



County of El Dorado

OFFICE OF AUDITOR-CONTROLLER

360 FAIR LANE
PLACERVILLE, CALIFORNIA 95667-4193
Phone: (530) 621-5487 Fax: (530) 295-2535

JOE HARN, CPA
Auditor-Controller

BOB TOSCANO
Assistant Auditor-
Controller

May 18, 2009

Board of Supervisors
County of El Dorado
330 Fair Lane
Placerville, California 95667

Subject: Agenda Item #34, May 19, 2009-Contract Award to Office Depot

Ladies and Gentlemen:

Attached you will find a number of letters regarding billing problems the County had the last time we contracted with Office Depot for office supplies. Resolving the problems caused by Office Depot's over billing of the County took many hours.

It is my opinion that it is important that your Board be made aware of these problems prior to awarding this contract.

Sincerely,

A handwritten signature in black ink, appearing to read "Joe Harn".

Joe Harn, CPA
Auditor-Controller

Attachments

Cc: Gayle Erbe-Hamlin

2009 MAY 18 PM 3:06
BOARD OF SUPERVISORS
EL DORADO COUNTY



COUNTY OF EL DORADO

General Services Department

Procurement and Contracts

Mailing Address: 360 Fair Lane
Physical Address: 345 Fair Lane
Placerville, CA 95667-4197
(530) 621-5830 FAX (530) 295-2537

Craven Alcott, Director

Mailing Address: 360 Fair Lane
Physical Address: 345 Fair Lane
Placerville, CA 95667-4197
(530) 621-5846 FAX (530) 295-2538

To: Joe Harn
Auditor-Controller

From: Bonnie H. Rich
Manager of Procurement and Contracts

Cc: Craven Alcott
Director of General Services

Date: May 1, 2003

Re: Office Depot

Joe, thank you for providing our office with information regarding Office Depot's on-line ordering errors, so that our department could take immediate action with the Office Depot to correct the problem.

Our Office Depot representative was as equally astonished as you and I were when the error was discovered. Our office has worked closely with Office Depot to remedy the situation, and in less than twenty-four hours Office Depot was able to correct the on-line ordering errors. We will be issuing a bulletin on Office Depot's on-line web-site, instructing departments on the procedure for acquiring non-catalog items. We appreciate that Office Depot has responded so quickly and that they responded expeditiously to the County's request to take corrective action as warranted.

We will also be working closely with the departments to encourage them to use the Office Depot catalog when placing orders for office supply products. This will ensure that County departments are taking full advantage of the substantial discount offered under the contract and that the County as a whole is realizing the greatest economic advantage offered.

We will be expecting a complete report from Office Depot on all non-catalog products that have been ordered as early as next week. When we are in receipt of this information, we will contact your office to quickly credit or refund those departments that may have been inappropriately charged for non-catalog items.

As always, we encourage departments to contact us if problems arise with any of the County's contracted vendors. Receiving this notification allows our office to take immediate steps with vendors to correct any performance deficiencies. Thank you again for bringing this to our attention. I will keep you posted on the progress we are making. To inform departments of the status, we will send this memo out electronically to all departments.



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June 12, 2003

Office Depot, Business Services Division
Attn: Bryan Ludwig, Regional Sales Director
4720 Northgate Blvd.
Sacramento, CA 95834

Dear Bryan,

In April of this year, our office contacted your account manager, Karl Uebelhoer regarding substantial invoicing discrepancies that we had discovered for on-line website orders. As we informed Mr. Uebelhoer, when County employees utilized the on-line website ordering system, the screen accessed by the County employee reflected that non-catalog (Office Depot catalog) products purchased would be at the discounted rate of 50% off list. The screen reflected the actual price to be billed to the County was the discounted price, and County employees placed orders for these products based upon the discounted price quoted on the web site. However, when the County received invoices for the web site purchases, the invoices did not provide that same discount, but instead applied a lesser discount, resulting in a higher invoice and the significant overcharge of the County on purchases made on this system.

