



SPECIAL EXAMINATION • REPORT NUMBER 23-11 • JANUARY 2024

## State Purchasing – Competitive Bidding

Noncompliance was limited, but improvements in purchasing controls were identified

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### Why we did this review

The Senate Appropriations Committee requested this special examination of state purchasing and competitive bidding. This special examination focuses specifically on state entities' compliance with competitive bidding thresholds and the controls intended to improve compliance.

Based on the request, we reviewed a sample of purchases to determine compliance with state competitive bidding requirements. In addition, we evaluated the design of both statewide and state entity controls related to competitive bidding, as well as information system design.

### About State Purchasing and Competitive Bidding

The State Purchasing Act governs the purchasing activities of most state entities. Related purchases that exceed \$24,999 are required to be competitively bid unless the good or service is exempt from competitive bidding requirements. The Department of Administrative Services' (DOAS) State Purchasing Division oversees the state's procurement functions and performs various monitoring activities to ensure compliance with state law, rules, and regulations. The vast majority of purchases are made without direct DOAS involvement because state entities have been granted their own purchasing authority.

## State Purchasing – Competitive Bidding

### Noncompliance was limited, but improvements in purchasing controls were identified

#### What we found

Our review of a sample of purchases found only a small number did not comply with the competitive bidding requirements found in the State Purchasing Act and Georgia Procurement Manual. Various statewide and agency controls contribute to compliance; however, we noted potential improvements to DOAS and entity policies and procedures, information systems, and monitoring.

#### *Entities reviewed largely followed competitive bidding requirements*

Our review of purchases from a sample of suppliers across four state agencies and two universities found few instances of noncompliance with state competitive bidding requirements. We reviewed purchases made from nearly 500 suppliers paid more than \$24,999 in a fiscal year and identified 29 purchasing issues. Most of the noncompliant purchases totaled less than \$50,000.

The most common issue—not grouping related purchases into a competitive solicitation—occurred in 19 instances. We also identified three instances that occurred because entity officials did not follow the purchasing request (i.e., requisition) process, which would have alerted procurement officials of the impending purchase. Other instances included a solicitation that was not posted to the Georgia Procurement Registry as required and failure to obtain permission before using a contract competitively bid by another agency.

State entity procurement staff indicated corrective action has been taken to address most of the identified issues.

#### *State policies are documented, but state entities lacked formal procedures in some cases*

DOAS has documented state policies related to competitive bidding requirements in the Georgia Procurement Manual (GPM). Reviews of purchases and interviews of entity

procurement staff identified one competitive bidding topic to be clarified. State entities have different interpretations of the provision for grouping related purchases, which is intended to prevent entities from splitting a purchase to avoid exceeding the competitive bidding threshold.

State entities stated that they follow DOAS policies outlined in the GPM; however, not all have sufficient procedures for implementing those policies within their agency or university. The lack of documented procedures places significant reliance on procurement officers to ensure policies are understood and followed.

### ***Improved information system controls would contribute to greater compliance and oversight of purchasing activities***

Controls exist to ensure that valid information is entered for some fields and approvals occur before requisitions can move forward. However, the TeamWorks system (used by state agencies) and GeorgiaFIRST (used by many universities) allow for inaccurate purchase type codes. Purchase type coding errors were frequently identified during our review. An inaccurate purchase type may indicate that a purchase is being made from a competitively bid statewide or agency contract when, in fact, it is a new purchase from a supplier with no such contract.

Misuse of purchase type codes impacts the ability to monitor purchases for compliance with state competitive bidding requirements. For example, DOAS audits of new purchases do not include those labeled as an agency contract.

### ***Additional monitoring of purchases could prevent or detect noncompliance***

DOAS conducts audits of all open market purchases valued at \$50,000 or more and exempt purchases over \$100,000 to monitor state entity compliance with the state competitive bidding requirements. In addition, it audits emergency purchases and the codes identifying the purchased good or service. DOAS does not monitor other purchase types nor open market purchases between \$25,000 and \$50,000. Many of the noncompliant purchases we identified were in these areas.

According to the GPM, procurement officers are responsible for monitoring state entity compliance with administrative rules; it also recommends entities perform periodic reviews of recent purchases. No state entity in our sample has a formal review process. Officials with two entities stated they perform periodic reviews that are not documented, and no written policies exist for how they should be conducted.

### **What we recommend**

We recommend that DOAS clarify policy regarding grouping related purchases and consider targeted, periodic audits of purchase types not currently reviewed. We also recommend that state entities develop written procedures that ensure compliance with the GPM and that they institute periodic formal reviews of purchases. Finally, we recommend additional information system controls to improve compliance of purchases and purchasing information accuracy.

See [Appendix A](#) for a detailed listing of recommendations.

***Agency Responses:*** DOAS and the entities reviewed generally agreed with the findings and recommendations. Agency responses are included at the end of each finding.

***REPORT REVISION:*** On February 7, 2024, a report revision was made to correct the number of instances related to a failure to group like purchases. The actual number of instances was 19, not 20 as previously stated. This revision was made on the previous page and page 8.

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## Purpose of the Special Examination

This review of state purchasing was conducted at the request of the Senate Appropriations Committee. Our review focuses on the following questions:

- Do statewide and agency controls for open market purchases ensure purchases comply with competitive bidding laws, rules, and regulations?
- Do statewide and agency controls for emergency order purchases ensure compliance with laws, rules, and regulations?
- Are agencies properly using exempt National Institute of Governmental Purchasing (NIGP) codes when not competitively bidding purchases of goods and services?
- Are agencies properly using statewide contract codes when the code is the stated reason for not competitively bidding goods or services?

A description of the objectives, scope, and methodology used in this review is included in [Appendix B](#). A draft of the report was provided to the following entities that were part of the review: Department of Administrative Services, Department of Human Services, Department of Behavioral Health and Developmental Disabilities, Department of Community Health, Department of Natural Resources, University System of Georgia, University of North Georgia, and Georgia Southern University. Pertinent responses were incorporated into the report.

## Background

The State Purchasing Act governs the purchasing activities of most state entities. The Department of Administrative Services' (DOAS) State Purchasing Division (SPD) oversees the state's procurement functions by securing statewide contracts for agencies' use, assisting agencies with purchases, and performing various monitoring activities to ensure compliance with state law, rules, and regulations. The vast majority of purchases are made without direct DOAS involvement because state entities have been granted their own purchasing authority.

This special examination focuses specifically on state entities' compliance with competitive bidding thresholds and the controls intended to improve compliance.

### State Purchasing Act and Associated Rules

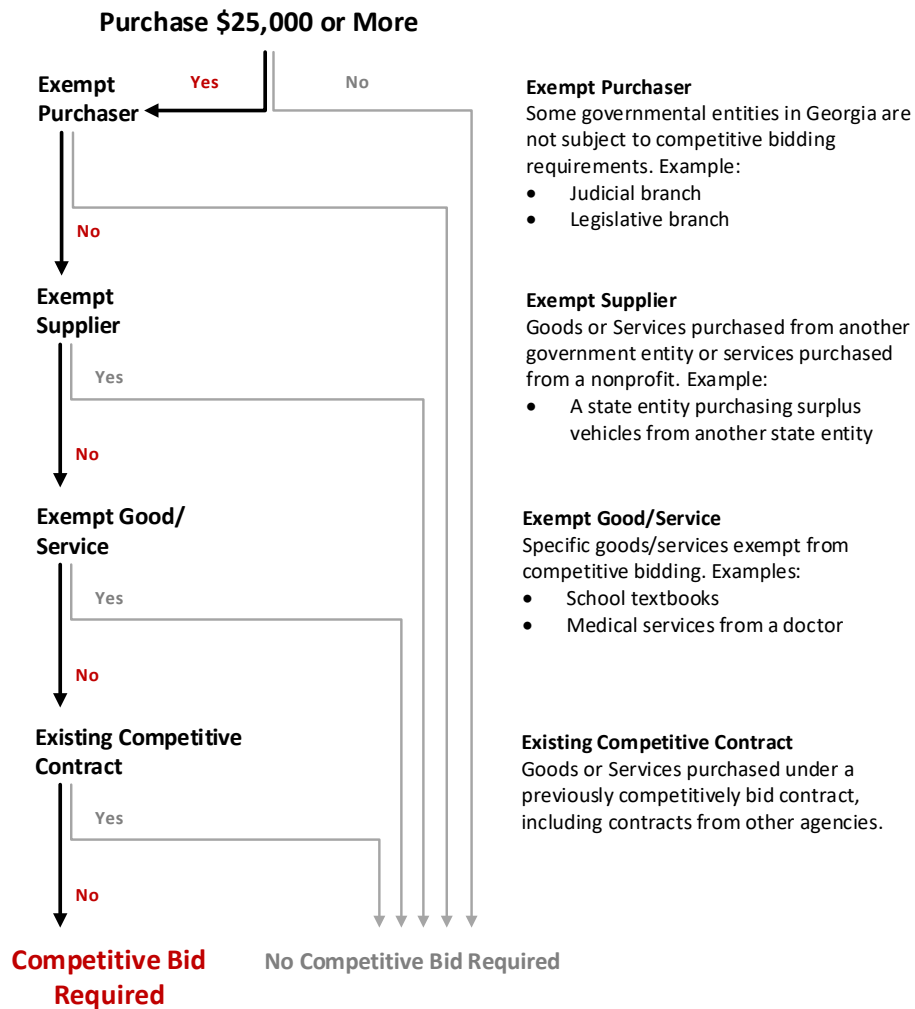
Competitive bidding is a formal process in which entities invite multiple suppliers to submit bids and/or proposals to provide requested goods and services in an effort to obtain the best prices or value available. O.C.G.A. § 50-5-50 et seq. (State Purchasing Act) requires competitive bidding for related purchases of supplies, materials, equipment, or services that exceed \$24,999. Per the Georgia Procurement Manual (GPM), competitive bidding for state entities includes posting a solicitation document to the Georgia Procurement Registry. The solicitation allows potential suppliers the opportunity to submit a bid for the

A glossary of terms used in this report can be found in [Appendix C](#)

goods or services to be purchased. When purchases are less than \$25,000, the formal competitive process is not required, but entities are expected to obtain multiple quotes before obtaining goods and services.

