



To: APOs and CUPOs

AUD #27-11

CC: Carrie Steele, Deputy Commissioner, State Purchasing Division
Mary Chapman, Deputy Division Director

From: Audits, State Purchasing Division (SPD)

Date: September 30, 2026

Re: Audit of Exempt Purchases – POs issued in July 2026

Conclusion

Overall, we did not find any major issues with exempt purchase orders (POs); however, exempt POs that had a non-exempt NIGP (National Institute of Governmental Purchasing) code did not identify the specific, valid exemption claimed in a PO comment field in 20% of the POs sampled, as required by section 6.3.1.2. of the Georgia Procurement Manual (GPM). Exempt POs were issued for purchases that qualified as exempt under the State Purchasing Act and did not appear to be used to circumvent the bidding process. The audit team did identify some issues with NIGP codes and the use of the exempt PO type.

Background

Coding a PO as exempt or “EXM” indicates the state entity is conducting the procurement outside of the procurement processes defined by the GPM. There are some exemptions where competitive bidding requirements do not apply and other exemptions where these requirements still do. Consequently, some exemptions could be used to circumvent competitive bidding requirements by claiming a PO is exempt when it is not. Section 1.2 of the GPM states:

“There are three major factors in determining whether a purchase is subject to the State Purchasing Act:

- Identity of the purchasing entity,
- Identity of the provider/seller, and
- What is being procured.”

These factors are explained in greater detail in the paragraphs below.

Identity of the purchasing entity

As an example of an exemption based on the identity of the purchasing entity, the Georgia Department of Transportation is exempt from the State Purchasing Act for contracts for construction, public works, and services ancillary to the construction and maintenance of a public road. In this instance, coding the PO as exempt does not necessarily mean that competitive bidding is not required or has not occurred; rather, the procurement process was not conducted pursuant to the State Purchasing Act. These types of exemptions are summarized in table 1.3 in section 1.2.1.2. of the GPM.

Identity of the provider/seller

An example of an exemption based on the identity of the provider/seller includes contracts for services only with non-profit entities. These types of exemptions are covered in table 1.4 in section 1.2.2. of the GPM.

What is being procured

For exemptions based on what is being procured, SPD has established a list of NIGP codes to assist agencies in coding and identifying these specific commodities and services. This list is referred to as the NIGP code exempt list and is referenced in section 1.2.4. of the GPM. The NIGP code exempt list does not necessarily include commodities or services that may only be exempt for select agencies. Further, the NIGP code exempt list is not applicable when the exemption is based on the identity of the purchasing entity or the identity of the provider/seller. Last, section 1.2.3. of the GPM provides further guidance on the use of exempt NIGP codes where goods and services are exempt from competitive bidding but are not designated by a specific exempt NIGP code.

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

Audit Summary

For July 2026, SPD Audits identified every PO coded as an exempt purchase across the enterprise with a dollar amount of \$25,000 or greater. This resulted in 659 POs that totaled \$170.7 million. These 659 POs represented 22% of all exempt POs for July 2026.

Audit Objectives

1. Do exempt POs meet the requirements of the GPM?
2. How many exempt POs use exempt NIGP codes?
3. How many exempt POs use other (non-code) exemptions?

As part of the audit, we reviewed POs classified as exempt to determine if the PO met the requirements of the GPM. For exempt POs, section 6.3.1.2. (Table 6.6) of the GPM requires the “specific exemption being claimed must be identified in the PO comment field if the use of exempt NIGP codes is not applicable.” Simply describing the goods or services that were purchased does not satisfy the requirement of stating the specific, and valid, exemption that is being claimed.

Audit Issues

In July 2026, 3,065 POs totaling \$181.5 million were coded exempt.¹ Of these POs, 659 POs were \$25,000 or more. These 659 POs totaled \$170.7 million, or 94% of all exempt POs issued in July 2026.

SPD Audits found that:

- 522 (79%) of the 659 POs sampled were exempt through the use of an exempt NIGP code on the PO. These POs that were exempt by NIGP code totaled \$149.7 million (88%) of the \$170.7 million of POs reviewed.
- 137 (21%) POs sampled did not use an exempt NIGP code on the PO. These POs totaled \$21.0 million (12%) of the \$170.7 million of POs reviewed.

¹ Please see Appendix A for audit background, scope, and methodology.

POs without an exempt NIGP Code

POs that do not use an exempt NIGP code are required to identify the specific, and valid, exemption in the PO comments field (at the header or line level of the PO). In the audit sample, 109 (80%) of the 137 POs (that did not use an exempt NIGP code) had the exemption stated in the PO comments field or in documentation attached to the PO. These POs totaled \$14.4 million (68%) of the \$21.0 million of POs reviewed without an exempt NIGP code. Of the 110 POs where a specific exemption was claimed, SPD Audits found the following:

Technical Instruments

Thirty-three (30%) of these POs claimed the “technical instruments” exemption. These exemptions appeared to be for purchases of technical instruments and supplies. Technical instruments and supplies are exempt from competitive bidding requirements in section 1.2.3.2. of the GPM.

