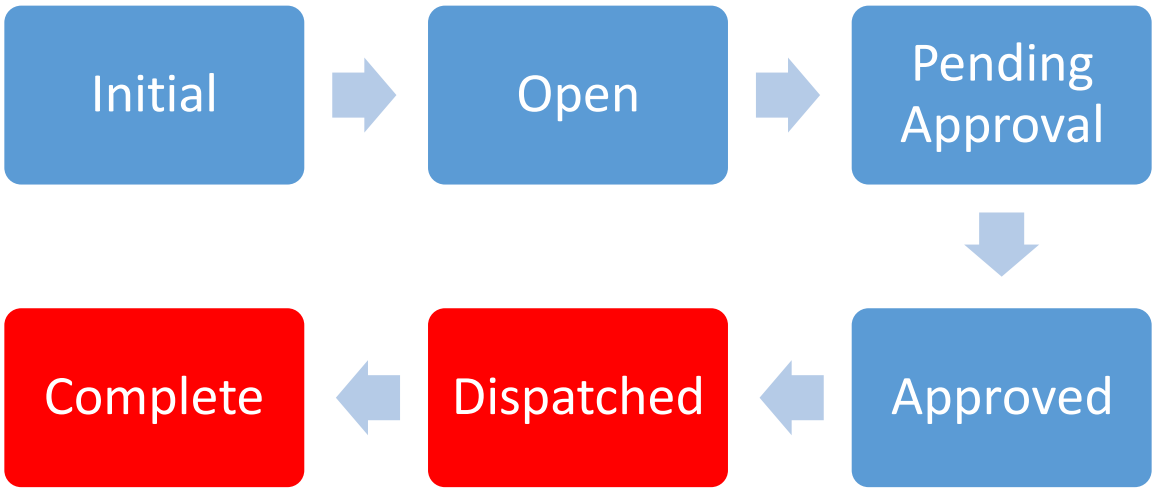
1. Eight POs, totaling $1,754,402, were cancelled.
2. Four POs, totaling $633,104 were correctly coded as OMP. These POs were conducted as procurements outside of the authority of the State Purchasing Act and not under the purview of the Department of Administrative Services (DOAS).
3. One PO totaling $58,500 was found to be non-compliant. The state entity's procurement office flagged this PO as an unauthorized purchase and attached a form describing issues with the procurement to the PO.
4. One PO totaling $36,300, where the entity had corrected the purchase type code by the time the audit team reviewed the PO. The PO was changed to AC for agency contract.
5. One PO, totaling $26,827, was found to be non-compliant. Three quotes were received, and the lowest quote was accepted, but despite the PO being over the $25,000 bid threshold, a formal solicitation was not done.

Recommendations

1. APOs and CUPOs should review all recent POs coded as OMP with a value of $25,000 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. APOs/CUPOs should ensure staff review Official Announcement 25-02 regarding the revised use of PO type codes and SPD-AP016 Purchase Order Type Quick Reference Guide.
4. 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

This audit is of purchase orders (POs) issued in February 2025 - PO dates between February 1, 2025, through February 28, 2025. The PO dates were current as of the date the PO queries were run, which was the first week of March. 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 use.