As shown in **Exhibit 1**, competitive bidding is generally required when the \$25,000 threshold is reached, unless an exemption is present. Exemptions include the identity of the purchasing entity, the identity of the supplier, and the type of good or service being purchased. Exempt suppliers include nonprofit organizations (when providing only services) and other governments, while exempt goods and services have been categorized as such in statute and are identified by their NIGP code.<sup>1</sup> Finally, entities are not required to competitively bid if they use an existing contract.

**Exhibit 1**  
**Many State Purchases Do Not Require Competitive Bidding**



Source: Georgia Procurement Manual

<sup>1</sup> DOAS utilizes National Institute of Governmental Purchasing (NIGP) codes to identify the types of goods and services procured by the state, including whether the goods or services are exempt from competitive bidding requirements.

Competitive bidding is also not required when there is a single supplier to meet the agency’s need or in an emergency situation. An emergency is defined as a serious or urgent situation requiring immediate or prompt action to protect persons or property. Poor planning or a pending expiration of funds cannot be considered an emergency.

If the needed good or service is not exempt from the State Purchasing Act or competitive bidding requirements, the agency must determine whether a current contract exists to satisfy the purchasing need. Current contracts can come in various forms and must be considered according to the order of precedence required by the GPM (see **Exhibit 2**). If no purchasing option within tiers 1-3 exists, the entity may utilize an open market purchase, which would require competitive bidding.

**Exhibit 2**  
**Types of Purchases and Order of Precedence**

<p><b>Tier 1:</b> Mandatory Statewide Contracts</p>	<p>Entities must use these contracts established by DOAS unless granted a waiver.</p>
<p><b>Tier 2:</b> Existing State Entity Contracts</p>	<p>State entities must then purchase goods and services available on their existing contracts.</p>
<p><b>Tier 3:</b> Statutory Sources Designated as Mandatory</p>	<p>State entities must buy certain products and services from Georgia Correctional Industries Administration (GCI) and Georgia Enterprises for Products and Services (GEPS).</p>
<p><b>Tier 4:</b> Convenience Statewide Contracts, GEPS Preferred Products, Piggyback Purchases, Consortia/Cooperative Purchasing, and Open Market Purchases</p>	<p>If entities cannot satisfy the purchasing need in Tiers 1-3, they can use any of these options, most of which have a competitive bidding component (See <a href="#">Appendix C</a> for definitions).</p>

Source: Georgia Procurement Manual

**Role of DOAS SPD and State Entities**

State entities are largely responsible for the day-to-day purchasing that occurs, with procurement staff assisting and approving purchase requests from entity program staff. DOAS SPD sets policies through the GPM, including competitive bidding requirements. DOAS SPD also monitors entities’ purchasing activities, largely through audits, to ensure compliance with purchasing requirements.

**Role of State Entities**

State entities have purchasing authority and make the vast majority of purchases without any direct involvement by DOAS personnel. Purchases involve the entity’s procurement office, the various units of the entity that need to purchase goods or services, and financial offices that monitor the entity’s budget and make payments to suppliers. Each state entity has a designated agency procurement officer (APO) or college or university procurement officer (CUPO) who leads its



procurement office and is responsible for ensuring the entity complies with the State Purchasing Act and all relevant laws, policies, and administrative rules.

Most purchases should begin with a request from designated personnel from the office needing the good or service, which is made in the form of a requisition created within the TeamWorks information system. The requisition should include key information such as purchase type code, NIGP code, purchase description, supplier name, and supplier ID number. The requisition receives designated approvals (typically by a program manager and budget official) before being routed to the procurement office for review and approval.<sup>2</sup> Buyers within the procurement office are responsible for purchasing the good or service using the correct method set forth in the GPM order of precedence previously discussed.

Consistent with State Accounting Office policy, most requisitions greater than \$2,500 should result in the creation of a purchase order (PO) that will encumber (i.e., commit) the funds that will be used to make the eventual payment.<sup>3</sup> For purchases that do not require a PO, a direct-to-voucher method is used. Direct-to-voucher indicates the entities' accounts payable office paid for the good or service without involving the entity's procurement office.

APOs/CUPOs have a number of responsibilities related to ensuring that the entities' purchases comply with the State Purchasing Act and associated policies. These include:

- Providing DOAS with written notice and justification of emergency purchases;
- Annually reviewing emergency purchases to identify repetitive emergency purchases or other opportunities to establish competitively bid contracts for reoccurring emergency needs;
- Ensuring open market purchases are the appropriate purchasing method and comply with competitive bidding procedures;
- Monitoring compliance with administrative rules and rectifying non-compliance; and
- Preparing and submitting to DOAS all purchases that exceed the state entity's purchasing authority.

### **Role of DOAS SPD**

As noted previously, DOAS SPD oversees the procurement functions for the State of Georgia. The division is responsible for developing and managing policies through the GPM, providing training and certification to purchasing personnel in state entities, operating the Georgia Procurement Registry that contains solicitation opportunities, and monitoring entity compliance with purchasing

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<sup>2</sup> State entities can determine the threshold for routing requisitions to the purchasing office for approval.

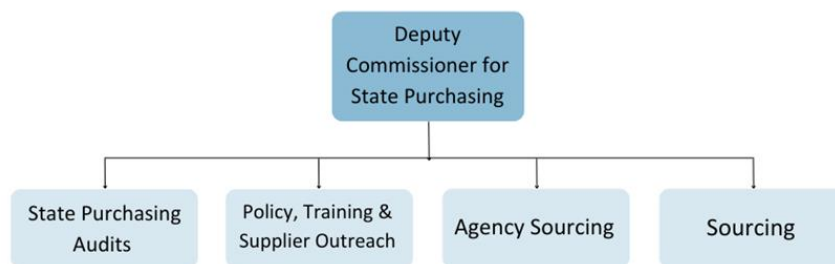
<sup>3</sup> Regardless of the amount, purchase orders are not required for a number of categories, including attorney payments, benefit payments to recipients, payroll, postage, and real estate rentals, among others.

rules.

The responsibilities are distributed among four programmatic groups that report to the Deputy Commissioner for State Purchasing (see **Exhibit 3**). The Sourcing and Agency Sourcing groups are responsible for securing statewide contracts or assisting state entities in their larger purchases, respectively. As discussed below, the other two units are more directly involved in developing policies, training personnel, and monitoring compliance with purchasing rules, including competitive bidding requirements.

### Exhibit 3

#### DOAS SPD Oversees State Purchasing Monitoring, Policies, and Training



Source: DOAS Documents

- **State Purchasing Audits** – Responsibilities related to competitive bidding include auditing POs, with an emphasis on areas considered to be high risk, such as emergency purchase orders and open market purchases. Examples of SPD’s audits include:
  - Monthly audits of open market purchases over \$50,000 to assess compliance with laws, policies, and administrative rules;
  - Monthly audits of NIGP codes to ensure active and valid codes are used and to ensure exempt NIGP codes are not used for non-exempt purchases that would otherwise require competitive bidding; and
  - Periodic audits of emergency POs to determine whether the purchase was properly coded and required forms were completed.
- **Policy, Training, and Supplier Outreach** – Responsibilities include setting procurement policy and providing training for procurement professionals, including required training for specific procurement roles. These training programs are designed to ensure procurement professionals apply and adhere to state guidelines and regulations for procurement.

### Procurement Information Systems

State entities use multiple information systems for procurement. Most state agencies utilize a version of PeopleSoft (TeamWorks) to record each step of the procurement process. This includes requisition approvals, key information about

the goods and services purchased (e.g., purchase type, supplier ID), and purchase order terms. Most USG institutions utilize a different version of PeopleSoft called GeorgiaFirst for financial transactions.<sup>4</sup>

All state entities utilize the Georgia Procurement Registry to publicly advertise solicitations. Potential suppliers can register to receive courtesy notifications of bid opportunities. State entities must post the results of solicitations, including the notice of intent to award (if \$100,000 or more) and a final notice of award. Registered suppliers may opt for email notifications to receive information on solicitations that may be of interest.

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<sup>4</sup> *The University of Georgia, Georgia Institute of Technology, Georgia State University, and Augusta University each have their own financial systems.*

## Findings and Recommendations

### Finding 1: State purchases largely comply with state competitive bidding requirements with a few exceptions.

Competitive bidding is not required for many state purchases due to the purchasing amount or other exemptions. Our review of a targeted sample of purchases that should have been competitively bid identified a limited number of instances in which they were not. Competitive bidding for goods and services above a designated threshold is intended to ensure that the state is getting the best price possible.

We reviewed a targeted sample of purchases from fiscal years 2021-2023 from six state entities (four state agencies and two USG institutions) for compliance with state competitive bidding requirements.<sup>5</sup> These six entities had purchases totaling nearly \$5.1 billion in fiscal year 2022. More than \$3.7 billion of these purchases were classified as exempt, and some of the remaining \$1.3 billion in purchases were likely exempt because they did not exceed the competitive bidding threshold. To review purchases that were not likely reviewed by DOAS or would have a high fiscal impact, purchases from approximately 4,900 suppliers were split into three sample categories: single purchases from \$25,000 to \$50,000, multiple purchases that totaled over \$25,000 only when combined, and single or multiple purchases that totaled more than \$250,000. This created a sample of purchases from 476 suppliers.

