



# Audit Department

500 S Grand Central Pkwy Ste 5006 • PO Box 551120 • Las Vegas NV 89155-1120  
(702) 455-3269 • Fax (702) 455-3893

Angela M. Darragh, CPA, CFE, CISA, Director

September 30, 2015

Mr. Don Burnette  
Clark County Manager  
500 South Grand Central Parkway, 6th Floor  
Las Vegas, Nevada 89106

Dear Mr. Burnette:

We recently performed a follow-up audit of the Administrative Services Staples Contract audit dated June 18, 2014. Our objective was to determine whether corrective action was taken to address findings included in the original audit. To accomplish our objectives, we interviewed appropriate personnel, observed daily operations, examined supporting documentation, and performed detailed tests and analyses. Our last day of fieldwork was July 31, 2015.

Clark County Purchasing Department and Staples made some notable improvements. The Purchasing Department created and communicated procedures to Clark County personnel responsible for ordering supplies covering: periodic user account review and updates, blocked items, and reviewing invoices for proper pricing. Also, Staples enabled the password change frequency feature on Staples Advantage, requiring system users to periodically change passwords. Staples Advantage was also programmed to prohibit orders totaling less than \$50 from being processed.

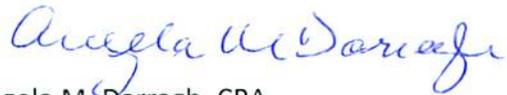
However, we identified several areas where corrective actions did not sufficiently address original findings. Although Staples user accounts are periodically reviewed by the Purchasing Department, we found that generic accounts, duplicate accounts, and active accounts (for ex-County employees) still exist. We also found that blocked items are still being purchased. In addition, we noted that Staples invoices are occasionally being paid over 30 days after the invoice date which could result in the forfeiture of discounts.

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.

Mr. Don Burnette  
Page 2

We appreciate the cooperation and assistance provided by the Purchasing Department as well as the staff at Staples during the course of this audit.

Sincerely,



Angela M. Darragh, CPA  
Audit Director



AUDIT DEPARTMENT

# Audit Report



## Administrative Services Staples Contract Follow Up

September 2015

Angela M. Darragh, CPA, CISA, CFE  
Audit Director

**AUDIT COMMITTEE:**

*Commissioner Steve Sisolak*

*Commissioner Chris Giunchigliani*

*Commissioner Lawrence Weekly*

## TABLE OF CONTENTS

<b>BACKGROUND.....</b>	<b>1</b>
<b>OBJECTIVES, SCOPE, AND METHODOLOGY.....</b>	<b>1</b>
<b>RESULTS IN BRIEF .....</b>	<b>2</b>
<b>DETAILED RESULTS .....</b>	<b>3</b>
<b>Staples Advantage User Account Issues (MEDIUM) .....</b>	<b>3</b>
<b>Ordering Blocked Items (LOW) .....</b>	<b>4</b>
<b>Delay in Staples Invoice Payment Processing (LOW).....</b>	<b>5</b>
<b>MANAGEMENT RESPONSE.....</b>	<b>6</b>

**BACKGROUND** Staples Advantage was awarded Clark County's office supply contract in 2010. The contract, estimated at \$3.3 million per year, is to service the office supply product needs of Clark County, the Las Vegas Metropolitan Police Department (LVMPD) and the Department of Aviation (McCarran). The County entered into the third and final contract extension beginning July, 1, 2015. The contract offers a 1% discount for payments received within 30 days of invoice date, net 31 days. The contract also requires orders to be a minimum of \$50 and prohibits certain "blocked" items to be purchased (including food, drinks, cleaning supplies, and first aid kits). For the follow up period covering January 1 through April 30, 2015, Staples office supply purchases totaled \$835,904. Approximately \$535,000 was for purchases made by County Departments, and the remaining \$301,000 related to purchases made by McCarran and LVMPD. The on-line office supply ordering system, Staples Advantage, is maintained by Staples.

The original audit identified several areas requiring corrective action. The areas included:

- Improving Staples Advantage system user access controls.
- Monitoring Staples Advantage user accounts.
- Differences between invoice and catalog pricing.
- Ordering blocked items.
- Processing supply orders totaling less than \$50.
- Delays in Staples invoice payment processing.

**OBJECTIVES, SCOPE, AND METHODOLOGY** The objective of this audit is to determine whether corrective action was taken on the recommendations in the Administrative Services Staples Contract audit report dated June 18, 2014.

Our procedures consisted of reviewing the original audit report and workpapers, interviewing management and staff, reviewing the Staples contract, observations, walkthroughs, examination of documentation, and performance of detailed tests and analyses.

