



Leslie W. Merritt, Jr., CPA, CFP
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet
<http://www.ncauditor.net>

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For Additional Information Contact:

Chris Mears, Director of Public Affairs
Office: (919) 807-7566
Cell: (919) 306-4301
chris_mears@ncauditor.net

Audit Finds Pricing Errors, Overcharges: State Auditor Concerned with Monitoring Efforts in State Office Supply Contract

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State Auditor Leslie Merritt released a performance audit of the Purchase and Contract Division (P&C) of the Department of Administration today. The audit found that P&C has not required permanent, corrective action for known pricing errors and product availability issues caused by its office supplies vendor, Office Depot. Effective February 1, 2006, P&C contracted with Office Depot as the sole statewide vendor for office supplies for State government agencies. As a result of this audit, Office Depot identified and credited State agencies for overcharges of \$40,887.

"P&C does many things well," said State Auditor Leslie Merritt. "But our audit found that their monitoring process lacked a very important element: follow-up. Follow-up ensures that the causes of errors are identified and permanently corrected. This is especially disconcerting given the fact that P&C is charged with monitoring 125 contracts with 400 vendors representing a value of \$1.4 billion," Merritt added.

In addition to awarding contracts, P&C is charged with the duty to monitor statewide contracts and enforce the contracts' terms. In response to these findings, P&C stated that they projected large savings under the new office supply contract when compared with retail prices.

"I salute P&C for projecting a taxpayer savings of 71% off retail prices. However, when there is only one vendor and State agencies are required to use that vendor, the true test is whether you can buy the items cheaper elsewhere," said State Auditor Leslie Merritt. "Maybe we'll consider a future audit to help P&C support their claim of a 71% savings."

This is the second report that State Auditor Leslie Merritt released concerning P&C and the management of statewide contracts. The first report (released 9/05/06) was on the state tire retread contract that found that the vendor violated the contract with price increases and that P&C failed to discover these price increases until notified by state auditors.

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