We reviewed each purchase in the sample to determine whether there was an exemption (e.g., type of good or supplier), statewide contract, agency contract, or other competitive solicitation that would have complied with state competitive bidding requirements. If unable to identify an exemption or a competitive solicitation, we discussed with the state entity and DOAS to make a final determination regarding the rationale for the method of purchase.

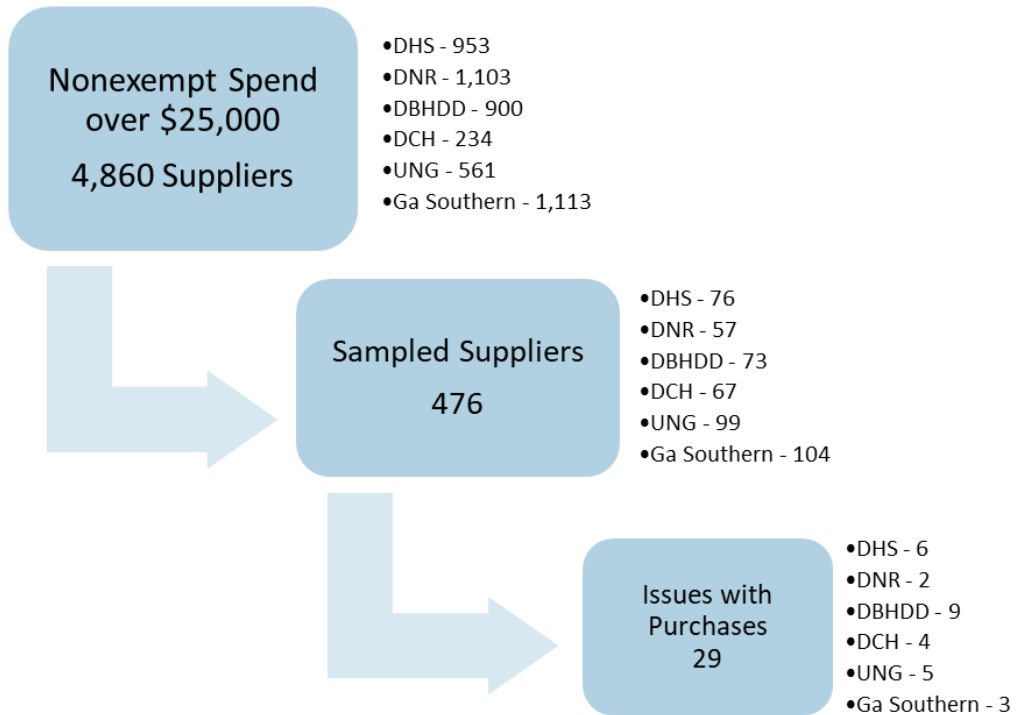
As shown in **Exhibit 4**, purchases from the vast majority of suppliers appeared to comply with state competitive bidding requirements. We found issues with 29 purchases (or combination of purchases)<sup>6</sup> by state entities that did not comply with the requirements. There was variation among state agencies, ranging from two issues at DNR to nine at DBHDD.

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<sup>5</sup> The sample selected was not a representative sample and cannot be extrapolated to the population of purchases. The sample of purchases was selected based on perceived risk, as well as efforts to include different types of purchases and varying amounts. See page 30 for more information on the sample.

<sup>6</sup> We chose to count suppliers from which a problematic purchase was made instead of the number of purchases. State entities use different methods to document similar purchases, making it difficult to obtain an accurate count. For example, one entity may amend an existing PO when additional items are needed, while another entity may create a new PO for each additional item. In addition, direct-to-voucher purchases under \$2,500 and various other purchases identified in State Accounting Office policy do not require a PO.

**Exhibit 4**  
**Issues Found with Competitive Bidding Were Limited**



Source: DOAA Review of PeopleSoft Data

Purchases that appear to be noncompliant with state competitive bidding requirements can be grouped into the following categories. Most issues were relatively minor, and agency procurement staff indicated corrective action has been taken to address them.

- **Not grouping and tracking related purchases** – The Georgia Procurement Manual requires related purchases that total more than \$24,999 be competitively bid unless an exemption exists. State entities are responsible for tracking expenditures to ensure related purchases do not exceed this threshold.

We found 19 issues with related purchases that individually were less than \$25,000 but cumulatively exceeded the \$24,999 threshold. These occurred for a number of reasons. In some cases, purchases were not tracked to determine whether the threshold was being approached, while in other cases purchases were tracked but programs continued to purchase. (According to USG, some institutions will exceed the threshold with the intention of determining whether these purchases will occur in subsequent years and require a competitive solicitation). Additionally, there were differing viewpoints on what constitutes a related purchase.

We included the following state entities in our review: the Department of Behavioral Health & Developmental Disabilities (DBHDD), the Department of Community Health (DCH), the Department of Human Services (DHS), the Department of Natural Resources (DNR), Georgia Southern University, and the University of North Georgia.

These purchases were not exempt, and no solicitation was found on the Georgia Procurement Registry. Examples include janitorial contracts for multiple facilities (\$492,000), art supplies (\$50,000), and printing (\$34,000).

- **Not following piggyback requirements** – With permission from DOAS, state entities may purchase from other state entities' competitively bid contracts if the supplier agrees to the same prices, terms, and conditions.

We found that one agency failed to obtain DOAS permission prior to making multiple purchases from a supplier that had previously entered into a competitively bid contract with another state agency.

- **Not following requisition process** – Prior to making a purchase, entities typically require the creation of a requisition to obtain various approvals. Requisitions above certain thresholds are routed to the procurement office, which can determine whether the purchase is compliant with state requirements.

State entities noted instances in which program staff ordered and received goods without creating a requisition. In these cases, a requisition was not requested until after the goods were received; the goods were still paid for because the state was required to pay the debt.

We found purchases from three suppliers that totaled more than \$24,999 but were not competitively bid because the requisition process was not followed. One involved a program ordering and distributing books that totaled approximately \$50,000. The entity received the bill from the supplier after the books had been distributed.

- **Not following DOAS-approved solicitation procedures** – State purchasing regulations require that solicitations above a state entity's delegated purchasing authority be approved by DOAS and posted to the Georgia Procurement Registry.

We identified one particularly large purchase that did not comply with this requirement. In 2022, DHS executed a \$1.1 billion contract for the distribution of debit cards to enrollees in Medicaid, SNAP, and/or TANF (the majority of funds were for direct benefits). DHS and the Governor's Office of Planning and Budget (OPB) directly provided a solicitation document to four potential suppliers and obtained proposals from three. In a manner similar to that typically used for solicitations, the proposals were reviewed and scored by a panel of DHS and OPB staff members to determine the awardee.

The deviation from the standard procurement process resulted in a much

faster contract award. A request for proposal (RFP) following state competitive bidding requirements typically takes four to six months, and up to 12 months for complex RFPs. The solicitation document for this program opened on August 25 and the supplier was selected on September 1.

While the timeline allowed quicker delivery of funds to beneficiaries, the number of suppliers was potentially limited because the RFP was not posted to the Georgia Procurement Registry. This prevented the state from receiving the benefits of an open, competitive solicitation.

- **Reason unknown** – Purchases that total more than \$24,999 are required to be competitively bid unless an exemption exists. We found purchases from five suppliers that were not exempt from competitive bidding requirements, but no solicitation could be found on the Georgia Procurement Registry. Examples include purchases for Braille services (\$37,000) and broadband internet services (\$36,000). State entities were frequently unable to provide an explanation for the lack of a competitive solicitation for these purchases, though many occurred prior to the tenure of the current APO or CUPO.

**DOAS Response:** *The agency agreed with the finding that state purchases largely comply with state competitive bidding requirements with only a few exceptions. DOAS further noted that it supports state entities' purchasing needs and compliance with applicable state purchasing laws and policies by establishing rules through the Georgia Procurement Manual, providing guidance to agencies, conducting training, maintaining competitively bid statewide contracts, collaborating with agencies on large procurements, providing oversight of purchasing cards, auditing various activities, providing procurement systems and tools, and conducting outreach to the business community (with a focus on small business, including minority-owned, woman-owned and veteran-owned businesses).*

**DBHDD Response:** *The agency agreed with the finding.*

**DCH Response:** *The agency agreed with the finding and noted the actions already taken to address the issues identified.*

**DHS Response:** *The agency agreed with the finding.*

**DNR Response:** *The agency agreed with the finding.*

**USG Response:** *The agency agreed with the finding. USG also noted "the issues identified at USG institutions were associated with multiple purchases being made by various departments across the institutions in one fiscal year that cumulatively exceed \$25,000. USG's interpretation of DOAS policy is to not switch vendors at \$25,000 to avoid splitting purchases. Our intention is to clearly identify a complete picture of spending activity so we can review and determine what should be included in a bid to address what is accurately needed in the future. Whereas, if we intentionally split purchases, we would not have a clear spending pattern to review. While we had missed opportunities to competitively bid in a select few circumstances where we*

*did not anticipate spend to reach \$25,000, none of the issues identified were associated with a one-time spend that exceeded \$25,000 or spend that cumulatively exceeded \$25,000 significantly. If USG is approaching a cumulative spend of \$25,000 or anticipates spend to exceed \$25,000, we will contact DOAS for support and guidance.”*

### **Competitive bidding process has both benefit and costs for state and potential suppliers**

Competitive bidding has the benefit of transparency for potential suppliers and expected lower prices and/or better value for the state; however, it also has a cost to those parties. It is important to balance the costs and benefits to ensure that the process is required when most appropriate.

