



**FOR IMMEDIATE RELEASE**

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**Statement Regarding Office Supplies Contract Audit from Jim Butler,  
State of California Chief Purchasing Officer**

**Sacramento, Calif.** – Today, Chief Purchasing Officer Jim Butler received and reviewed the Office Depot contract audit and released the following statement:

“I welcomed the results of this audit as a way to ensure that public funds are used appropriately and efficiently. This audit underscores our commitment to leveraging the state’s buying power and getting the best value possible for the people of California.

“This independent, comprehensive audit, found that the state achieved significant savings by using Office Depot for the state’s \$57 million in office supply purchases over the last two fiscal years. A review of 20 commonly purchased items in the contract found that the state saved an average of approximately 30 percent over the rates Office Depot charges retail customers for the same items.

“Another key focus of the audit was to determine if the small businesses and disabled veteran business enterprises (DVBES) that were part of the consortium established for the contract were indeed providing a commercially useful function. I am satisfied that the audit showed small businesses and DVBES play a key role in this contract. Nearly 100 percent of purchases are handled by small businesses who serve as the primary customer service agent for state agency buyers. The audit confirmed that they serve as the primary customer service contact to provide training and resolve invoicing issues and customer complaints.

“The state faces many challenges in our quest to provide the best value in procurement and this contract was not void of issues. The audit identified a number of items that were purchased without receiving the expected discount. After notifying Office Depot of the errors the company has agreed to refund the state \$2.5 million. An additional \$56,000 in overcharges found will also be reimbursed. Our audit also revealed that Office Depot undercharged the state \$28,642 over the duration of the contract. That error will be absorbed by Office Depot.

“We also found that Office Depot was allowing the purchase of non-contract related items and had failed to clearly indicate to state employees responsible for placing orders which items had been significantly discounted for them. We’ve worked with Office Depot to block the purchase of non-contract related items and to clearly mark items that contain a significant discount to give state employees clear indicators of their best savings.

“I am taking immediate steps to better monitor contract usage reports on an ongoing basis to identify errors and discrepancies immediately. We’ve already put new controls in place requiring departmental approval before any changes are made to the purchase catalog and implemented a new contract management tool to help validate pricing and discounts.

“A new procurement process will begin immediately to evaluate solicitations for a new state office supply contract. Until a new contract is in place, we will continue to use Office Depot for ordering office supplies under the existing contract that maintains the best current value for ordering office supplies.

“I appreciate the hard work of my audit team in identifying additional savings the state was owed under this contract, and applaud Office Depot for swiftly agreeing to refund this money and fix the technical, pricing, and operational system errors found. California was the first state to take Office Depot to task with such an audit and receive re-payment and corrections to the purchasing system – that is something to be proud of.

“I’m pleased with the steps my staff is taking to rectify issues the audit uncovered about the way we manage our contracts and firmly believe we must do everything we can to put tighter controls and oversight in place to ensure our contracts are managed effectively and that the best interests of the state of California are always protected.”

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