



**Audit Report
Office Depot Purchases
November 29, 2018**

**City Auditor's Office
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Purpose and Scope

The purpose of this audit was to determine whether City employees made personal or inappropriate purchases from Office Depot. Also, purchases were reviewed for compliance with the Citywide Procurement Policy. The audit covered the 12-month period ended April 2018.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This report is intended for the use of the City Manager's Office, City Council, Finance, and all City departments.

Summary and Conclusion

No personal or inappropriate purchases from Office Depot were noted. However, some additional oversight is warranted and the City's Procurement Office has agreed to conduct periodic reviews.

Background

On July 1, 2015, the City awarded Office Depot a contract to provide office supplies. Users place orders and make approvals via the Office Depot website. Orders are ultimately paid via the MUNIS summary bill process. During the 12 months tested, there were 17,436 transactions totaling \$600,498 dollars spent.

Audit Finding and Recommendation

No personal or inappropriate purchases were noted.

Departments complied with the contract and Procurement Policy. Transactions, though approved individually at the department level, are not monitored through separate evaluations on a City-wide scale. During audit testing, no transactions were identified for the purchase of personal items. Auditors found one item purchased at a substantially higher price compared to similar items available for sale:

- Brand name earphones were purchased for \$199.99 for an employee's use in the field. Other earphones are available on Office Depot's website for \$3.19 to \$166.99; and the

average spent on 14 “headphone” orders during the audit period was \$36.46. In response to Audit inquiry, the employee’s supervisor confirmed his approval of the more expensive item based upon prior experience and an informal cost-benefit analysis.

Monitoring is one of COSO’s five component principles of effective internal control. Periodic reviews would ensure unusual purchases are investigated timely and that City money is being spent judiciously. Communication of the results of periodic reviews also provides an opportunity to remind purchasers and reviewers of their stewardship responsibility.

Recommendation

Procurement should periodically monitor City-wide Office Depot purchases for unusual activity and communicate results to the appropriate parties.

Finance-Procurement Response

The Procurement Division (Procurement) will perform a semi-annual high-level review of the Office Depot transaction report for any items requiring additional explanation.