Since 2015, O.C.G.A. § 50-5-69 has set the competitive bidding threshold for purchases at \$25,000. Because of inflation, the threshold is now equivalent to 2015 purchasing power of approximately \$19,400. Inflation results in a greater number of purchases being subject to competitive bidding than would have occurred just a few years earlier, increasing administrative costs for the state.

Purchases expected to exceed \$24,999 require assistance from the entity’s procurement office personnel. Depending on the complexity of the formal solicitation, several months may be required to develop the solicitation document, review and score proposals submitted by potential suppliers, and make the award. In addition to procurement office personnel, the process frequently involves multiple program officials, as well as legal staff. To the extent that additional personnel are required to handle competitive purchases, the added staffing costs may exceed savings expected for relatively low cost purchases.

In addition to solicitations, procurement personnel should also monitor agency purchasing to ensure that purchases are not improperly bypassing the competitive bidding/solicitation process. The cost of this monitoring decreases as the threshold increases because the number of purchases and suppliers nearing the threshold declines.

For suppliers, the process that results from a formal solicitation can also be costly and may serve as a barrier to some small businesses. Suppliers must be knowledgeable of the solicitation process, spend time preparing the documents required to respond, and be able to incur any costs associated with the time that may be required to make a formal award. This additional effort and associated costs may lower or even eliminate expected profit on a smaller bidding opportunity.

The benefits of transparency, fairness, and low costs should be pursued. If the competitive bidding threshold is raised, consideration should be given to other mechanisms to achieve these goals, such as required documentation of quotes and continued outreach by DOAS and state agencies to small businesses to encourage purchases from a broad range of suppliers.

**Finding 2:** Statewide controls largely ensure purchases comply with competitive bidding requirements, though additional guidance and audits would likely lead to fewer noncompliant purchases.





State policies and training, information system controls, and purchasing audits contribute to the vast majority of purchases complying with the state's competitive bidding requirements. However, the Georgia Procurement Manual has provisions that could be clarified and additional audit procedures to detect non-compliance would be beneficial.



DOAS has primary responsibility for establishing statewide controls that are designed to ensure purchases comply with the State Purchasing Act, which includes state competitive bidding requirements. An effective control environment would include the four areas described below and in **Exhibit 5**.

**Exhibit 5**

**Statewide Controls are Largely Effective, Though Minor Improvements are Needed**

Controls	Statewide Policies 	Monitoring of Purchases 	Information System Controls 	Training of Procurement Staff 
Description	DOAS maintains and updates the Georgia Procurement Manual	DOAS conducts high risk purchase audits	Multiple systems exist with varying levels of controls to ensure data quality and that the approval processes are followed	Required DOAS trainings are comprehensive and target key actors in procurement
Improvements	Additional clarification on what constitutes a related purchase	Additional audit procedures would be beneficial	Additional controls in all systems should be considered	NIGP code training for requestors should be offered

Source: DOAA review of DOAS and SAO documents, and interviews with procurement personnel

**Statewide Policies**

The Georgia Procurement Manual (GPM) outlines the requisite administrative rules issued by DOAS to govern purchases made by certain state government entities. The GPM outlines the roles and responsibilities of APOs/CUPOs, including their responsibilities for ensuring competitive solicitation requirements are met.

While most competitive bidding requirements were clear, we found that the six entities reviewed interpreted the provision for grouping related purchases differently. The GPM does not allow entities to “split reasonably foreseeable or related purchases into two or more transactions for the purpose of circumventing” competitive bidding requirements. The six entities interpreted this provision differently, and only two of the six entities' interpretation was correct. These interpretations are described below.

- Two entities had a correct interpretation that considers whether the items purchased from the same supplier were related and considered the

cumulative amount of related purchases in a fiscal year. For example, an entity could purchase fishing equipment and uniforms from the same supplier and consider these to be unrelated.

- Two entities had an incorrect interpretation that they cannot spend more than \$25,000 per supplier in a fiscal year without competitive bidding. These entities consider all purchases from a supplier to count toward this threshold, regardless of the items purchased. This is an overly conservative interpretation of the bid threshold, which could lead to unnecessary competitive solicitations.
- Two entities had an incorrect interpretation that they cannot spend more than \$25,000 per supplier in a single transaction without competitive bidding. They noted the difficulty in tracking and assessing whether purchases are related. The entities continue to purchase from a supplier after exceeding the threshold and instead evaluate whether a competitive solicitation should be utilized in the following fiscal year. As a result of this practice, total purchases in a fiscal year could exceed the threshold for the same items as long as no single purchase exceeds \$25,000.

We identified six instances where related purchases were not grouped together, causing the total spend for a given supplier to exceed the competitive bidding threshold. All were related to inaccurate interpretations of the GPM policy.

### **Monitoring of Purchases**

DOAS conducts audits of all open market purchases above \$50,000 to monitor state entity compliance with the state competitive bidding requirements. In addition, DOAS audits emergency purchases and the use of NIGP codes, which are discussed in more detail in Findings 4 and 5.

The current open market audits ensure the highest dollar purchases are reviewed, but the scope is limited. Specifically, DOAS does not monitor purchases coded as something other than an open market purchase or open market purchases between \$25,000 and \$50,000. Furthermore, DOAS only monitors purchases using a PO, though there are a significant number of purchases made without a PO (known as direct-to-voucher purchases).

Our review of a sample of purchases found noncompliant purchases from suppliers that would not be identified in DOAS's current audits. Many of these would have been identified by expanding the audit scope to cover \$25,000 to \$50,000 purchases, while a smaller number would have been identified in direct-to-voucher audits. We also found instances of open market purchases that were miscoded as a different purchase type.

### **Agencies should consider existing convenience contracts**

In addition to controls, DOAS provides resources to state entities in the form of competitively bid mandatory and convenience contracts. Both ensure purchases comply with the State Purchasing Act and reduce administrative costs within agency procurement offices that avoid the need to perform the competitive solicitation themselves.

We identified one contract for staffing services that was not competitively bid as required. Compliance could have been achieved without the time and expense of a new competitive solicitation because DOAS had already executed a statewide convenience contract for temporary staffing services, which would likely have covered the needed services. DOAS officials noted that they had observed similar instances of agencies failing to realize the potential benefits of using existing convenience contracts.

DOAS audits are limited by staff capacity. However, there is a desire to perform a variety of purchase type audits. While auditing all purchases between \$25,000 and \$50,000 is not feasible, periodic and targeted sampling of purchases could be conducted in entities with newer procurement staff or other identified risk factors known to DOAS.

### **Information System Controls**

Most state entities use PeopleSoft information systems to document, approve, and monitor purchases. State agencies use TeamWorks, while most USG institutions use GeorgiaFIRST.<sup>7</sup> These systems have various methods to ensure that expected business processes are followed. However, like all information systems, they may not be designed to prevent all compliance issues, or they may not function as intended.

We did not perform a full assessment of system controls but instead reviewed the design of the system related to competitive bidding and observed weaknesses as we reviewed purchasing data. We verified our understanding of the relevant controls through interviews with agency personnel.

For systems reviewed, we found that controls exist to ensure that valid information is entered for certain fields and that approvals occur before procurement requests can move forward. However, both systems allow for inaccurate purchase type codes to be used. Because some purchase types are not audited by DOAS, this can incorrectly exclude purchases from review. For example, users can incorrectly identify a purchase as an agency contract (not subject to review) when it is actually an open market purchase. A potential control would require the user to choose a supplier with an existing contract or link to the agency contract itself.

The state is currently obtaining a replacement for TeamWorks. The purchasing module of the NextGen Enterprise Resources Planning (ERP) system is scheduled for implementation in October 2025.

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<sup>7</sup> GeorgiaFIRST is used by most USG institutions. The University of Georgia, Georgia State University, Georgia Institute of Technology, and Augusta University each have their own financial system.

### Training of Procurement Staff

DOAS requires that agency procurement staff (requestors, buyers, approvers, and contract officers) receive training and earn certifications before performing their procurement activities. Trainings are designed to ensure state entities adhere to the State Purchasing Act and GPM standards for purchasing by educating users on steps related to their responsibilities. Certification paths are also required for specific access levels within the PeopleSoft system. Some APOs shared that while most DOAS training is sufficient, additional NIGP Code training is preferred to help mitigate coding errors (see Finding 4 for additional information).

Training courses are offered in one of two formats and are frequent enough to account for agency staff turnover. The Georgia Certified Purchasing Associate (GCPA) training for state agencies and USG institutions are virtual lecture-based or self-paced online and are held two to three times a month or quarterly. Most courses include a test that certifies completion. APOs are required to complete the GCPA certification path within the first nine months of hire, and all other procurement professionals are expected to complete certification in 12 months. The GPM also designates APOs/CUPOs responsibility for mentorship and training of all staff, including GCPA certification, at least annually.

### RECOMMENDATIONS

1. DOAS should provide additional clarification and examples on what constitutes a related purchase that would collectively count toward the \$25,000 competitive bidding threshold in the GPM. It should update relevant training with this additional clarification.
2. DOAS should conduct periodic audits of a sample of additional types of purchases between \$25,000 and \$50,000, as well as periodic audits of direct-to-voucher purchases that collectively exceed \$25,000 for a single supplier.
3. In consultation with partner agencies, DOAS should include additional information system controls in the forthcoming NextGen ERP system.
4. USG should ensure these additional controls are in place across all information systems used by its institutions.

