



AUD #22-05

To: APOs and CUPOs

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

Date: November 10, 2021

Re: Fiscal Year 2020 Audit of Open Market Purchase (OMP) Purchase Orders (PO) by Team Georgia Marketplace™ (TGM) entities

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 not 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. 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 for the purpose of circumventing the requirement that any purchase of \$25,000 or more be 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 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 a variety of staff, from contract managers, entity procurement staff, budget analysts, and auditors. However, as this and other recent reviews have highlighted, if an analysis was solely based on purchase type codes, further guidance is necessary for the PO data to be accurate, valid, and reliable.

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 OMP POs.

Audit Summary

Our audit identified 60,385 POs coded as OMP, which represented 38% of the 159,197 POs issued in fiscal year 2020 by TGM agencies. The total value of the OMP POs was \$269.1 million which represents 4% of the \$6.5 billion in POs issued by TGM entities in fiscal year 2020. There were 11,460 suppliers to whom an OMP PO had been issued.

Of the POs coded as OMP, 55,689 POs totaling \$235.9 million, were under the purview of DOAS¹. POs issued by authorities, TGM entities of the Legislative Branch and the Judicial Branch, are not subject to the State Purchasing Act and therefore not included in this audit.

We reviewed a sample of the 55,689 OMP POs under the purview of DOAS. A sample of 8,252 POs were selected to be reviewed in greater detail. The sample of POs totaled \$127.8 million and represented 54% of the amount of OMP POs under our purview. The POs included in our sample were selected based for one the following reasons:

1. POs issued to a supplier, where the total amount of the POs were \$300,000 or more (issued by all TGM entities).
2. The amount of the PO was \$50,000 or more (issued by a single TGM entity).
3. The PO was issued to a state or local government entity.
4. The PO was issued to a supplier on a statewide contract.
5. The PO was issued to Georgia Enterprises for Products and Services (GEPS).
6. The PO was issued to Georgia Correctional Industries (GCI).

Audit Findings

We found 3,497 (42%) of the 8,252 POs sampled appeared to be incorrectly coded as OMP. These POs totaled \$118.6 million (93%) of the \$127.8 million POs sampled. The breakdown of the miscoded OMP POs by correct purchase type code is summarized in **Table 1**.

¹ We did not try to determine if POs issued by the Georgia Department of Transportation were 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.

Table 1
Summary of OMP POs, which appear to be miscoded
Fiscal Year 2020

Original Purchase Type Code	Correct Purchase Type Code	Description	Number of POs	PO Amount
OMP	AC	State Entity Contract	371	\$30,713,844
OMP	EXM	Exempt	77	\$27,776,308
OMP	IGA	Intergovernmental Agreements	452	\$25,757,663
OMP	SWCM	Statewide Contract - Mandatory	381	\$22,062,854
OMP	SWCC	Statewide Contract - Convenience	2,149	\$7,215,373
OMP	EMER	Emergency Purchase	18	\$4,082,906
OMP	SS	Sole Source	11	\$452,587
OMP	ACC	State Entity Cooperative/Consortia Purchase	2	\$281,000
OMP	ACP	State Entity Contract Piggyback	1	\$149,850
OMP	MAN	Statutory Mandatory Sources of Supply	35	\$73,987
	Total		3,497	\$118,566,372
Source: PeopleSoft query TGM_oEPO019D_PO_SPEND_BY_DATE				

Our sample identified 3,497 POs totaling \$118.6 million, which appeared to be miscoded as OMP, for the following reasons.

