



To: APOs and CUPOs

AUD #23-03

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

Date: October 31, 2022

Re: Audit of inactive and invalid NIGP code use – purchase orders (POs) issued in July 2022

Audit Summary

National Institute of Governmental Purchasing (NIGP) codes are a universal taxonomy for identifying commodities and services in procurement systems. The State of Georgia uses the NIGP five-digit item code as a commodity code to classify products and services on POs.

For Team Georgia Marketplace™ (TGM) entities, there were PO lines totaling \$301,043 in which an improper NIGP code was used. These issues were as follows:

- \$244,019 in PO lines, where inactive NIGP codes were used; and,
- \$57,024 in PO lines, where a three-digit NIGP category code was used.

The \$301,043 in PO lines with NIGP code issues represented 0.04% of the \$851.5 million POs issued by TGM entities in July 2022.

For University System of Georgia (USG) entities¹, there were PO lines totaling \$13.5 million in which an improper NIGP code or no NIGP code was used. These issues were as follows:

- \$11.7 million in PO lines, where the NIGP code field was left blank;
- \$1.2 million in PO lines, where a three-digit NIGP category code was used instead of the required five-digit NIGP code.
- \$550,336 in PO lines, where an invalid code was used, i.e., a code that was not a NIGP code; and,
- \$10,359 in PO lines, where inactive NIGP codes were used.

The \$13.5 million in PO lines with NIGP code issues represented 4.1% of the \$329.2 million in POs issued by USG entities in July 2022.

Enterprise-wide, there were \$13.8 million in PO lines, where there was an issue with the NIGP code or 1.2% of the \$1.2 billion issued in POs by TGM and USG entities in July 2022.

¹ Excluding Augusta University. Augusta University provides their PO query quarterly. The audit team is working with Augusta University to get read-only access to their financial system so their POs can be audited monthly.

Audit Objectives

1. Determine how many PO lines had the following NIGP code issues:
 - a) an inactive NIGP code;
 - b) no NIGP code;
 - c) an invalid code, i.e., a code that was not a NIGP code; or,
 - d) a three-digit NIGP category code.
2. Determine which state entities issued PO lines with NIGP code issues.

The audit scope and methodology used in this audit are summarized in **Appendix A**.

Audit Objective 1a: Inactive NIGP codes

For TGM entities, 11 of the 231 NIGP codes classified as inactive were used. Inactive NIGP codes were used on 30 PO lines on 14 POs. These PO lines totaled \$244,019. The top three inactive NIGP codes totaled \$238,990, or 98% of the POs with inactive NIGP codes. These codes are summarized in **Table 1**. These codes became inactive effective January 1, 2016. Most inactive codes reference the active code, which should be used in the code’s description. NIGP code 91885, for example, references NIGP code 91865 in its description, as can be seen below.

| NIGP Code | Description |
|-----------|---|
| 918 | CONSULTING SERVICES |
| 91885 | Personnel and Employment Consulting, Human Resources (Inactive, please see commodity code 918-65 effective January 1, 2016) |

Source: DOAS website (<https://ssl.doas.state.ga.us/gpr/loadNigpSearch>)

The active codes are referenced are shown in **blue** font in **Table 1**.

Table 1
Top Inactive NIGP Codes by PO Amount
(TGM) July 2022

| Inactive NIGP Code | Inactive NIGP Code Description (NIGP active code referenced) | PO Amount | Percent | Number of PO lines |
|--------------------|---|-----------|---------|--------------------|
| 96114 | Commissioning of Facilities Services, Functional and Prefunctional (No active code is referenced) (a) | \$136,920 | 63% | 2 |
| 57851 | Ink, License Plate (57034) | \$77,070 | 20% | 4 |
| 91885 | Personnel and Employment Consulting, Human Resources (91865) | \$25,000 | 3% | 1 |

Source: PeopleSoft query TGM_oEPO019D_PO_SPEND_BY_DATE
(a) Since no active code is referenced, the best active code appears to be 96196 - Non-professional service (not otherwise classified), based on the description used in the PO.

For USG entities, eight of the 231 NIGP codes classified as inactive were used. Inactive NIGP codes were used on 13 PO lines on 10 POs totaling \$10,359. The top two inactive codes totaled \$6,700, or 65% of the PO lines with inactive NIGP codes. These codes are summarized in **Table 3**. These codes became inactive effective January 1, 2016. Most inactive codes reference the active code, which should be used in the code’s description. The active codes referenced are shown in **blue** font in **Table 2**.

**Table 2
Top Inactive NIGP Codes by PO Amount
(USG) July 2022**

| Inactive NIGP Code | Inactive NIGP Code Description (NIGP active code referenced) | PO Amount | Percent | Number of PO lines |
|--------------------|--|-----------|---------|--------------------|
| 91842 | Engineering Consulting (90740) | \$5,000 | 52% | 1 |
| 96279 | Sign Making Services (96166) | \$1,700 | 18% | 2 |

Source: 1) BOR_OPO019D_PO_LIST_BY_BU_DTL; 2) PO data provided by Georgia Institute of Technology, Georgia State University, and University of Georgia.

Audit Objective 1b: No NIGP code

No PO lines for TGM entities were found where the NIGP code field was left blank. It appears that providing a NIGP code is required (i.e., a mandatory field) in the version of PeopleSoft used by TGM entities.

For USG entities, the NIGP code field was blank on 306 PO lines on 179 POs totaling \$11.7 million.

Audit Objective 1c: Invalid code

No PO lines for TGM entities were found where the NIGP code field contained an invalid code.