**DOAS Response:** *The agency agreed with the finding that statewide controls largely ensure purchases comply with competitive bidding requirements.*

*DOAS further agreed with the three recommendations. Regarding recommendation one, DOAS noted that the GPM includes four example scenarios to guide agencies on the issue of related purchases but stated that “additional clarification of this policy and expanded scenarios would assist state procurement officers in compliance.” It noted that potential for confusion related to whether purchases for separate office locations or*

*campuses or from different suppliers should be combined. DOAS stated that it will work with the Purchasing Customer Advisory Panel (PCAP) to receive input before issuing additional clarification.*

*Regarding recommendation two, DOAS stated that it was “committed to continuing to expand its audit activities, including review of lower dollar thresholds and direct-to-voucher purchases. To most efficiently address DOAA’s recommendation, SPD plans to take the following actions:*

- Automating system controls and reporting within the new ERP system (during design and configuration phase);*
- Assessing the effectiveness of the system controls following implementation of the new ERP and adjusting such controls, where feasible (to be completed after full implementation of ERP system estimated for state fiscal year 2026);*
- Considering the benefits and viability of additional audit software or additional auditors to assist with reviewing purchasing data and identifying possible non-compliance for targeted review by SPD Audits team staff (estimated for state fiscal year 2027);*
- Continuing to focus and refine reviews of high-risk purchasing activity with flexibility to adjust dollar thresholds and other parameters (ongoing); and*
- Conducting ad hoc audit reviews when warranted (ongoing).”*

*Regarding recommendation three, DOAS noted that it is working in partnership with the State Accounting Office to replace the PeopleSoft TeamWorks system with a new solution (NextGen) and that it will better understand potential system controls once discovery and design sessions begin in January 2024. DOAS further stated that “SPD also anticipates that system controls may be adjusted over time based on increased knowledge and understanding of the system and user behavior, assessment of the effectiveness of existing system controls, and future changes to the system.” It noted that the financial system is currently estimated to go live in October 2025.*

*DOAS also noted that USG and its institutions have separate financial systems but use some procurement tools used by DOAS. DOAS will share information about NextGen’s system controls for possible implementation within USG systems.*




**DNR Response:** *The agency agreed with the finding noting that while it is good to review additional purchases, there’s not always a clear solution to potential issues and that it is important that the results of such reviews not require the use of agency contracts that would limit the ability of DNR to use small local vendors or would limit DNR in urgent situations.*

**Finding 3: Opportunities exist to strengthen state entity controls related to competitive bidding requirements.**

While most purchases we reviewed comply with state competitive bidding requirements, we noted improvements are needed in state entity procedures and formal monitoring practices. State entities have implemented controls to varying degrees.

Statewide controls play an important role in ensuring compliance with state competitive bidding requirements; however, state entities must operationalize and supplement the statewide controls for their own purchasing activities. This is accomplished through the various key internal controls shown in **Exhibit 6**.

**Exhibit 6  
Documented Controls Vary Across State Entities**

Controls	Entity Procedures 	Procurement Training 	Monitoring of Purchases 
Description	Some entities have documented procedures and checklists	Some entities have developed in-house trainings targeting key roles	Two entities have conducted audits of purchasing activity, while multiple occasionally monitor purchases
Improvements	Entities should formally document procedures from requisition through PO creation	N/A	Entities should conduct more frequent formal purchase reviews

Source: DOAA review of state entity documents and interviews with procurement personnel

**Agency Procedures**

The GPM states that APOs and CUPOs are responsible for providing methods to ensure all purchasing laws, rules, regulations, and procedures are observed. Entities stated that they follow DOAS policies and procedures outlined in the GPM, but most lack documentation of all procedures they have established to comply with the GPM. While some entities have developed checklists and explanatory documents to aid procurement staff in accurately following GPM policies, others lack documented processes, which may allow erroneous purchase requisitions to be approved.

The primary types of procedure documents used by entities in our sample are discussed below. Four entities have some combination of documented procedures or checklists, while two have none.

- **Documented Procedures** – USG has documented procedures from requisition through PO approval for use by its institutions, and two state agencies maintain documented procedures covering aspects of the procurement process. For example, DNR’s procedural document describes the steps to develop a contract based on the type of purchase (e.g., exempt purchase, sole source). In addition, DCH has a policy that outlines the roles and responsibilities of procurement personnel, staffing recruitment personnel, and DCH staff who serve on solicitation requirement or evaluation teams; the policy outlines the importance of knowledgeable staff and the need to prevent conflicts of interest or other ethical violations from occurring.
- **Checklists** – Three entities have developed checklists for procurement staff to utilize for most stages of the procurement process, while one entity has checklists that are more limited in scope. DNR maintains a comprehensive checklist organized by the GPM’s stages of procurement. This document details the steps procurement staff are to take and questions to ask when moving a requisition through the solicitation process. DNR also has a checklist for sole source purchases. USG developed a checklist for its institutions that covers all aspects of creating requisitions.

While less comprehensive, DCH’s checklist provides step-by-step guidance for reviewing requisitions, from checking NIGP codes to determining whether the requisition is over the bidding threshold (requiring competitive solicitation).

The overall lack of documented procedures places significant reliance on procurement officers to ensure policies are understood and followed. Reliance on individual knowledge increases risk, particularly when turnover occurs in these positions. Furthermore, documented procedures could prevent or detect the types of errors observed in our review of purchases, particularly with purchase type miscoding and incorrect NIGP code usage (discussed in Findings 2, 4, and 6).

### **Training of Procurement Staff**

In addition to the state training requirements, the GPM assigns responsibility to APOs/CUPOs for procurement staff mentorship and agency-specific training. While on-the-job training is important, formal training may be necessary for agencies with large procurement staff or higher turnover rates.

All requestors receive required state training, though five entities provide additional entity-specific training for staff in key roles. DBHDD, DCH, Georgia Southern, and UNG provide requisition training to requestors and/or procurement personnel. DHS provides solicitation training and training on support service contracts such as janitorial and lawncare services, which the agency has identified as high risk. UNG also provides general procurement training that outlines the “do’s and don’ts” of procurement. In addition, the USG provides quarterly procurement training to all USG institutions.

DNR has no additional formal training but has a small procurement office that relies on on-the-job training and close oversight by the APO.

### Monitoring of Purchases

The GPM assigns APOs/CUPOs with responsibility for monitoring state entity compliance with administrative rules, which includes recommending that entities perform periodic reviews of recent purchases. These reviews could ensure the purchase information includes the correct solicitation type and NIGP code and could monitor expenditures by supplier to ensure the competitive bidding threshold is not exceeded.

No state entity has a formal review process. However, the APOs for DBHDD and DNR stated that they periodically review recent purchases for compliance. These reviews are not documented, and no written policies exist for how they are conducted. The remaining four state entities do not conduct regular purchase reviews.

UNG and Georgia Southern noted that they had conducted internal audits related to purchasing, including purchasing card audits. In addition, UNG conducted a contracts management audit in 2015. However, neither institution had conducted an audit specifically on competitive bidding compliance. While internal audits can serve as a method of monitoring, it does not replace the responsibility of APOs/CUPOs to conduct formal reviews.

## RECOMMENDATIONS

1. Entities should have documented procedures or a series of checklists that cover all procurement office responsibilities from requisition approval to PO approval.
2. Entities should conduct periodic formal reviews of recent purchases.

**DOAS Response:** *The agency agreed with the finding that there are opportunities for state entities to strengthen internal controls. It noted the responsibilities of the APO/CUPO position and stated that there had been more than 75 changes in those positions since fiscal year 2019. It noted that it had created the “APO/CUPO Boot Camp training program with more than 65 procurement professionals graduating as of state fiscal year 2023. [DOAS] is developing a mentorship program to connect new procurement officers with more experienced state professionals for information sharing and to aide in professional development.”*

*DOAS also agreed with both recommendations. Regarding the first, it stated that “while all state entities must comply with the GPM, [DOAS] recognizes the value of each state entity documenting its own procedures or establishing checklists consistent with the GPM to conduct purchasing activities. Such procedures and checklists may be beneficial in breaking down specific tasks and identifying responsible staff members. State entity-*



*specific documentation may also address uniqueness of the organization’s structure, programs and funding sources...[DOAS] will facilitate discussions amongst (Purchasing Customer Advisory Panel (PCAP)) and APOs/CUPOs to identify best practices and sample procedures and checklists for reference by other state entities in developing their own procedures and checklists.”*

*Regarding the second recommendation, DOAS stated that it will “facilitate discussions amongst PCAP and APOs/CUPOs to develop resources for state entities to utilize when conducting internal reviews of purchasing activity, such as data queries that may be available within the applicable financial system for analyzing purchasing transactions. Considerations may include frequency of review, lookback period for past purchasing transactions, and how to forecast future purchasing needs.”*

***DBHDD Response:*** *The agency agreed with the finding and recommendations. The agency “acknowledges that the Agency Procurement Officer (APO) has not been able to fully function as an APO due to structural deficiencies within our organization...Prior to the receipt of the Report, DBHDD was in the process of reorganizing its procurement operations to improve the APO’s oversight of agency procurements.” DBHDD stated this reorganization will allow the APO to standardize procurement procedures across the office and hospitals, ensure staff have all required trainings and certifications, monitor statewide spending by vendor to ensure compliance with competitive bidding requirements, and verify that RFPs are conducted correctly.*

***DCH Response:*** *The agency agreed with the finding and recommendations. Regarding the first recommendation, DCH noted that it “has existing documented procedures and checklists that cover procurement office responsibilities.” In response to the second recommendation, DCH stated that it “will look to implement a more formal review of recent purchases on a consistent basis. This will include a review of the spend of those purchases made in the open market that are not otherwise identified as being exempt, covered under an agency contract, and/or made via the use of a statewide contract. Those analyses will be documented and used as a tool to determine if DCH is nearing the bidding threshold for those services.”*