To accomplish our objective, we performed the following:

- Discussed corrective action status with Staples and Purchasing Department personnel.
- Obtained and reviewed the Staples Advantage user report searching for generic accounts, duplicate accounts, and active accounts for retired or transferred County

employees.

- Obtained and reviewed a County SAP report for Staples office supply transactions searching for late invoice payments and orders totaling under \$50, and calculating potential lost discounts based on the late payments identified.
- Judgmentally selected 8 transactions from the County SAP report and traced each to a Staples invoice, reviewing each bill for: proper pricing, timely payment, blocked items purchased, and discounts earned.
- Attempted to purchase a blocked item and process an office supply order totaling less than \$50 from Staples Advantage.
- Obtained, reviewed, and tested procedures over system password controls.

While in some cases the samples selected were not statistically relevant, we believe they are sufficient to provide findings for the population as a whole. Our review included an assessment of internal controls in the audited areas. Any significant findings related to internal controls are included in the detailed results. Our scope included transactions processed between January 1, 2015 and April 30, 2015. The last day of fieldwork was July 31, 2015.

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.

## **RESULTS IN BRIEF**

Clark County Purchasing Department and Staples made some notable improvements. The Purchasing Department created and communicated procedures to Clark County personnel responsible for ordering supplies covering: password change frequency, periodic user account review and updates, blocked items, orders under \$50, and reviewing invoices for proper pricing. These procedures were sent out as a reminder on two occasions during fiscal year ending June 30, 2015. In addition, Staples enabled the password change frequency on Staples Advantage, requiring that

system users change passwords on a periodic basis. Staples Advantage has also been programmed to prohibit orders totaling less than \$50 from being processed.

However, we identified several areas where corrective actions taken did not correct the original findings. Although Staples user accounts are periodically reviewed by the Purchasing Department, we found that generic accounts, duplicate accounts and active accounts (for ex-County employees) still exist. We also found that blocked items are still being purchased. In addition, we noted that Staples invoices are occasionally being paid over 30 days after the invoice date. This could result in the forfeiture of discounts.

Each finding includes a ranking of risk based on the risk assessment that takes into consideration the circumstances of the current condition including compensating controls and the potential impact on reputation and customer confidence, safety and health, finances, productivity, and the possibility of fines or legal penalties.

## DETAILED RESULTS

### Staples Advantage User Account Issues (MEDIUM)

Staples maintains the user account listing for the Staples Advantage system. At least annually, the Purchasing Department obtains and reviews the user listing, and communicates any necessary changes to the listing with Staples.

We obtained and reviewed a current Staples Advantage user account listing from Staples. We found nine users in active status that either no longer work with Clark County or no longer work in the sponsoring department. We also identified 11 individuals with multiple user accounts. In addition, we found eight generic accounts. Per CCIT policy, generic accounts require department head and Clark County Chief Information Officer (CIO) approval.

Because users are allowed to order supplies with County funds, each purchaser needs to be an active County employee. While other controls are in place to prevent items from being purchased and sent to non-County locations, a user accounts that can be attributed to a specific employee is an important control in preventing theft or abuse.

### *Recommendation*

1. Maintain an internal user access log for Staples Advantage.
2. Periodically request the user log maintained by Staples and compare logs.
3. If an internal log is not maintained, periodically request a Staples Advantage user log and review it for reasonableness.
4. Remind departments that generic accounts require department head and Chief Information Officer (CIO) approval.
5. Deactivate duplicate user accounts and those identified as belonging to former employees.

### **Ordering Blocked Items (LOW)**

Section III #11 "Special Conditions" of the Staples contract specifies items that are restricted from being ordered by the County. These items are blocked because they are covered under separate contracts. Blocked items include items such as: fire extinguishers, first aid supplies, food, water, certain office furniture manufacturing lines, as well as computers and peripheral devices. To test whether prohibited items are being blocked from being ordered, we attempted and were able to successfully order energy drinks from the Staples Advantage system. In addition, in reviewing a Staples report of purchase transactions for the follow up period, we found six transactions (in over 8,300) where blocked items were purchased. By ordering blocked items through Staples, the County risks the loss of contractual savings from other contracts and/or risks violating the terms of those other contracts. We believe the program used by Staples to block purchases electronically is not operating as intended.

### *Recommendation*

1. Communicate with all County departments that order office supplies and remind them that certain items are prohibited (per county Fiscal Directive #4 as well as the Staples contract) from being purchased.

2. Request and review periodic reports for blocked items purchased.
3. Communicate with the respective department as well as with Staples when blocked items are purchased.
4. Discuss with Staples personnel the possibility of the Staples Advantage purchasing system automatically blocking “contractually” prohibited items from being purchased.

