To: College and University Purchasing Officers

AUD #22-04

CC: Mary Chapman, Interim Deputy Commissioner, State Purchasing Division

From: Audits, State Purchasing Division

Date: October 26, 2021

Re: Fiscal Year 2020 audit of Consortia Purchase Orders issued by University System of Georgia (USG) entities

Conclusion

For the most part state entities were posting their intent to use a consortium on the GPR as required by the GPM and are using the consortia purchase type code "ACC" correctly on purchase orders (POs). However, we found 28 ACC POs from nine state entities totaling $2.6 million that did not have the required notice posted on the GPR. The largest PO was for $701,532.

Background

A consortia solicitation allows state entities to conduct a procurement outside of the required competitive solicitation process. Section 1.3.4.4 of the Georgia Procurement Manual (GPM) states that the State Purchasing Division (SPD) "may enter into and/or authorize state entities to enter into contracts with sources of supply established pursuant to competitive bidding conducted by other governmental entities or cooperative purchasing groups. However, prior to designating a supplier approved by a consortium or purchasing cooperative as an authorized source of supply, the state entity must publicly advertise its intent to contract with the consortium-approved/cooperative-approved supplier" on the Georgia Procurement Registry (GPR). The subsequent purchase order (PO) is normally coded as "ACC"[1] for state entity cooperative/consortia purchase.

Audit Objectives

1. Was the consortia purchase order (PO) coded correctly?
2. Did the consortia PO meet the requirements of the GPM?
3. Was the consortia PO order matched to a posting on the GPR?
4. Which state entities use ACC POs most?
5. Which vendors have the most ACC POs?

Audit Summary:

Our audit identified 3,406 POs totaling $32.1 million classified as ACC for USG entities. ACC POs represented only a fraction of the POs issued in fiscal year 2020 by University System of Georgia (USG) entities: only 1.2% of the 281,681 POs were classified as ACC, which amounted to only 1.5% of the $2.1 billion of the total PO amount.

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[1] The PO type used by the University of Georgia and the Georgia Institute of Technology is ACC State Entity Cooperative/Consortia Purchase.

In the audit we reviewed a sample[2] of 100 of the 3,406 POs classified as ACC. We found:
- 59 POs (59%) totaling $12.2 million required a notice to be posted to the GPR. Of these 59:
  - 35 POs (59%) totaling $9.9 million were traced to a GPR posting (33 different postings[3]).
  - 14 POs (24%) were incorrectly coded as ACC purchase type code
  - 10 POs (17%) totaling $214,268 could not be traced to a posting on the GPR.
- 41 POs (41%) totaling $261,199 were for purchases less than $25,000, which do not require a posting on the GPR. Of these 41:
  - 11 POs (27%) totaling $36,543 referenced a consortia contract ID on the PO.
  - 10 POs (24%) totaling $65,763 referenced a consortium posting ID on the PO.

In our sample, two POs reviewed appeared to have been miscoded to an incorrect purchase type code since the POs referenced a statewide convenience contract with the supplier. Overall, 12 (0.4%) of the 3,406 classified as ACC referenced a statewide contract number. This may be occurring since some statewide contracts are done through a consortium. If a statewide contract is done through a consortium the purchase type code, which should be used, should be either "SWCC" for a convenience statewide contract or "SWCM" for a mandatory statewide contract.

We also reviewed each of the 36 consortia postings that were made to the GPR in fiscal year 2020. The only major issue noted was that four of the postings did not include the required form SPD-NI007 on the posting on the GPR. The following items are noted for review purposes only:
1. Twenty-eight (78%) of the consortia postings contained the required Notice of Award.
2. Five of the postings contained no Notice of Award.
3. Two of the postings were cancelled.
4. One posting is still shown with a status of "Notice of Intent to Award" and should be updated as required.
5. Nineteen of the postings did not include in their description, the protest language recommended in Table 8.1 of the GPM.
6. The 36 consortia postings resulted in:
   - 23 POs coded as consortia with the purchase type code of ACC, 19 which were included in this audit and four which were not.
   - Five postings had multiple POs to the same supplier and the POs were coded to multiple purchase type codes.
   - Three POs coded as an open market purchase with the purchase type code of "OMP".
   - Three postings did not result in a PO since the posting was cancelled or not awarded.
   - Two POs coded as a state entity contract with the purchase type code of "AC".