***DHS Response:*** *The agency agreed with the finding and recommendations. Regarding recommendation one, “DHS has a draft copy of Procurement Procedures mainly related to responsibilities. However, a final version of the Procurement Policies and Procedures will be completed by July 1, 2024.” Regarding the second recommendation, the agency stated that it “randomly” reviews purchases but, starting in July 2024, will conduct a periodic review at least once a quarter.*

***DNR Response:*** *The agency agreed with the finding and recommendations, stating “DNR will formalize procedures and post as soon as possible.” Also, it “will continue to review all POs daily and will work to formalize an annual review and develop training to correct any issues found.”*

***USG Response:*** *The system partially agreed with the finding, noting that*

*it “recognizes that there is always room for improvement. However, we believe we have the processes in place to ensure our organizations are following the statewide competitive bidding requirement.”*

*USG agreed with both recommendations. Regarding the first, USG stated that it “has standard operating procedures on how to enter requisitions or purchase orders and follow DOAS policy on when to implement those. These SOPs are available and used by all institutions. Further, USG has business processes, job aids, as well as an ePro & Purchasing Month-End Process Checklist for use by all institutions...Both University of North Georgia and Georgia Southern University also have their own internal checklists that they use for new hires and requestors to support those procedures in place. In addition, USG provides quarterly training to all procurement staff in addition to the regular training provided by DOAS.” USG also stated that institutions have dedicated internal audit functions that conduct reviews based on an annual risk assessment, which includes procurement. Finally, it noted that both institutions reviewed had conducted recent audits of purchasing cards and one of contract purchasing.*

*Regarding the second recommendation, USG stated that “all USG institutions conduct periodic informal reviews of purchases to identify spending trends that would require competitive solicitation in the following year. To aid in this process, USG has added additional queries to the USG ePro & Purchasing Month-End Checklist that should be reviewed each month by the institutions. Going forward, USG will incorporate this review into USG business procedures as an annual requirement for all institutions to complete and submit to USG Strategic Sourcing.”*

**Finding 4: State entities largely use exempt NIGP codes only for exempt items, though incorrect NIGP codes were observed for other purchases.**

While virtually all purchases with exempt National Institute of Governmental Purchasing (NIGP) codes in our review were for goods and services exempt from competitive bidding requirements, we identified inaccurate NIGP codes for non-exempt purchases. This reduces the ability of DOAS and state entities to gain insight into where tax dollars are spent and where contracts could help to improve efficiency and save money.

NIGP codes are unique codes used to identify the type of goods and services procured by the state (thousands are available for virtually any good or service). Codes are a required field in TeamWorks and are typically entered during the requisition process. Some codes indicate purchases are exempt from the state's competitive bidding requirements. For example, NIGP code 32548 is for milk products and is an exempt code.

The six state entities in our review largely utilized exempt NIGP codes only for exempt goods and services. For a sample of 82 exempt NIGP codes, we compared the purchase description to the NIGP code description and found these

descriptions largely matched. Specifically, 6,131 of 6,157 vouchers that contained one of the tested codes were for purchases of an exempt good or service.

While entities are not incorrectly coding purchases as exempt, DOAS has found the use of inaccurate NIGP codes in its reviews. An NIGP code can be inaccurate because it is invalid (blank or never a code), inactive (code no longer in use), or incorrect (valid, active code that is for a different good or service). DOAS conducts monthly audits of NIGP codes to determine whether purchases are using active and valid codes. DOAS audits do not determine whether the code is correct.

During the most recent 12-month period of DOAS audits, state agencies and USG institutions used inactive NIGP codes on approximately 550 purchase orders, which totaled \$7.7 million in purchases.

The use of inaccurate NIGP codes is not prevented by any system controls or reviews of purchase requests by procurement personnel.

- The PeopleSoft system utilized by state entities on TeamWorks requires the NIGP field to have a valid code. However, there is no system check to ensure the code entered is active. The system contains a more comprehensive listing of NIGP codes than is permitted for use and does not restrict use only to those allowed by DOAS policy.
- Even with system controls in place, ensuring correct NIGP codes are utilized largely falls on requestors and procurement personnel. Procurement personnel indicated that NIGP codes are reviewed for accuracy, yet audit results from DOAS show additional review and training are necessary to ensure valid, active, and correct NIGP codes are used. DOAS does not currently provide a stand-alone course on NIGP codes but has recommended that such a course should be considered.

## **RECOMMENDATIONS**

1. APOs/CUPOs should implement a process to ensure correct NIGP codes are used on all purchase orders.
2. DOAS should provide a stand-alone course on NIGP code use for requestors, buyers, approvers, and APOs/CUPOs.

***DOAS Response:*** *The agency agreed with the finding and both recommendations. Regarding the first recommendation, DOAS agreed that APO/CUPOs should establish a process that takes a “risk-based approach by considering factors such as dollar value and whether the purchase is considered exempt, when establishing workflows for review.” It further stated that it will “facilitate discussions with PCAP and APOs/CUPOs to develop guidance related to requisition reviews.”*

*Regarding the second recommendation, DOAS stated that it will develop an*

*on-demand, web-based training on NIGP codes by June 30, 2025.*

***DBHDD Response:*** *The agency agreed with the finding and recommendations. See response on page 20 for planned changes to its procurement operations.*

***DCH Response:*** *The agency agreed with the finding and recommendation one. DCH stated that it “will look to implement a more formal review of NIGP codes. This will include a review of those purchases made utilizing the NIGP codes. Those reviews will be documented and used as a tool to determine if DCH is utilizing the codes appropriately.”*

***DHS Response:*** *The agency agreed with the finding and recommendation one. It stated that it “reviews the NIGP codes on all submitted requisitions. Starting in March 2024, a review of the NIGP codes will be included with the periodic internal reviews that will be conducted at least once a quarter.”*

***DNR Response:*** *The agency agreed with the finding and recommendations. It stated that it “will continue to review each PO created to ensure the correct NIGP codes are used.” Regarding the second recommendations, DNR stated that “additional training can only help.”*

***USG Response:*** *The agency agreed with the finding. It stated that it trains CUPOS to review NIGP codes when executing purchase orders and at monthly and annual transaction reviews and will continue this education process. It noted that it works with DOAS when invalid codes are identified from marketplace purchases.*

*USG agreed with the recommendations. Regarding the first, USG stated that it has a “ePro & Purchasing Month End Checklist that contains all steps institutions should take on a monthly basis for proper close out and review of transactions. It was last updated April of 2023 to include a query for identifying inaccurate NIGP codes and PO types as the first step in the monthly process. NIGP codes default based on the UNSPSC code assigned to the item ordered. USG is going to continue to work with DOAS on ensuring accurate NIGP codes are shared with our institutions to be updated in the GeorgiaFirst Marketplace. Georgia Southern University has a workflow for routing of POs with NIGP codes of all zeros that should then be manually updated on the purchase order. However, USG ITS and Strategic Sourcing are working to ensure University of North Georgia and all of our institutions have implemented the available workflow.” Regarding the second recommendation, USG stated that it would require all CUPOs and procurement staff to attend if DOAS implements the training.*

**Finding 5:** Controls are appropriately designed to discourage entities from using emergency purchases to bypass state competitive bidding requirements.

DOAS and the state entities reviewed have an appropriately designed system of controls that reduces the likelihood that emergency purchases are used to bypass

competitive bidding requirements. These controls include audits of all emergency purchases, documented policies and processes, and required forms justifying the purchase. The number of emergency purchases has declined in recent years, further reducing the risk of non-compliant purchases.

DOAS allows state agencies to purchase urgently needed items during emergencies. The GPM describes an emergency as a serious or urgent situation requiring immediate or prompt action to protect persons or property (e.g., public health threats, equipment failure, extreme weather conditions).<sup>8</sup> Emergency purchases are an exception to the Order of Precedence and are handled outside the normal competitive bidding process. However, the GPM notes that it is best practice to utilize competitively bid contracts or make any purchase as competitive as feasible even when making emergency purchases.

The use of emergency purchase orders has declined among the six state entities in our sample. Between fiscal years 2021 and 2023, a total of 79 emergency purchase orders were used, with the six entities combining for a high of 35 in fiscal year 2021 (the COVID-19 emergency played a role). By contrast, in fiscal year 2023, a total of 20 emergency purchase orders were utilized by four of the six entities. The decline in the use of emergency purchase orders reduces the risk that they are utilized to avoid competitive bidding requirements.

In our review of emergency purchases across the six entities, the purchase descriptions appeared to align with the GPM definition of an emergency purchase. **Exhibit 7** provides examples of the types of emergency purchases found in our sample, which primarily related to repairs.

**Exhibit 7**

**Emergency Purchases Were Commonly for Repairs**

Agency	Emergency purchase examples
DHS	Chiller repairs
DBHDD	Emergency repairs on cooler and freezers
DCH	Medical staffing services to respond to COVID-19 pandemic
DNR	Labor, materials, and equipment needed to repair/replace chiller due to electrical surge
UNG	Material and labor to replace ruptured sewer line
Ga Southern	Water and fire remediation

Source: TeamWorks Financials Data

Emergency purchases will always be a possibility for any agency, and no system of controls can guarantee that every purchase is appropriate. However, the primary control activities listed below collectively minimize the risk that emergency purchases are used improperly as a method to bypass competitive bidding requirements.

<sup>8</sup> The GPM recognizes both immediate action emergency purchases (e.g., fixing burst water pipes in a state building) and prompt action emergency purchases (e.g., buying sandbags to protect against expected flooding).