For USG entities, 108 PO lines on 67 POs contained an invalid NIGP code, totaling \$550,336. The majority (98.1%) of this invalid NIGP code usage consisted of the codes 00000, 91900, 99900, 99902, or 99903, none of which are valid NIGP codes. The remaining invalid codes appeared to be typographical errors on the part of the buyers or requesters.

Audit Objective 1d: Three-digit NIGP category code

For TGM entities, 81 PO lines on 39 POs contained a three-digit NIGP category code, totaling \$57,024. The three-digit NIGP categories end in “00” and provide only a general description of what was purchased. Section 6.3.1 of the Georgia Procurement Manual (GPM) requires a PO must contain a commodity code. The community codes used by the State of Georgia are five-digit NIGP codes. Only two three-digit NIGP category codes were identified as used by TGM entities. These codes are summarized in **Table 3**.

**Table 3
Three-digit NIGP Category Codes Used
(TGM) July 2022**

| NIGP Code | NIGP Code Description | PO Amount | Number of PO Lines |
|-----------|---|-------------|--------------------|
| 26900 | Drugs and Pharmaceuticals | \$56,429.23 | 76 |
| 96300 | Miscellaneous Fees, Dues, Permits, Registrations, Rebates, Postage, Taxes | \$595.00 | 4 |

Source: PeopleSoft query TGM_oEPO019D_PO_SPEND_BY_DATE

For USG entities, 1,973 PO lines on 1,022 POs contained a three-digit NIGP category code totaling \$1.2 million. USG entities used 74 three-digit NIGP category codes. The top six three-digit NIGP category codes by PO amount are summarized in **Table 4**.

These six three-digit NIGP category codes accounted for 87% of the \$1.2 million in PO lines with three-digit NIGP category codes.

Table 4
Three-digit NIGP Category Codes Used
(USG) July 2022

| NIGP Code | NIGP Code Description | PO Amount | Number of PO Lines |
|------------------|---|------------------|---------------------------|
| 94100 | Equipment Maint., Repair, and Related Services for Power Generation and Transmission Equip. | \$518,399 | 1 |
| 20400 | Computer Hardware and Peripherals for Microcomputers | \$313,490 | 283 |
| 18000 | Chemical Raw Materials (in large quantities etc.) | \$97,461 | 457 |
| 17500 | Chemical Laboratory Equipment and Supplies | \$70,584 | 226 |
| 45000 | Hardware and Related Items | \$31,326 | 113 |
| 60000 | Office Machines, Equipment, and Accessories | \$27,065 | 42 |

Source: 1) BOR_OPO019D_PO_LIST_BY_BU_DTL; 2) PO data provided by Georgia Institute of Technology, Georgia State University, and University of Georgia.

Audit Objective 2

The issues found in audit objectives 1a through 1d were summarized by state entity and sent to the appropriate purchasing staff.

Recommendations

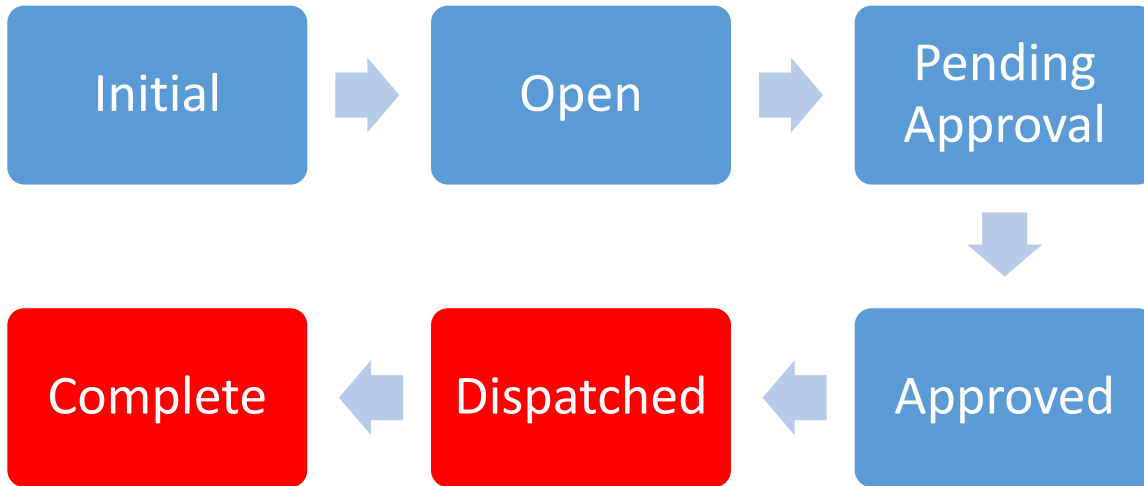
1. SPD should work with the appropriate IT support staff from DOAS, the State Accounting Office, and USG to remove inactive NIGP codes from the financial systems so inactive codes cannot be used on POs.
2. SPD should provide a crosswalk from all inactive codes to the respective active codes that should be used.
3. 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 NIGP codes on POs. SPD should also consider offering a stand-alone course on NIGP code use for buyers, requestors, approvers, and APOs/CUPOs.
4. SPD should clarify if and when three-digit NIGP category codes may be used on POs.

Appendix A

Audit Scope and Methodology

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This audit is of purchase orders (POs) issued in July 2022 - PO dates between July 1, 2022, through July 31, 2022. The PO dates were current as of the date the PO queries were run, which was in the first week of August. 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 being run from different financial systems, the terminology used to indicate the PO status or the life cycle for POs 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 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.