Direct Resale

Twenty-one (19%) of these POs claimed the “direct resale” exemption. Direct resales through a state entity operated service, such as a bookstore or cafeteria, are exempt from the State Purchasing Act.

Non-Profit Entity

Sixteen (15%) of these POs claimed the “non-profit” exemption. Section 1.2.2. of the GPM allows non-profit entities to be exempt from the State Purchasing Act but for services only. The audit team reviewed these POs to determine if the non-profit provided services. After reviewing these POs, we determined the POs used a service NIGP code, i.e., a NIGP code beginning with 9, to indicate a service was provided. The POs reviewed were verified to be for the procurement of services as required per section 1.2.2. of the GPM.

Other Government Entity

Twelve (11%) of these POs claimed the “other government entity” exemption. Section 1.2.2. of the GPM allows other government entities to be exempt from the State Purchasing Act for goods or services.

NIGP Code

Eleven (10%) of these POs claimed a NIGP Code as an exemption. The NIGP code cited on three POs was 25740 for Homeland Security Equipment and Accessories (Not Otherwise Classified), which is an exempt code. The NIGP codes cited on three POs were related to rent; codes 97165, 97182, and 97183. Rental and lease payments do not require a PO. The NIGP code cited on two POs was 25718 for Aircraft, Military, Fighter Bombers, Attack Aircraft, etc., which is an exempt code. The NIGP code cited on one PO was 91027 for Garbage and Trash Removal, Disposal and or Treatment Services, which is not an exempt code, however the PO was issued to a local government entity. The NIGP code cited on another PO was 92045 for Software Maintenance and Support Services, which is not an exempt code; however, the exempt NIGP code 95635 Internet Database Subscriptions could have been used. The NIGP code cited on another PO was 96364 for Registration Fees (Not Otherwise Classified), which is an exempt code.

Subaward

Five (5%) of these POs claimed exemption based on being a “subaward”. When awarding, sub-awarding, passing-through, and distributing grants funds to a subgrantee - this activity is outside the purview of the Department of Administrative Services. While the grant process itself may be competitive in nature, the distribution of grant funds by a state entity to a subgrantee, via a purchase order, is not subject to the State Purchasing Act. APOs/CUPOs should consult with their legal, fiscal and program staff in addition to the applicable grantor or oversight entity for additional guidance related to grant subawards.

Professional Services

Three (3%) of these POs claimed the “professional services” exemption. Professional services provided under this PO appear to fall under Section 1.2.3.1 of the GPM, which are exempt goods/services by NIGP code.

Public Works Construction

One (1%) of these POs claimed the construction/public works exemption. Section 1.3.6.1. of the GPM allows University System of Georgia (USG) entities under the Board of Regents to have their construction and public works contracts to be exempt from the State Purchasing Act. The projects on these POs appeared to fall under this exemption.

Other Exemptions Claimed

Seven (6%) of these POs claimed other exemptions not specifically listed in the GPM. These exemptions were as follows:

- Four POs are from entities who claimed other exemptions due to the identity of purchaser and what is being procured (GPM 1.2.1.2.). These POs were described as a legislative pass through and were issued to non-profits providing a service.
- Two POs were coded as exempt per recommendation by DOAS. These POs were for the statewide contract that allows state entities to use the General Services Administration contract for law enforcement equipment. GA@WORK would not permit these POs to be coded as statewide contracts.
- One PO was for study abroad, which was claimed as the exemption. The NIGP code used on the PO was 99356 for Travel-Out, Lodging, which is not an exempt code. It appears that this travel falls under the exempt NIGP code 96288-Travel, Non-Local, Provided by Third Party.

For the remaining 28 (20%) of the 137 POs, no valid exemption was stated in the PO comments field. These POs totaled \$6.7 million of the \$21.0 million of POs reviewed without an exempt NIGP code. This requirement is important since, in most cases, it is not known why the good or service is exempt.

Other issues noted

In our sample of 659 POs, SPD Audits also identified 13 POs from entities not in GA@WORK totaling \$8,667,641 that were issued to another government entity. In these instances, “IGA” for intergovernmental agreements should be used as the PO type. We also identified one PO totaling \$54,120 which fell under the Public Works/Construction exemption. Section 1.3.6.1 of the GPM refers to this exemption, which is only applicable to certain state entities such as the University System of Georgia. This POs should have been coded as “CSN” construction PO type.