- **Attestation Form** – APOs/CUPOs must submit an Emergency Justification Form that notifies DOAS of the purchase and provides the reason. The form was modified in fiscal year 2023 to require additional information after DOAS audits discovered noncompliance with the previous form. New information requires more details on the emergency purchase, supplier information, and approval from the state entity’s chief financial officer.
- **Emergency Purchase Audits** – DOAS audits all purchase orders coded as an emergency to determine whether the purchase was properly coded and that the Emergency Justification Form was completed.<sup>9</sup> A review of these audits found that compliance with Emergency Justification Form requirements increased during fiscal year 2023.
- **Expectation of Ethical Behavior** – The GPM outlines requirements around ethical behavior, noting that APO/CUPOs should consult with their designated ethics officer regarding any potential conflicts of interest, financial interest, or other ethical concerns arising before or after the emergency purchase. Additionally, the Emergency Justification Form includes a conflict-of-interest compliance acknowledgment that the APO/CUPO and the program official requesting the purchase must complete.
- **Time Limits** – The GPM stipulates that contracts for emergency purchases should be limited to the time necessary to respond to the emergency and should be transitioned to competitively bid contracts when reasonable if the emergency is anticipated to continue for a prolonged period. Emergency contracts longer than 12 months may not be entered into without DOAS approval.
- **Agency Review of Emergency Purchases** – The GPM requires APOs and CUPOs to annually review historic spending to identify repetitive emergency purchases or opportunities to establish competitively bid contracts for reoccurring emergency needs.
- **Additional Agency Guidance** – Entity staff indicated in interviews that emergency purchases occur infrequently, though five agencies provide guidance to staff regarding when a purchase can be classified as an emergency. One agency (DCH) maintains a separate policy on emergency purchases that supplements GPM policies and guidance.

**DOAS Response:** *The agency agreed with the finding. It noted that it conducted a review of emergency purchasing policies and procedures in fiscal year 2022 and issued revisions that were effective July 1, 2022. The revisions were based on feedback from state procurement professionals.*

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<sup>9</sup> The audits do not discuss what was purchased or whether the purchase constituted a legitimate emergency.

**Finding 6:** State entities largely used statewide contract codes for purchases correctly, though information system controls should prevent other observed errors.

While PeopleSoft lacks controls to prevent an incorrect purchase type from being entered, our review of purchases associated with suppliers coded as statewide contractors found proper use of the code in nearly all cases. Virtually all purchases coded as statewide contracts we reviewed were with suppliers that held statewide contracts. Because statewide contracts have been competitively bid, the improper use of the code suggests competitive bidding occurred when it did not.

DOAS has established statewide mandatory and convenience contracts to obtain competitive levels of pricing for state entities to purchase goods and services. State entities are required to purchase available goods from statewide mandatory contracts and may use statewide convenience contracts to make purchases of \$25,000 or more without bidding out the work. Purchases made through a statewide contract must be coded as such by the agency to signify that competitive bidding occurred.

We reviewed a portion of purchases with statewide contract codes in fiscal years 2021-2023 from our sample of six state entities to determine whether the codes were properly used. The suppliers for the coded purchases were compared to the DOAS statewide supplier list.<sup>10</sup>

State entities coded their purchases as statewide contracts correctly in nearly all cases. In our review of 683 suppliers with purchases coded as statewide contracts, we found that 680 were on the statewide contract list. Miscoding can occur because the purchasing system does not prohibit a user from indicating a statewide contract purchase is being made, even if the supplier has no statewide contract. Procurement offices are responsible for ensuring the code is correct.

While statewide contract codes were largely accurate, we observed issues with other purchase types during the course of our review (e.g., agency contract codes for open market purchases). Inaccurate codes may give the appearance that these purchases were competitively bid when that may not be the case. They would also be improperly excluded from DOAS purchasing audits, thus limiting oversight. Finally, inaccurate coding limits the ability to use data across entities and the state enterprise to identify where tax dollars are spent and opportunities to gain efficiencies through other procurement methods.

***DOAS Response:*** *The agency agreed with the finding.*

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<sup>10</sup> Suppliers identified as nonprofits or governmental entities were not considered miscoded because these purchases are exempt from competitive bidding requirements.

## Appendix A: Table of Findings and Recommendations (Responding Agency Indicated)

	Agree, Partial Agree, Disagree	Implementation Date
<b>Finding 1: State purchases largely comply with state competitive bidding requirements with a few exceptions. (p. 7)</b>	Agree – All Agencies	N/A
No recommendations		
<b>Finding 2: Statewide controls largely ensure purchases comply with competitive bidding requirements, though additional guidance and audits would likely lead to fewer noncompliant purchases. (p. 11)</b>	Agree – DOAS	N/A
2.1 DOAS should provide additional clarification and examples on what constitutes a related purchase that would collectively count toward the \$25,000 competitive bidding threshold in the GPM. It should update relevant training with this additional clarification.	Agree – DOAS	June 2025
2.2 DOAS should conduct periodic audits of a sample of additional types of purchases between \$25,000 and \$50,000, as well as periodic audits of direct-to-voucher purchases that collectively exceed \$25,000 for a single supplier.	Agree – DOAS Agree – DNR	FY 2026 and 2027
2.3 In consultation with partner agencies, DOAS should include additional information system controls in the forthcoming NextGen ERP system.	Agree – DOAS	FY 2027
2.4 USG should ensure these additional controls are in place across all information systems used by its institutions.	Agree – DOAS	No date
<b>Finding 3: Opportunities exist to strengthen state entity controls related to competitive bidding requirements. (p. 16)</b>	Agree – DOAS, DBHDD, DCH, DHS, DNR  Partially Agree – USG	N/A
3.1 Entities should have documented procedures or a series of checklists that cover all procurement office responsibilities from requisition approval to PO approval.	Agree – All Agencies	DOAS – June 2025 DBHDD – No date DCH – July 2024 DHS – July 2024 DNR – No date USG – In place



	<b>Agree, Partial Agree, Disagree</b>	<b>Implementation Date</b>
3.2 Entities should conduct periodic formal reviews of recent purchases.	Agree – All Agencies	DOAS – June 2025 DBHDD – No date DCH – July 2024 DHS – July 2024 DNR – No date USG – June 2024
<b>Finding 4: State entities largely use exempt NIGP codes only for exempt items, though incorrect NIGP codes were observed for other purchases. (p. 21)</b>	<b>Agree – All Agencies</b>	<b>N/A</b>
4.1 APOs/CUPOs should implement a process to ensure correct NIGP codes are used on all purchase orders.	Agree – All agencies	DOAS – June 2025 DBHDD – No date DCH – July 2024 DHS – March 2024 DNR – In place USG – June 2024
4.2 DOAS should provide a stand-alone course on NIGP code use for requestors, buyers, approvers, and APOs/CUPOs.	Agree – DOAS	June 2025
<b>Finding 5: Controls are appropriately designed to discourage entities from using emergency purchases to bypass state competitive bidding requirements. (p. 23)</b>	<b>Agree – DOAS</b>	<b>N/A</b>
No recommendations		
<b>Finding 6: State entities largely used statewide contract codes for purchases correctly, though information system controls should prevent other observed errors. (p. 25)</b>	<b>Agree – DOAS</b>	<b>N/A</b>
No recommendations		

## Appendix B: Objectives, Scope, and Methodology

### Objectives

This examination was requested by the Senate Appropriations Committee. The committee indicated interest in competitive bidding thresholds and compliance with state competitive bidding requirements, with a focus on contracts that were renewed.

Limitations to contracting data prevented us from identifying renewals vs. initial contracts. As a result, we did not limit our review to renewals but instead determined whether there were adequate controls in place to ensure state agency procurement practices comply with competitive bidding laws, rules, and regulations. Specifically, we answered the following questions:

1. Did statewide and agency controls for open market purchases ensure purchases comply with competitive bidding laws, rules, and regulations?
2. Did statewide and agency controls for emergency order purchases ensure compliance with laws, rules, and regulations?
3. Were agencies properly using exempt NIGP codes when not competitively bidding purchases of goods and services?
4. Were agencies properly using statewide contract codes when the code is the stated reason for not competitively bidding goods and services?

### Scope

This audit generally covered purchasing activities related to the state's competitive bidding requirements that occurred between fiscal years 2021 and 2023, with consideration of earlier or later periods when relevant. Information used in this report was obtained by reviewing relevant laws, rules, and regulations; reviewing relevant agency documents (e.g., policies and contracts); interviewing staff and officials from the Department of Administrative Services (DOAS), State Accounting Office (SAO), University System of Georgia (USG), and the sampled state agencies (Departments of Behavioral Health and Developmental Disabilities [DBHDD], Community Health [DCH], Human Services [DHS], Natural Resources [DNR]) and USG institutions (Georgia Southern University and University of North Georgia [UNG]). Additionally, we obtained and analyzed purchasing data from multiple databases, including:

- **TeamWorks Financials Data** – All purchasing activities for the sampled state agencies are conducted through TeamWorks—an iteration of the PeopleSoft Financials management system. TeamWorks reports identify purchase dates, suppliers, purchase order numbers, NIGP codes, purchase amounts, and other key transaction-level fields. SAO worked with the audit team to create a custom query used to extract purchasing data for the sampled state agencies from July 2020 through June 2023.
- **GeorgiaFIRST Data** – All purchasing activities for the sampled USG institutions are conducted through GeorgiaFIRST—an iteration of the PeopleSoft Financials management system. GeorgiaFIRST reports identify purchase dates, suppliers, purchase order numbers, NIGP codes, purchase amounts, and other key transaction-level fields. USG worked with the audit team to create a custom query used to extract purchasing data for the sampled USG institutions from July 2020 through June 2023.

- **Bank of America Works** – All purchasing card (p-card) records for the sampled state agencies and USG institutions are electronically maintained in the Bank of America Works system. Works reports identify purchase dates, suppliers, purchase descriptions, purchase amounts, and other key transaction-level fields. DOAS provided the audit team with Works data for all p-card transactions for the sampled state agencies and USG institutions from July 2020 through June 2023.