**Delay in Staples Invoice  
Payment Processing (LOW)**

The Staples contract allows the County to take an incentive discount of 1% off each invoice for payments made within 30 days of the invoice date. However, departments are not consistently processing and forwarding Staple invoices to Accounts Payable to meet the 30 day requirement. By not processing Staples invoices for payment within the 30 day contractual requirement, the County is losing the 1% incentive discount.

In reviewing an SAP report for the follow up period, we found 399 of 2,766 (14%) line items were processed over 30 days after the invoice date approximating \$634 of discounts lost.

*Recommendation*

1. Communicate with all County departments about the importance of ensuring that invoices are being processed in a timely manner to earn and withhold the 1% discount on purchases.

**SABRA SMITH NEWBY**  
Chief Administrative Officer

# MEMORANDUM

DEPARTMENT OF ADMINISTRATIVE SERVICES

**ADLEEN B. STIDHUM**  
Purchasing Manager

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**TO:** ANGELA M. DARRAGH, AUDIT DIRECTOR  
**FROM:** ADLEEN STIDHUM, PURCHASING MANAGER  
**SUBJECT:** RESPONSE TO STAPLES AUDIT  
**DATE:** September 30, 2015

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This memo serves as the response to the Staples Contract Audit. Please contact me if further information is needed.

## **FINDING 5**

### **Staples Advantage User Account Issues (MEDIUM)**

Staples maintains the user account listing for the Staples Advantage system. At least annually, the Purchasing Department obtains and reviews the user listings, and communicates any necessary changes to the listings with Staples.

We obtained and reviewed a current Staples Advantage user account listing from Staples. We found nine users in active status that either no longer work with Clark County or no longer work in the sponsoring department. We also identified 11 individuals with multiple user accounts. In addition, we found eight generic accounts. Per CCIT policy, generic accounts require department head and Clark County Chief Information Officer (CIO) approval.

Because users are allowed to order supplies with County funds, each purchaser needs to be an active County employee. While other controls are in place to prevent items from being purchased and sent to non-County locations, a user accounts that can be attributed to a specific employee is an important control in preventing theft or abuse.

### **RECOMMENDATION**

1. Maintain an internal user access log for Staples.
2. Periodically request the user log maintained by Staples and compare logs.
3. If an Internal log is not maintained, periodically request a Staples Advantage user log and review it for reasonableness.
4. Remind departments that generic accounts are not allowed by County IT policy.
5. Deactivate duplicate user accounts and those identified as belonging to former employees.

### **MANAGEMENT RESPONSE & ACTION PLAN**

Purchasing will continue to work with County departments to emphasize the importance of keeping Purchasing and Staples advised when employees are no longer an authorized account user. Purchasing will continue to work with Staples representatives to ensure the Staples Advantage system will notify users periodically of the requirements to change passwords and to deactivate County user or user accounts no longer active.

Purchasing is working with the Chief Information Officer (CIO) to clearly understand the District Attorney (DA) office and Staples need for generic accounts. A final resolution or approval by the CIO had not been reached at the time this response was due.

#### **FINDING 4**

##### **Ordering Blocked Items (LOW)**

Section III, #11 "Special Conditions" of the Staples contract, specifies items that are restricted from being ordered by the County. These items are blocked because they are covered under separate contracts. Blocked items include items such as: fire extinguishers, fire aid supplies, food, water, certain office furniture manufacturing lines, as well as computers and peripheral devices. To test whether prohibited items are being blocked from being ordered, we attempted and were able to successfully order energy drinks from the Staples Advantage system. In addition, in reviewing a Staples report of purchase transactions for the follow up period, we found six transactions (in over 8,300) where blocked items were purchased. By ordering blocked items through Staples, the County risks the loss of contractual savings from other contracts and/or risks violating the terms of those other contracts. We believe the program used by Staples to block purchases electronically is not operating as intended.

##### **RECOMMENDATION**

1. Communicate with all County departments that order office supplies and remind them that certain items are prohibited (per county Fiscal Directive #4 as well as the Staples contract) from being purchased.
2. Request and review periodic reports for blocked items purchased.
3. Communicate with the respective department as well as with Staples when blocked items are purchased.
4. Discuss with Staples personnel the possibility of the Staples Advantage purchasing system automatically blocking "contractually" prohibited items from being purchased.