Office Depot has since modified its on-line web site system, but has not rectified the overbilling to the County. At the County's request, the sales representative provided the County with an accounting report ostensibly identifying those products that were purchased outside the catalog on the web site, and reflecting an adjustment for the discounted price reflected on the web. It is apparent that the accounting provided by Office Depot contains substantial errors. The accounting report contained additional items that the County had purchased and has already been invoiced for at the 50% discounted rate, to which Office Depot was now removing the already stated discount and applying a substantially higher Internet price. A spot check of these items reflects that many of them are catalog items that should be billed at the discounted price, not the web site price, pursuant to the contract bid terms between the County and Office Depot. Office Depot's accounting apparently overcharges these items and then offsets the increased amounts against the amounts the credit amounts which are due to the County for the web site items that were over-billed. In our view, that is inappropriate. In addition, Office Depot applies a price variance increase to certain items on the accounting where there is no difference between the price invoiced and the "current Internet" price. The County requested and received a second accounting that contained additional discrepancies and did not clarify the prior overcharges and offsets.

This situation has also lead to the County's concerns regarding the accuracy of past invoices generated by Office Depot during the term of the Office Depot contract for which the County has already remitted payment.

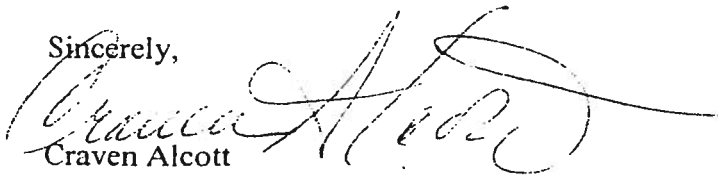
As a consequence, the County hereby demands a full and complete, accurate accounting of all items purchased from Office Depot and invoiced to the County during the term of the bid contract, including a breakdown of the items that Office Depot believes are due and owing, the price of the individual item, the Internet price actually shown at the time of ordering if the item was ordered off the web site, the amount of the discount applied, and the basis for the discount amount. If Office Depot intends to offset the amounts already identified as overcharges to the County, those offsets should be likewise identified and justification for the offsets provided on an item by item basis.

A final invoice of amounts Office Depot claims are due and owing, together with this accounting, should be signed by a knowledgeable manager under penalty of perjury and presented to the County.

The County will commence processing payment for undisputed amounts pending its receipt of the new accounting and final invoice. But we will withhold payments on disputed claims pending a resolution of this matter. The new accounting and final invoice should be submitted within a reasonable time, as the County desires to resolve this matter without further delay.

Should you have any questions, please contact me at the above address or phone number.

Sincerely,

A handwritten signature in cursive script, appearing to read "Craven Alcott", written in black ink.

Craven Alcott

Director of General Services

cc: Joe Harn, Auditor-Controller
Patricia Beck, Principal Assistant County Counsel



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Craven Alcott, Director
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July 15, 2003

Office Depot, Business Services Division
Attn: Bryan Ludwig, Regional Sales Director
4720 Northgate Boulevard
Sacramento CA 95834

Dear Bryan,

On June 12, 2003, our office sent you a letter demanding an accounting of items purchased from Office Depot in an effort to resolve the inaccuracy of past invoices generated by Office Depot during the term of the Office Depot contract. Please see the attached letter for reference. As of this writing, Office Depot has not fulfilled the County's demand, and no representative from Office Depot has contacted our office regarding this situation. The County is deeply concerned that Office Depot has chosen to ignore this matter.

This letter shall serve as a second demand to provide the County with all of the information outlined in the attached letter no later than Friday, July 25, 2003. Should you continue to ignore our repeated requests to resolve this dispute, this matter will be referred to our County Counsel for immediate legal action.

Should you have any questions, please contact me at the above address or phone number.

Sincerely,

A handwritten signature in cursive script that reads "Craven Alcott".

Craven Alcott
Director of General Services

Cc: Joe Harn, Auditor-Controller
Patricia Beck, Principal Assistant County Counsel

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JOE HARN, CPA
Auditor-Controller

BOB TOSCANO
Assistant Auditor-Controller

August 1, 2003

Office Depot, Business Services Division
Attn: Bryan Ludwig, Regional Sales Director
4720 Northgate Blvd
Sacramento, CA 95834

Re: El Dorado County Account

Our records show that we issued the following checks to Office Depot on 6/17/03 and 6/23/03:

Ck# 01734866 (\$9913.78)
Ck# 01734865 (\$754.93)
Ck# 01736162 (1372.43)

Our records also show that these checks were cashed on 7/2/03. We are concerned that these payments have not been applied to our account, as they do not appear to be reflected in the County's account balances stated in your letter of 7/25/03. Would you please provide information regarding the status of posting these payments, and the County's current account balance.

If you have questions, please contact me at (530) 621-5456.

Sincerely,

A handwritten signature in cursive script, appearing to read "Joe Harn".
Joe Harn
Auditor Controller