In fiscal year 2020, 16 USG entities used the ACC purchase type code and five of these accounted for 92% of the total PO amount. The 10 state entities with the highest PO amount are shown below in **Table 1**.

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[2] The sample was comprised of at least one PO per supplier per state entity.

[3] Of the 33 postings, 17 were done in fiscal year 2020, six in fiscal year 2019, three in fiscal year 2018, four in fiscal year 2017, and three in fiscal year 2016.

Table 1
Fiscal Year 2020 ACC POs by State Entity

State Entity	PO Amount	Number of POs
University of Georgia	$12,839,649	2,619
Georgia Institute of Technology	$11,653,683	161
Kennesaw State University	$2,154,334	30
University of North Georgia	$1,578,100	1
Georgia College and State University	$1,274,136	6
Georgia State University	$886,291	221
Valdosta State University	$422,383	204
University of West Georgia	$400,658	109
Georgia Gwinnett College	$391,898	10
Albany State University	$209,546	11
Source: Sources: 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.		

The 3,406 ACC POs were distributed across 77 different suppliers. The top 10 suppliers by PO amount are shown in **Table 2**.

Table 2
Fiscal Year 2020 ACC POs by Supplier

Vendor	PO Amount	Number of POs	
US Foodservice Inc.	$7,756,549	10	
NTT America Solutions Inc.	$4,948,741	8	
CDW Government	$4,158,692	254	
Nycom Inc.	$2,364,250	1	
Executive Information Systems, LLC	$1,996,000	3	
FieldTurf USA, Inc.	$1,578,100	1	
B & H Foto Electronics Corporation	$1,399,610	1,203	
Armstrong Relocation Company	$843,200	13	
Trane U.S. Inc	$769,442	3	
Amazon Web Services Inc	$754,995	16	
Source: Sources: 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.			

The 3,406 POs had an average value of $9,434 and 3,292 (97%) of the POs were under $25,000.

Recommendations

1. When conducting a consortia or cooperative purchase, state entities should always review Section 1 of the attached Official Announcement #21-03, "Announcement of Revised Procurement Policies; House Bill 953" to ensure that local procedures are consistent with current law and policy.

2. CUPOs should review all their state entity's current consortia contracts and agreements to ensure that they are within the allowed number of renewals and to ensure that the most current consortia agreement is being used.

3. CUPOs, purchasing staff and users of the GPR should review the process described in Section 1.3.4.4 of the GPM, Tables 1.7 and 1.8 for conducting a consortia or cooperative purchase.

4. To promote consistency across the enterprise, SPD recommends the following best practices for creating and coding POs in each of the consortia or cooperative purchase scenarios described:

   a. Consortia or cooperative notice posted for a one-time purchase of a good or service: after the Notice of Award (NOA) is posted, the PO is created and coded as ACC. The event ID from the GPR is noted in the PO header[4].

   b. Consortia or cooperative notice posted for multiple purchases of goods or services for a period **not to exceed** one year: after the NOA is posted, the POs are created as needed and coded as ACC. The event ID from the GPR is noted in the PO header.

   c. Consortia or cooperative notice posted to create a multi-year state entity contract for the purchase of goods or services: after the NOA is posted a state entity contract is created and the event ID now becomes the state entity contract number. All subsequent POs from this event are coded as a state entity contract (AC) and the state entity contract number is noted in the PO header. The public notice must specify that a multi-year agreement is being established and identify the proposed contract term. No state entity contract (AC) may exceed five years without SPD prior approval in accordance with GPM Section 3.6.2 Requirements for Multi-Year Agreements.

   d. When the state entity contract created in c. above is being renewed, there is no need to repost the consortia or cooperative purchase notice to the GPR. The posting requirements will have been satisfied during the initial (first year) of the contract. However, if the state entity contract has no remaining renewals a new consortia or cooperative purchase notice must be posted to the GPR if the goods or services are still required to be purchased. Prior to exercising the renewal, the state entity must verify that the consortia or cooperative contract is still valid and in effect and that renewing the state entity contract is not in conflict with the Order of Precedence.

5. A PO should only be coded as ACC if a consortia posting has been done on the GPR. When considering if a posting on the GPR is necessary the APO/CUPO should consider the aggregate amount of purchases, which will be done in a 12-month period. If the aggregate amount is $25,000 or more, a posting would be required. This amount could be reached in a single PO or through several smaller POs, when combined exceed $25,000.

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[4] For purchasing systems where access to the header is limited or restricted, the event ID should be entered in any available PO Reference field.