##### **MANAGEMENT RESPONSE & ACTION PLAN**

Purchasing will continue to send periodic updates through department-wide memo to remind the end users that certain items are prohibited (per County Fiscal Directive #4) and the Staples contract. Purchasing will continue to request Staples provide reports quarterly or upon request, if report is needed sooner to review blocked items. Purchasing has already communicated with Staples to immediately block any new items changed by product name and ordering number and to contact County when an attempt to purchase blocked items is detected. Purchasing issued a corrective action letter warning Staples if they continue to allow items that should be blocked to be delivered may be grounds for termination of their contract.

#### **FINDING 5**

##### **Delay in Staples Invoice Payment Processing (LOW)**

The Staples contract allows the County to take an incentive of 1% off each invoice for payments made within 30 days of an invoice date. However, departments are not consistently processing and forwarding Staples invoices to Accounts Payable to meet the 30 day contractual requirements, the County is losing the 1% incentive discount.

In reviewing an SAP report for the follow up period, we found 399 of 2,766 (14%) line items were processed over 30 days after the invoice date approximating \$634 of discounts lost.

##### **RECOMMENDATION**

1. Communicate with all County departments about the importance of ensuring that invoices are being processed in a timely manner to earn and withhold the 1% discount on purchases.

##### **MANAGEMENT RESPONSE & ACTION PLAN**

Purchasing will continue to send periodic updates through department wide memo as a reminder the end users to exercise timeliness in processing Staples invoices after receipt of items in order for the County to earn the 1% discount per the contract.

**ADMINISTRATIVE SERVICES**  
**Staples Contract Audit**  
**Findings, Recommendations, and Corrective Action Status**  
**As of July 31, 2015**



**AUDIT DEPARTMENT**  
 Angela M. Darragh, CPA, CFE, CISA  
 Audit Director

**Original Report Issuance Date: June 18, 2014**

Finding	Recommendation(s)	Corrective Action Status
<b>2. Staples Advantage User Log Issues (MEDIUM)</b>		
<p>The Purchasing Department does not maintain a user listing for access onto Staples Advantage, but obtains and reviews a user listing from Staples. It also communicates any user account changes with Staples.</p> <p>For the follow up period, we obtained the most recent Staples Advantage user log from Staples and found nine users in active status that either no longer work with Clark County or in the department . We also found 11 individuals with multiple user accounts and eight generic accounts. According to CCIT policy, generic accounts require department head and Clark County Chief Information Officer (CIO) approval.</p> <p>Adequate monitoring and control over user accounts is an important tool in preventing theft or abuse of County assets.</p>	<ol style="list-style-type: none"> <li>1. Maintain an internal user access log for Staples Advantage.</li> <li>2. Periodically request the user log maintained by Staples and compare logs.</li> <li>3. If an internal log is not maintained, periodically request and Staples Advantage user log and review it for reasonableness.</li> <li>4. Remind departments that generic accounts require department head and CIO approval.</li> <li>5. Deactivate the user accounts identified by testing as belonging to former employees.</li> </ol>	<p><b>PARTIALLY RESOLVED</b> - The Purchasing Department periodically obtains and reviews a Staples Advantage user listing, and communicates any necessary changes with Staples. Also, Staples removed some of the duplicate accounts and deactivated some of the accounts of former employees (found during the follow up engagement).</p> <p>However, the District Attorney's Office utilizes two generic accounts which require department head and CIO approval, and Staples utilizes four generic accounts which also require CIO review and approval.</p> <p><b>MANAGEMENT RESPONSE:</b> Purchasing will continue to work with County departments to emphasize the importance of keeping Purchasing and Staples advised when employees are no longer an authorized account user.</p> <p>Purchasing will continue to work with Staples representatives to ensure the Staples Advantage system will notify users periodically of the requirements to change passwords and to deactivate County user accounts no longer active.</p> <p>Purchasing is working with the Chief Information Officer (CIO) to clearly understand the District Attorney (DA) office and Staples need for generic accounts. A final resolution or approval by the CIO had not been reached at the time this response was due.</p>