Recommendations

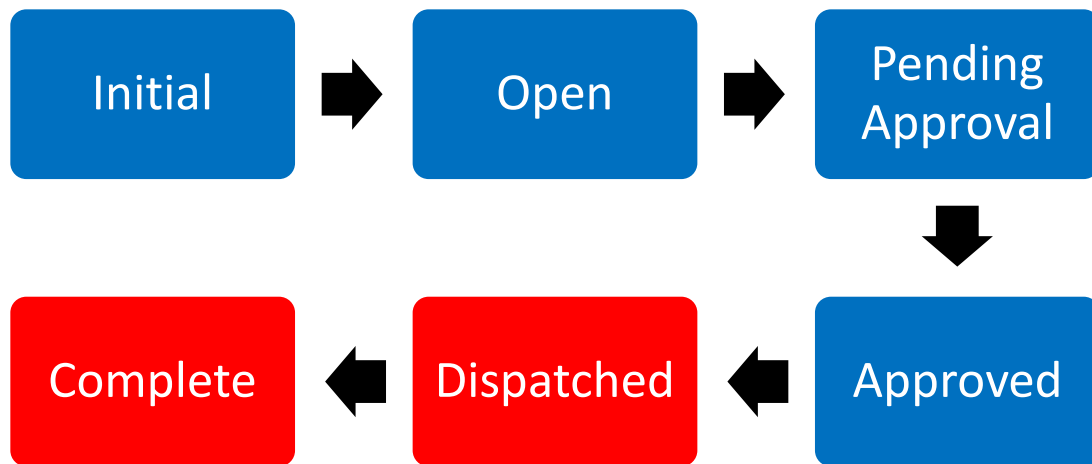
1. All APOs and CUPOs should review [SPD Official Announcement #26-03](#), which includes updates to the NIGP Code Exempt List and a reminder on the importance of citing the exemption claimed in the PO comments field as required by section 6.3.1.2. of the GPM if an exempt NIGP code is not used on the PO.
2. APOs and CUPOs should encourage buyers to complete the web-based training course NIGP Codes and Exempt Purchases (1030W) released by SPD in January 2026.
3. State entities should periodically review their exempt PO activity to ensure that their internal procedures and practices remain consistent and compliant with the practices permitted by the State Purchasing Act and all parts of section 1.2 of the GPM. This review should include analyzing existing long-term purchasing practices and relationships and allow the state entity to quickly identify the nature of the exemptions being claimed and the section of the GPM being applied.

Appendix A

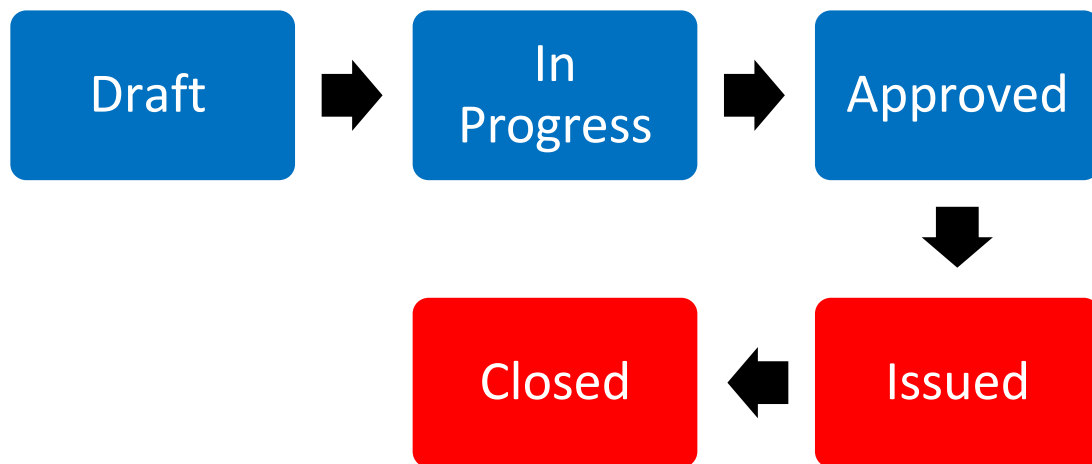
Audit Background, Scope, and Methodology

September 30, 2026
Page 1 of 1

This audit is of purchase orders (POs) issued in July 2026 - PO dates between July 1, 2026, through July 31, 2026. The purchase type codes, PO amounts, and PO dates were current as of the date the PO queries were run, which was in August 2026. The PO queries come from different financial systems. Except for GA@WORK entities and the Georgia Institute of Technology, which both use Workday, all other audited state entities use PeopleSoft for their financial system. It is not the same instance of PeopleSoft since each instance is configured differently. The objective of the audit was to audit POs issued or dispatched (or issued and closed in Workday). Since the PO queries are run from different financial systems, the terminology used to indicate the PO status varies. For PeopleSoft entities, the PO life cycle consists of the following steps:



For Workday entities, the PO life cycle consists of the following steps:



Only those POs in the stage of dispatched or complete (or issued or closed) were included in this audit. Phases, before dispatched or issued, represent the internal approval process a state entity uses before the PO is sent to the supplier. In PeopleSoft, this is known as dispatched; in Workday this is known as issued. Complete or closed is the status used when the PO is closed and can no longer be modified or used.