We identified some limitations during our reliability assessment and subsequent analyses, including miscoding of NIGP codes and incorrect purchase order types. However, we determined the data from these systems to be sufficiently reliable for the purposes of our analyses.

Government auditing standards require that we also report the scope of our work in internal controls that is significant within the context of the audit objectives. All objectives address aspects of the internal control structure surrounding the competitive bidding process. Specific information related to the scope of our internal control work is described by objective in the methodology section below, and the report findings detail internal control deficiencies.

## Methodology

**To determine whether statewide and agency controls for open market purchases ensured that purchases complied with competitive bidding laws, rules, and regulations,** we reviewed the State Purchasing Act and the rules and regulations set forth in the Georgia Procurement Manual. In addition, we selected six state entities (four agencies and two state universities) and reviewed their purchases, as well as the policies, monitoring, and training related to competitive bidding. We chose entities of varying size and historical compliance.

We interviewed personnel at DOAS on the policies and procedures, formal monitoring, required and optional training, and information systems related to competitive bidding requirements. We obtained and reviewed audits of open market purchases conducted by DOAS. We reviewed the controls around key fields in the PeopleSoft information system with State Accounting Office personnel and information systems used by USG with USG personnel.

We interviewed personnel at the sampled entities about the procurement process as well as any controls that were in place. We requested and reviewed any relevant policies. We requested and reviewed any formal training programs. We requested and reviewed any formal monitoring that occurred of purchases by the state entity.

We extracted all line-item purchasing data from TeamWorks Financials and GeorgiaFIRST for six selected state agencies and USG institutions from July 2020 through June 2023. We utilized key fields identified by staff interviews and document review such as supplier name, pay status, purchase order type, purchase order status, and NIGP code to identify and remove data for purchases not subject to competitive bidding requirements. We then aggregated total purchase amounts by supplier and fiscal year and generated lists of suppliers for each selected agency or institution that met three separate sample criteria:

- **Supplier Group 1** – A list of suppliers receiving a purchase order that met or exceeded the competitive bidding threshold (\$25,000) but did not meet or exceed the DOAS threshold for compliance review (\$50,000).

- **Supplier Group 2** – A list of suppliers receiving aggregate purchases that met or exceeded the competitive bidding threshold (\$25,000), excluding individual purchase orders that met or exceeded the threshold.
- **Supplier Group 3** – A list of suppliers receiving aggregate purchases of \$250,000 or more.

We selected a non-random sample of approximately 100 suppliers from each supplier group for each of the six selected state agencies and USG institutions and manually reviewed all purchase data for each supplier to determine whether purchases complied with competitive bidding requirements. Supplier selection was primarily risk-based but included a broad representation of purchase types and payment types across all three fiscal years. Based on time, a minimum of 50% of each sample of suppliers was reviewed for compliance with competitive bidding requirements. Purchases by attached agencies were cleared and not evaluated due to the lack of information available to determine compliance of these purchases. Potential deficiencies noted during our fieldwork were provided to the selected agencies and institutions for further review. The sample selected was not a representative sample and cannot be extrapolated to the population of purchases. The sample was selected based on perceived risk, as well as efforts to include different types of purchases and varying amounts.

**To determine whether statewide and agency controls for emergency purchases ensured compliance with state laws, rules, and regulations,** we interviewed DOAS, agency, and institution staff and reviewed laws, rules, and regulations, as well as the description of emergency purchases related to our sampled entities.

We interviewed DOAS personnel on the policies and procedures related to emergency purchases. We obtained and reviewed audits of emergency purchases conducted by DOAS. We interviewed personnel at the sampled entities about emergency purchases.

We extracted all line-item purchasing data from TeamWorks Financials and GeorgiaFIRST for six selected state agencies and USG institutions from July 2020 through June 2023. We utilized key fields identified by staff interviews and document review such as purchase order type and purchase order status to identify emergency purchase data for each of the agencies and institutions. We manually reviewed all emergency purchase data for each supplier to determine if purchases complied with emergency purchasing laws, rules, and regulations. Potential deficiencies noted during our fieldwork were provided to the selected agencies and institutions for further review.

**To determine whether agencies and institutions were properly using exempt NIGP codes when not competitively bidding purchases of goods or services,** we obtained a list of exempt and nonexempt NIGP codes from the DOAS website. Additionally, we interviewed DOAS, agency, and institution staff and reviewed laws, rules, and regulations surrounding NIGP code usage.

We extracted all line-item purchasing data from TeamWorks Financials and GeorgiaFIRST for six selected state agencies and USG institutions from July 2020 through June 2023. We utilized key fields identified during our document review such as NIGP code, NIGP exempt code, and NIGP code description to identify NIGP exempt purchase data for each of the agencies and institutions. We selected a non-random sample of approximately 80 exempt NIGP codes across all six agencies and institutions and manually reviewed all purchase data associated with those codes. We compared purchase order descriptions from the line-item data to NIGP code descriptions to identify whether purchases were appropriately coded. Potential deficiencies noted during our fieldwork were provided to the selected agencies and institutions for further review.

**To determine whether agencies and institutions were properly using statewide contract codes when the code is the stated reason for not competitively bidding goods and services**, we obtained a list of statewide mandatory contracts and statewide convenience contracts from DOAS. Additionally, we interviewed DOAS, agency, and institution staff and reviewed laws, rules, and regulations surrounding statewide contract purchasing.

We extracted all line-item purchasing data from TeamWorks Financials and GeorgiaFIRST for six selected state agencies and USG institutions from July 2020 through June 2023. We utilized key fields identified by staff interviews and document review such as purchase order type and purchase order status to identify statewide contract purchasing data for each of the agencies and institutions. We did an automated comparison of all statewide contract purchasing data, comparing the supplier identification number for all purchases listed as a statewide contract purchase to the supplier identification numbers on the statewide contract lists provided by DOAS, as well as the supplier name. For all purchases exceeding the \$25,000 competitive bidding threshold that did not match the supplier ID or name, we did a manual comparison to determine if the purchase was off a statewide contract. Potential deficiencies noted during our fieldwork were provided to the selected agencies and institutions for further review.

We treated this review as a performance audit. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

If an auditee offers comments that are inconsistent or in conflict with the findings, conclusions, or recommendations in the draft report, auditing standards require us to evaluate the validity of those comments. In cases when agency comments are deemed valid and are supported by sufficient, appropriate evidence, we edit the report accordingly. In cases when such evidence is not provided or comments are not deemed valid, we do not edit the report and consider on a case-by-case basis whether to offer a response to agency comments.

## Appendix C: Glossary of Key Terms

**Agency Procurement Officer (APO) or College/University Procurement Officer (CUPO)** – Qualified individuals identified by each state entity to serve as its official procurement officer.

**Competitive Bidding** – A formal process in which multiple suppliers are invited to submit bids and/or proposals to provide requested goods and services. The purpose is to obtain the best prices or value available. The following are examples of competitively bid contracts:

- **Cooperative Purchasing** – DOAS may enter into or authorize state entities to enter into contracts with suppliers established via competitive bidding conducted by other governmental entities or cooperative purchasing groups.
- **Convenience Statewide Contract** – Any statewide contract not designated by DOAS as a mandatory statewide contract. State entities may use a convenience statewide contract. Use of convenience statewide contracts is not limited by dollar amount or the entity's delegated purchasing authority.
- **Mandatory Statewide Contract** – Contracts established by DOAS that are mandatory for state entities to use unless granted a waiver by DOAS. Use of mandatory statewide contracts is not limited by dollar amount or the state entity's delegated purchasing authority.
- **Piggyback Purchases** – The ability of a state entity and awarded supplier to open a contract up for use by other state entities. The supplier must offer the other state entities the same prices, terms, and conditions. A piggyback request must be submitted online and receive written approval by the DOAS State Purchasing Division Deputy Commissioner.

**Delegated Purchasing Authority** – Procurement professionals must ensure all procurements conducted on behalf of the state entity are within the limits of the purchasing authority granted by DOAS.

**Emergency Purchases** – An emergency is a serious or urgent situation requiring immediate or prompt action to protect persons or property. Emergency procurements are handled outside of the normal competitive process for purchases greater than \$24,999.99.

**Open Market Purchase** – Must be purchased through competitive bidding unless the good or service can be purchased for less than \$25,000. State entities are not permitted to split reasonably foreseeable or related purchases into two or more transactions for the purpose of circumventing competitive bidding requirements.

**Preferred Products** – Certain products available through Georgia Enterprises for Products and Services designated by DOAS and the State Use Council as preferred sources. Purchases of preferred products are not limited by dollar amount or the state entity's delegated purchasing authority.

**Purchase Order (PO)** – A contract between the state entity and the supplier used for financial purposes to encumber funds. The PO may also be used to establish minimum contract terms.

**Request for Proposals (RFP)** – Formal solicitation that seeks to leverage the creativity and knowledge of business organizations to provide a solution to a unique procurement. Unlike the RFQ process where the state prescribes both the specifications and solution to its own needs, the RFP allows suppliers to propose their own solution to the state’s needs. RFP seeks to identify the “best value” for the state with a combination of technical and cost factors to evaluate proposals.

**Request for Quotes (RFQ)** – Competitive procurement whereby the state entity prescribes both the specifications and solution to its own needs. The RFQ process identifies the lowest priced responsive and responsible bidder for contract award.

**Requisition** – Document that identifies the purchasing need as well as certain key information identified on the requisition form.

**Sole Source Purchase** – Based on market analysis, the procurement professional may determine only one supplier is capable of providing needed goods or services. Sole source purchases with a value of \$25,000 or more are prohibited unless the state entity establishes justification for why the needed goods or services should not be procured through open competition.

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