



## Procurement Quick Tips

Process improvements are occurring across state government procurement, but the State Purchasing Process Improvement Team is finding reoccurring problems as they conduct Compliance and P-Card Audits in agencies, colleges, and universities. The Quick Tips offered in this issue focus on some of the most commonly noted errors:

### **TIP #1: Effectively Manage Procurement Spending by NIGP Code**

The [NIGP Code Directory](#) is now located on the State Purchasing home page under the “Procurement and Sourcing Tools” tab. You will find that the directory provides a coding structure for products and services by Class (3 digits) and Item (5 digits) and helps the entity and the state to understand what is being purchased. *The most common error occurs when a 5-digit NIGP Code (item) is selected from the wrong 3-digit category (class).* Inappropriate selections are made when careful attention is not paid to the correct class before choosing the 5-digit code.

Use of NIGP Codes is required for each line item of a purchase order and on each solicitation posted to the Georgia Procurement Registry. The identified code provides notification of a solicitation to the appropriate suppliers, ensures competition, and categorizes spend. When properly coded, procurements can be analyzed more effectively and can result in the creation of better contracts – both agency and statewide. Purchase orders and solicitations should be examined frequently for assurance that correct NIGP Codes are selected or noted where corrections should be made.

Additional reminder: All agencies and universities are to be posting their solicitations to the Georgia Procurement Registry.

### **TIP #2: Use 5-digit NIGP Code Descriptions in Line Item Descriptions on Purchase Orders**

*Purchase order descriptions are sometimes very limited in detail.* For example, some purchase order descriptions may only contain “Quote #” or “Part #”. Every purchase order is subject to the Open Records Act and each line item must be transparent and descriptive of the commodity/service being purchased. Each line item should contain some of the description from the NIGP sub-category (5-digit code) that is selected to provide granular



## Procurement Quick Tips

CONTINUED

details of what is being purchased, even if a manufacturer or part number is used for the supplier's information.

### **TIP#3: Analyze Cumulative Spending by Purchase Order Types**

*Purchase orders often have incorrect purchase type codes.* Procurement staff should be familiar with the 9 purchase type codes and their applicability. Correct coding will allow the entity to capture all of the total dollars spent within each purchase type, especially agency contracts. The State Purchasing Division also utilizes this data to determine whether to create, dissolve, or renew Statewide Contracts.

For helpful compliance tools and information, access the [Compliance Self-Audit Tools](#) located on the State Purchasing home page under the "Process and Performance" tab.

### **TIP #4: Take Advantage of Purchasing Card Savings**

*Many entities across the state issue numerous checks, either through execution of purchase orders or check requests, for under \$100. On many occasions, the checks are issued for under \$1.00.* These procurement inefficiencies could have netted the state tremendous savings in processing costs and resource time per transaction, if they had been executed on the purchasing card. Opportunities to place applicable charges less than \$5,000 (or an approved transaction limit) on the purchasing card should be analyzed on a very frequent basis.

For more details on the benefits of using the State Purchasing Card, please read "[The Ideal Way to Streamline the Procurement Process and Save Money](#)," which is an article published in this newsletter by State Cards Program Manager Paul Kurtz.

### **TIP #5: Itemized Receipts Should Accompany All Purchasing Card Transactions**

*Lack of an itemized receipt could be an indication that the purchase was not for State business use.* For example, a cardholder could easily falsify a purchasing card log, stating that a caterer provided refreshments at a student orientation reception when, in reality, it was



## Procurement Quick Tips

CONTINUED

her daughter's baby shower. If there is not an itemized receipt for every purchase, the approving official should verify that the goods or services were actually provided. This verification should come from someone other than the cardholder, perhaps by even calling the merchant to verify the transaction.

### **TIP #6: Track Cardholder Activity with Supplier Spend Analysis**

Analyses of supplier spend in the Works Payment Manager System may produce some interesting cardholder activity results:

- *Merchant names that just "look" suspicious can sometimes result in inappropriate or even fraudulent activity. Pay special attention to invoices from merchants with unusual names or merchants that only one cardholder uses. Call the phone number shown on the invoice. Google the merchant name to see if a Web site can be identified. Not being able to find anything on a merchant should be a red flag that something might be amiss.*
- *Low dollar purchases are often "under the radar" and can go undetected when only large dollar transactions are selected for review.*
- *Split purchases could go undetected if transactions to the same supplier on the same day are not carefully examined for exceeding the \$5,000 threshold to avoid competitive bidding.*
- *Analyze spend by suppliers for like commodities for opportunities for greater savings through creation of agency contracts.*
- *Analyze purchases where Statewide Contracts could have been utilized.*

For helpful P-Card tools and information, see [P-Card Self-Audit Tools](#) that are available on the State Purchasing home page under the "Process and Performance" tab.