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To: CUPOs

AUD #19-06

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

From: Audits, State Purchasing Division

Date: April 12, 2019

Re: Fiscal Year 2018 audit of Sole Source Purchase Orders issued by University System of Georgia entities

Conclusion

We did not find any major issues with sole source purchase orders (POs). Our audit identified 362 POs totaling \$28.9 million classified as sole source in fiscal year 2018. Sole source POs represented only a small fraction of the POs issued in fiscal year 2018 by University System of Georgia (USG) entities: only 0.0012% of the 308,265 POs were classified as sole source, which amounted to only 0.015% of the \$1.98 billion of the total PO amount.

Only two POs could not be reconciled to a sole source posting. Sixty-seven (19%) of the POs classified as sole source did not need to have such a designation. State law does not require a solicitation for purchases less than \$25,000 and the GPM does not require the state entity to post a sole source justification on the GPR for purchases under this threshold. Most (78%) of the remaining sole source POs could be reconciled to a sole source posting on the Georgia Procurement Registry (GPR). A further twelve POs were incorrectly coded as sole source purchase order type.

Background

Sole source POs allow state entities to conduct procurement outside of the required competitive process. Section 2.3.2.1 of the *Georgia Procurement Manual (GPM)* states that “for purchases with a value of \$25,000 or more, sole source purchases are prohibited unless the state entity establishes justification why the needed goods or services should not be procured through open competition.” Section 2.3.2.2 of the *GPM* further requires that the state entity “must provide public notice of the intended sole-source purchase or contract through a posting to the GPR”. Furthermore, SPD did release an official announcement (#16-01) on 12/1/2015 requiring all sole source procurements over \$500,000 be submitted to SPD for approval prior to posting. This requirement went into effect on January 1, 2016.

Since Section 2.3.2.2 of the GPM does not prescribe any specific post-award steps or processes that must be followed for sole source POs, the audit also found that practices varied depending on the business requirement for which the sole source was being issued.

Audit Objectives

1. Was the sole source PO coded correctly?
2. Did the sole source PO meet the requirements of the GPM?
3. Was the sole source PO matched to a posting on the GPR?

Recommendations

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

1. Sole source issued for a one-time purchase of a good or service: after the Notice of Award (NOA) is posted, the PO is created and coded as sole source. The sole source event ID from the GPR is noted in the PO header¹.
2. Sole source issued for multiple purchases of goods/services for a period **not to exceed** one year: after the NOA is posted, the POs are created as needed and coded as sole source. The sole source event ID from the GPR is noted in the PO header.
3. Sole source issued to create a multi-year contract for the purchase of goods/services: after the NOA is posted an agency contract is created and the sole source event ID now becomes the agency contract number. All subsequent POs from this event are coded as Agency Contract (AC) and the agency contract number is noted in the PO header.

¹ For purchasing systems where access to the header is limited or restricted, the sole source event ID should be entered in an available PO Reference field.