



To: College and University Purchasing Officers

AUD #20-04

CC: Lisa Eason, Deputy Commissioner, State Purchasing Division
Mary Chapman, Director of Policy, Training and Outreach, State Purchasing Division

From: Audits, State Purchasing Division

Date: November 19, 2019

Re: Fiscal Year 2019 audit of Sole Source Purchase Orders issued by University System of Georgia entities

Conclusion

We did not find any major issues with sole source purchase orders (POs). Our audit identified 326 POs totaling \$26.8 million classified as sole source in fiscal year 2019. Sole source POs represented only a small fraction of the POs issued in fiscal year 2019 by University System of Georgia (USG) entities: only 0.10% of the 315,581 POs were classified as sole source, which amounted to only 1.22% of the \$2.2 billion of the total PO amount.

Of the 326 POs classified as sole source, we found:

- 179 POs (55%) could be traced to a sole source posting on the Georgia Procurement Registry (GPR).
- 145 POs (44%) where the sole source designation was not needed since:
 - 85 POs were less than \$25,000 and the *Georgia Procurement Manual (GPM)* does not require a solicitation for purchases under this threshold; and,
 - 60 POs were renewals of existing state entity contracts. In these instances, the PO type should not have been sole source.
- 1 PO was incorrectly coded as sole source and should have been designated as exempt.
- 1 PO referenced a sole source, which was not posted to GPR, since it was not approved by the Chief University Procurement Officer (CUPO).

Nine (3%) of the 326 POs were found to be in excess of \$500,000. These POs were reviewed to determine if the State Purchasing Division's (SPD) approval was obtained pursuant to section 2.3.2.2 of the GPM. The GPM states "if the value of the sole source purchase amounts to \$500,000 or greater, the GPR system will route the proposed sole source to the Agency Sourcing Division for review prior to posting." We found:

- Four sole source postings were approved by SPD.
- The remaining five solicitations did not require SPD approval since:

- three were related to contract renewals¹ and did not require SPD approval;
- one PO related to an event that was originally posted as an RFP in fiscal year 2014; and,
- one PO related to a sole source posting whose notice of award (NOA) indicated the value of the solicitation was \$481,000², which resulted in this event not initially requiring approval by SPD.

Background

A sole source solicitation allows state entities to conduct a procurement outside of the required competitive solicitation process. Since section 2.3.2.2 of the GPM does not prescribe any specific post-award steps or processes that must be followed for sole source POs, the audit also found that practices varied depending on the business requirement for which the sole source was being issued. The result of the sole source solicitation, therefore, might simply be a one-time purchase order for a good or service or the purpose of the solicitation could just as likely be for the establishment of a state entity contract.

Section 2.3.2.1 of the GPM states that “for purchases with a value of \$25,000 or more, sole source purchases are prohibited unless the state entity establishes justification why the needed goods or services should not be procured through open competition.” Section 2.3.2.2 of the GPM further requires that the state entity “must provide public notice of the intended sole-source purchase or contract through a posting to the GPR”. Furthermore, SPD did release an official announcement (#15-01) on 12/1/2015 requiring all sole source procurements over \$500,000 be submitted to SPD for approval prior to posting. This requirement went into effect on January 1, 2016.

Audit Objectives

1. Was the sole source PO coded correctly?
2. Did the sole source PO meet the requirements of the GPM?
3. Was the sole source PO matched to a posting on the GPR?
4. Was the sole source posting approved, where required, by SPD?

Recommendations

To promote consistency across the enterprise, SPD continues to recommend the following best practices for the sole source scenarios described:

1. Sole source solicitation 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 sole source. The sole source event ID from the GPR is noted in the PO header³.
2. Sole source solicitation posted for multiple purchases of goods/services for a period **not to exceed** one year: after the NOA is posted, the POs are created as needed and coded as sole source. The sole source event ID from the GPR is noted in the PO header.

¹ As per the number of allowable renewals as defined in section 3.6.2 of the GPM.

² The estimated solicitation amount was based from a quote provided by the supplier. After the solicitation was awarded, the project cost increased to \$501,473 due to unforeseen circumstances.

³ For purchasing systems where access to the header is limited or restricted, the sole source event ID should be entered in any available PO Reference field.

3. Sole source solicitation posted to create a multi-year state entity contract⁴ for the purchase of goods/services: after the NOA is posted a state entity contract is created and the sole source event ID now becomes the state entity contract number. All subsequent POs from this event are coded as State entity contract (AC) and the state entity contract number is noted in the PO header.
4. When the state entity contract created in #3 above is being renewed, there is no need to repost the sole source 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 sole source solicitation must be posted to the GPR if the goods or services are still required and there exists only a single source of supply.

⁴ See section 3.6.2, “Requirements for Multi-Year Agreements” of the GPM for guidance on allowable number of renewals. See, also, section 2.3.2.2 for the requirement that the initial sole source posting must contain the expected term of the contract.