



Legislative Post Audit Performance Audit Report Highlights

State Contracts: Determining Whether the State's Office Supply Vendor Is Providing Products to State Agencies at Agreed-Upon Prices

Report Highlights

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Audit Concern

In April 2008, the state auditor in Nebraska reported that an audit of Nebraska's contract with Office Depot found evidence of systematic overcharges, one as high as 407%. Several other states have also encountered similar problems with Office Depot supply contracts. Kansas uses a different vendor for its office supplies—Corporate Express—but the experiences of these other states raised questions about whether Kansas agencies were receiving the agreed-upon price when purchasing office supplies from Corporate Express.

Key Facts & Findings

- Corporate Express has been the State's office-supply contractor since 2005. State and local agencies spent about \$8 million on office supplies from Corporate Express in 2007 and 2008.
- The payments we reviewed often included multiple items, or even multiple purchase orders. Altogether, we ended up comparing contract prices with actual purchase prices for about 1,400 unique items.

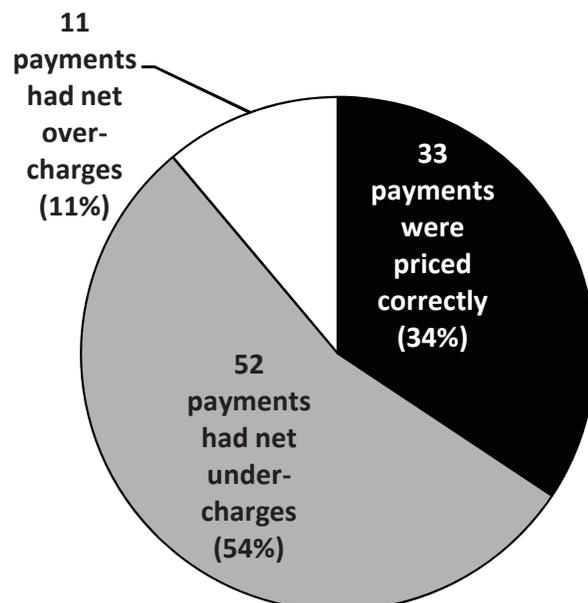
Is the State's office-supply vendor providing products at the agreed-upon price?

AUDIT ANSWER:

- During the first half of fiscal year 2008, State agencies spent about \$3.6 million on office-supply purchases from Corporate Express. We reviewed a random sample of 102 agency payments to Corporate Express that totaled about \$165,000.
- Contract prices weren't on the price lists Corporate Express provides to the Division of Purchases for any of the items on six of the payments we reviewed representing about \$23,500 in purchases. Without contract prices, agencies can't know if they're getting charged the right amount.

Number and Percentage of Payments Priced Correctly, Overcharged, or Undercharged

This chart represents the 96 payments for which we were able to do a price comparison. It doesn't include the 6 payments for which we were unable to determine whether the correct price was charged.



Source: LPA comparison of State agency payments to the Division of Purchases' contract price lists.

- For the remaining 96 purchases the net amount agencies were charged was correct on 33 payments, overcharged on 11 payments, and undercharged on 52. Based on our sample results, we projected that State agencies were undercharged by about 2% or \$65,000 on the \$3 million in office supplies for which prices were available. Corporate Express officials told us that, at the time, they gave individual agencies additional price breaks if they were buying large quantities of goods. However, they indicated they have since discontinued that practice.
- Overall, we didn't see the types of abuse Nebraska identified with its office-supply contractor. Most pricing issues agencies reported to us regarding Corporate Express or other Statewide vendors appeared to be occasional and not widespread. Whenever pricing issues did arise, agency officials told us that the vendor usually resolved the issue quickly.

We Recommended

The Division of Purchases should do the following:

- work with officials from Corporate Express to ensure comprehensive and up-to-date price lists are available.
- investigate some of the larger overcharges and obtain appropriate reimbursements or adjustments from Corporate Express when it is cost-effective to do so.
- send a notice to agency purchasing officials telling them to watch for overcharges, and explaining how to check prices on e-way against the price list.

Agency Response: *The agency generally concurred with the report's findings, conclusions, and recommendations, and they said they're going to look into the overcharges.*

DO YOU HAVE AN IDEA FOR IMPROVED GOVERNMENT EFFICIENCY OR COST SAVINGS?

If you have an idea to share with us, send it to ideas@lpa.ks.gov, or write to us at the address shown. We will pass along the best ones to the Legislative Post Audit Committee.

- 946 of the items we reviewed were charged the correct contract price. For 154 items, agencies were charged 1¢ to \$125 less than the contract price. For example, Wichita State University was charged \$16.50 for several 3-hole punches, when the contract price was \$18.11. For 41 items, agencies were charged 1¢ to \$84.70 more than the contract price, including overcharges for a paper shredder and CD cases.
- Often, a single payment could include some items that were charged correctly and some that were over- or undercharged. For those, we used the net amount agencies were billed to determine whether the agency had been charged correctly.

LEGISLATIVE DIVISION OF POST AUDIT

800 SW Jackson
Suite 1200
Topeka, Kansas 66612-2212
Telephone (785) 296-3792
FAX (785) 296-4482
E-mail: LPA@lpa.ks.gov
Website:
<http://kslegislature.org/postaudit>

Barbara J. Hinton,
Legislative Post Auditor

For more information about this audit report, please contact
RANDY TONGIER
(785) 296-3792
Randy.Tongier@lpa.ks.gov