



RISK ADVISORY

Office of the State Auditor | *Brian S. Colón, Esq., CFE, State Auditor*

MITIGATING RISK IN COVID-19 RELATED PROCUREMENTS



The Office of the State Auditor (OSA) together with the Legislative Finance Committee (LFC) issue this joint Risk Advisory to alert governmental agencies in the State of New Mexico of risks related to Emergency Procurements. The objective of this advisory is to provide governmental agencies and entities with guidance and best practices in an effort to combat the risks associated with emergency procurements.

COVID-19 has led to such extreme economic destabilization it is negatively impacting governments at all levels worldwide. This unprecedented global pandemic provides ample opportunities for fraudsters and escalates the risks for organizations. With the disruption in demand and supply chains for goods, items the state needs to ensure the health and safety of New Mexicans are limited, and may require expedited action by the state to timely procure those resources. Emergency procurement is a tool in the procurement process that allows for flexibility by governmental entities in purchasing. However, purchases made utilizing the emergency procurement process present an elevated risk, especially in a time of crisis. Transparency and accountability for any emergency procurement are necessarily a top priority to mitigate the elevated risks to the greatest degree possible.

To assist agencies in lessening the risks linked to high-dollar emergency procurements the OSA and the LFC strongly advise purchasing officers exercise increased caution when utilizing the emergency procurement process. The potential for waste, fraud, and abuse related to the emergency procurement of goods and services in response to COVID-19 is of utmost concern. As such, the OSA and the LFC have compiled the following eight (8) recommendations for New Mexico’s governmental entities to follow in an effort to reduce the risk associated with these procurements.

RECOMMENDATIONS FOR SECURING EMERGENCY PROCUREMENTS

Utilize statewide price agreements and the expertise of State Purchasing Division staff

Many goods and services for COVID-19 response may be procured from vetted vendors through statewide price agreements, negating the need for emergency procurements. In the case where a price-agreement vendor cannot meet your agency’s procurement needs, staff at the State Purchasing Division (SPD) of the General Services Department may be able to assist you in finding an alternative vendor that can meet the same price point.

Apply the utmost scrutiny to large purchases

The consequence of overpaying per unit or buying from unreliable vendors are larger for higher-dollar purchases. These larger purchases warrant more review to ensure value.

Prevent price gouging by shopping around and negotiating with vendors

In cases when price agreement or emergency procurement is necessary, conduct research that may reveal better purchasing prices on the goods or services needed. Whenever possible, gather and document several quotes or price listings prior to purchasing and attempt negotiations with vendors on price, especially when for bulk purchases. Always retain documentation to support purchase process, including research results. The National Association of State Procurement Officials (NASPO) offers a vendor vetting resource available to the State Purchasing Division that can assist agencies in performing vendor spot checking, upon agency request. To request assistance please call: 505-827-0472 or email State Purchasing Director, Mark Hayden at:

Mark.Hayden@state.nm.us



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RECOMMENDATIONS FOR SECURING EMERGENCY PROCUREMENTS

Investigate unknown vendors

Purchasers should independently verify the identity of new or unknown companies and feel confident that the company can deliver any ordered items. At a minimum, purchasers may want to search the company status on the Secretary of State’s website to see how long the company has been operating, ensure the purchase is within the wheelhouse of the company’s normal operations, and ensure the vendor is not disbarred from receiving federal contracts. Access to the federal System for Award Management is available by visiting: <https://www.sam.gov/SAM/>

Avoid prepayment

While the Department of Finance and Administration will approve prepayment in certain emergency circumstances, prepayment significantly shifts risk from the vendor to the purchasing government. As such, advance payment should only be allowed in extraordinary emergencies, and purchasers should ensure taking the other due diligence steps on this list to ensure that goods and services are delivered correctly.

Abide by transparency laws

Agencies must comply with the requirements of NMSA 1978, Section 13-1-128 by posting information about any emergency procurements on the SPD’s website and forwarding the information to the LFC; agencies should also use the SPD’s portal link for posting on the Sunshine Portal. Local public bodies should post emergency procurement information on their own website, if any.

Reconcile purchases and report counterfeit, damaged, or otherwise unsatisfactory goods to the State Purchasing Division and State Auditor

Reporting unsatisfactory goods and vendors may save other purchasers from suffering the same losses.

Plan for ongoing procurement needs

When purchasing goods, especially with known shortages or supply chain issues, work with a vendor to plan for regular deliveries over time. This will mitigate the need for eleventh-hour purchases and may facilitate negotiations for bulk discount pricing.

REPORT GOVERNMENTAL WASTE, FRAUD, OR ABUSE

To report potential instances of governmental waste, fraud or abuse contact the Office of the State Auditor. Reports may be made anonymously through our website at www.saonm.org or by calling **1-866-OSA-FRAUD**. You may also speak to an investigator by calling **505-476-3800**.

REPORT FRAUDULENT VENDORS

Additionally, agencies should report fraudulent vendors and instances of vendor fraud to the State Purchasing. If the fraud is confirmed, State Purchasing will post the vendor on the “debarment -list”. Reports can be made by emailing: Mark.Hayden@state.nm.us or by calling **505-827-0472**

For further information or questions on this Risk Advisory please contact:
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 Stephanie W. Telles, at Stephanie.Telles@osa.state.nm.us
 The Legislative Finance Committee, Program Evaluation Manager:
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