

Office Depot owes S.F. millions, audit finds

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Here's a start toward solving San Francisco's \$522 million budget deficit for next year: Stop being gouged for paper clips and staples.

Office Depot overcharged San Francisco for at least \$5.75 million worth of office supplies over 4 1/2 years, according to a new audit by the city's controller, findings the national chain disputes.

"It's certainly money that the city is owed," Controller Ben Rosenfield said after releasing the audit Friday. "It's money that we were overcharged on pens and paper at a time when we're being forced to cut services and lay off employees."

Office Depot, beset by overcharging allegations across the country, violated its exclusive contract to provide city government with office supplies by not giving the city agreed-upon discounts and making unauthorized price increases, the audit said.

The audit also faulted the city's Office of Contract Administration for poor oversight, saying the city was making monthly payments to Office Depot without sufficient verification that the items and prices were correct.

Office Depot contends the audit is flawed and has given no indication it will pay the city.

"The assertion that we owe \$5.7 million is without merit," company spokesman Jason Shockley said. "We believe the report contains material errors and fails to maintain the objectivity and fairness required."

Office Depot executives are "more than willing to meet" with San Francisco officials "to resolve our differences amicably," Shockley said.

"Our findings are fair," Rosenfield countered. "The money is owed to the city."

City Attorney Dennis Herrera's staff is reviewing the audit and considering its options, spokesman Matt Dorsey said.

The audit is the latest in a string that have found Office Depot overcharged governments for supplies, including the states of California, Georgia, North Carolina and Nebraska, San Francisco's report said.

The company agreed last year to refund California \$2.5 million after an audit found items were purchased without receiving the expected discount, the state Department of General Services said. That came on top of a separate \$2.5 million settlement Office Depot agreed to pay nine California counties in 2007 for allegedly overcharging customers in stores. In March, a Berkeley audit found more than \$250,000 in overcharges.

"Office Depot is playing fast and loose with the privilege of doing business with the state," Nebraska State Auditor Mike Foley said last year. "They ought to be held accountable."

In San Francisco, the audit looked at every purchase from January 2005 through June 2009 and found \$5.75 million worth of overcharges out of \$18.3 million in payments - a markup of more than 31 percent.

Office Depot's contract with the city expired Nov. 30. The city has switched to Staples for office supplies for at least the next six months as it prepares to put the contract out to bid.

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