1. State entity contract (AC) – these POs appeared to be related to an agency contract (AC) since an existing contract was uploaded in PeopleSoft for the PO or a contract number was referenced in the PO header or cited in the Contract ID field. There were, for example, 1,351 POs totaling \$9.3 million, which were coded as OMP, and referenced a contract number in the Contract ID field.
2. Exempt (EXM) – these POs were related to services or products, which are exempt from the State Purchasing Act or used an exempt NIGP code on the PO. There were 14,644 PO lines on 5,583 POs totaling \$37.5 million, where the NIGP code used on the PO was exempt. Not all the PO lines with exempt NIGP codes were included in the sample, so the number of POs, which could have been coded as exempt could be greater than the amount summarized in **Table 1**.
3. Intergovernmental Agreements (IGA) – these POs were related to grant awards from state entities, most often to local government entities, POs to GCI, or POs issued to other state entities. POs of this sort should be coded as IGA.
4. Statewide contracts (SWCC or SWCM) – these were POs to suppliers on either statewide convenience contracts (SWCC) or statewide mandatory contracts (SWCM). In some instances, the statewide contract number was cited in the Contract ID field.
5. Emergency purchases (EMER) – these were POs for the purchase of personal protective equipment (PPE) related to the COVID-19 pandemic. These POs were issued in the early months of the pandemic and probably should have been coded as EMER given the need for and scarcity of PPE at the time.

6. Statutory mandatory sources of supply (MAN) – these were POs issued to GEPS. POs issued to GEPS should be coded as MAN. It should be noted that if GEPS had responded to a solicitation and won the solicitation then the resulting PO would be coded as an agency contract (AC). In these instances, the services provided by GEPS do not appear to be related to a solicitation.

We also identified OMP POs which referenced sole source postings (SS), or had documentation uploaded to PeopleSoft related to consortia (ACC) or a piggyback purchase (ACP).

Applying the amount of potentially miscoded OMP POs from **Table 1**, the total amount of OMP POs for fiscal year 2020 would decrease from \$269.1 million to \$150.7 million representing a significant decrease of 44%. These potential changes resulting from this audit are shown in **Table 2**.

Table 2
Change in PO Amounts by Purchase Type Code
Fiscal Year 2020

Purchase Type Code	Original PO Amount	Potential Adjustment from Table 1	Revised PO Amount	Percent Change
AC	\$3,980,483,244	\$30,713,844	\$4,011,197,089	0.8%
EXM	\$462,017,018	\$27,776,308	\$489,793,326	6.0%
IGA	\$854,277,830	\$25,757,663	\$880,035,493	3.0%
SWCM	\$233,094,875	\$22,062,854	\$255,157,729	9.5%
SWCC	\$242,851,503	\$7,215,373	\$250,066,875	3.0%
EMER	\$317,140,229	\$4,082,906	\$321,223,135	1.3%
SS	\$19,480,561	\$452,587	\$19,933,147	2.3%
ACC	\$8,539,896	\$281,000	\$8,616,696	3.4%
ACP	\$3,209,663	\$149,850	\$4,977,425	1.5%
MAN	\$4,903,439	\$73,987	\$3,359,513	4.7%
All other types ²	\$58,936,356	\$0	\$58,936,356	0.0%
OMP	\$269,130,502	(\$118,489,572)	\$155,640,931	(44.0%)
Total	\$6,453,860,915	\$0	\$6,453,860,915	0.0%

Source: PeopleSoft query TGM_oEPO019D_PO_SPEND_BY_DATE

Recommendations

1. SPD should work with IT, State Accounting Office, and USG to implement controls on OMP POs over \$24,999.99 including, but not limited to:
 - a. Systems messages reminding users that they are coding a PO that is over the competitive bidding limit as OMP
 - b. Mandatory PO approvals by APOs/CUPOs for OMP POs above a certain dollar threshold
 - c. Mandatory approvals by SPD Agency Sourcing for OMP POs more than a state entity's delegated purchasing authority
 - d. Disabling the use of purchase type code OMP for certain supplier types

² The purchase type codes not impacted by this review are CSN, MUL, SB, GEN, and PRF.

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. SPD should also consider offering a stand-alone course on purchase type code use for buyers and requestors, approvers and APOs/CUPOs.
3. SPD should establish a strategy to analyze OMP spend to determine, at what volume of POs issued and at what level of total supplier spend, if a statewide or state entity contract should be developed.
4. SPD should revise the GPM and issue guidance to state entities on the proper coding of POs, which come from a solicitation, which was posted for a one-off purchase and was not intended to establish a contract. Since such a posting on the GPR allowed the state entity to demonstrate they have satisfied the competitive bidding requirements, the resulting, one-off POs with values more than \$24,999.99 should be coded as AC and should include the event ID in the PO header or in 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.