Finding	Recommendation(s)	Corrective Action Status
<b>4. Ordering Blocked Items (LOW)</b>		
<p>Section III #11 "Special Conditions" of the Staples contract specifies items that are restricted from being ordered by the County. These items are blocked because they are covered under separate contracts.</p> <p>For the follow up period, we found that blocked items are still being purchased. We also successfully ordered a blocked item from Staples Advantage. We subsequently cancelled the transaction.</p>	<ol style="list-style-type: none"> <li>1. Communicate with all County departments that order office supplies and remind them that certain items are prohibited (per county Fiscal Directive #4 as well as the Staples contract) from being purchased.</li> <li>2. Request and review periodic reports for blocked items purchased.</li> <li>3. Communicated with the respective department as well as with Staples when blocked items are purchased.</li> <li>4. Discuss with Staples personnel the possibility of the Staples Advantage purchasing system automatically blocking "contractually" prohibited items from being purchased.</li> </ol>	<p><b>PARTIALLY RESOLVED</b> - Purchasing will continue to send out a Countywide memo to remind end users that certain items are prohibited (per County Fiscal Directive #4) and the Staples contract. Also, Purchasing will continue to periodically request and review a Staples report for blocked items. In addition, there has been some discussion with (and efforts by) Staples representatives to determine the feasibility of the system automatically blocking items which are prohibited from being purchased.</p> <p><b>MANAGEMENT RESPONSE:</b> Purchasing will continue to send periodic updates through department wide memo to remind the end users that certain items are prohibited per (County Fiscal Directive #4 and) the Staples contract. Purchasing will continue to request that Staple provide reports quarterly or upon request, if report is needed sooner to review blocked items. Purchasing has already communicated with Staples to immediately block any new items changed by product name and ordering number and to contact County when an attempt to purchase blocked items is detected. Purchasing issued a corrective action letter warning Staples if they continue to allow items (that should be blocked) to be delivered may be grounds for termination of their contract.</p>
<b>5. Delay in Staples Invoice Payment Processing (LOW)</b>		
<p>The Staples contract allows the County to take an incentive of 1% if payments are made within 30 days of an invoice date. By not processing Staples invoices for payment within the 30 day contractual requirement, the County is foregoing the 1% incentive discount.</p> <p>In reviewing an SAP report for the follow up period covering January 1, 2015 through April 30, 2015, we found 399 of 2,766 (14%) line items were processed over 30 days after the invoice date approximating \$634 of discounts foregone.</p>	<ol style="list-style-type: none"> <li>1. Communicate with all County departments about the importance of ensuring that invoices are being processed in a timely manner to earn and withhold the 1 percent discount on purchases.</li> </ol>	<p><b>PARTIALLY RESOLVED</b> - Purchasing will continue to send out a Countywide memo reminder to the end users to exercise timeliness in processing Staples invoices after receipt of items in order for the County to earn the one percent discount per the contract.</p> <p><b>MANAGEMENT RESPONSE:</b> Purchasing will continue to send periodic updates through department wide memo as a reminder for the end users to exercise timeliness in processing Staples invoices after receipt of items in order for the County to earn the 1% discount per the contract.</p>

Finding	Recommendation(s)	Corrective Action Status
<b>1. Improving System Access (MEDIUM)</b>		
<p>Clark County Information Technology Security Policy (CCIT Security Policy) requires that user passwords be at least eight characters in length and consist of two or more of the following: capital letters, lower case letters, numbers, and special characters (%*\$@!). Also, user passwords must be changed every 90 days and may not be reused for at least six password change periods. However, user ID and password information for on-line ordering of office supplies has not changed since the County began using Staples in 2010.</p>	<ol style="list-style-type: none"> <li>1. Work with CCIT on creating a user ID and password policy for the Staples Advantage on-line office supply ordering system.</li> <li>2. Communicate this user ID and password policy to Staples for Staples to incorporate onto its Staples Advantage system, or notify users periodically of the requirement to change passwords.</li> </ol>	<p><b>RESOLVED</b> - The Purchasing Department developed a password policy for Staples Advantage. It communicated this policy to County departments twice in the last fiscal year (2014-15). Also, Staples activated the "password change frequency" feature in the system, which requires all users to periodically change their passwords.</p>
<b>3. Contract vs. Invoiced Unit Pricing Differences (LOW)</b>		
<p>Of the 31 transactions selected for detail testing, we found:</p> <ul style="list-style-type: none"> <li>- 2 transactions where the invoice unit price differed from the catalog price; and</li> <li>- 5 transactions where the item was not found in the catalog, so the price could not be verified.</li> </ul>	<ol style="list-style-type: none"> <li>1. Direct individuals responsible for processing Staples invoices for County departments to verify that they are being charged contractually agreed upon prices for ordered supplies.</li> <li>2. Communicate and resolve any discrepancies found.</li> </ol>	<p><b>RESOLVED</b>- Purchasing issued a Countywide memo reminding end users of their responsibility to cross check invoice prices against the contract price prior to processing for payment. Also, Purchasing continues to work with the end user's to resolve any discrepancies.</p>
<b>6. Purchase Transactions under \$50 (LOW)</b>		
<p>Section III #8 "cost containment" of the Staples contract specifies a \$50 minimum order policy.</p> <p>In reviewing a Staples report for office supply purchases made during the follow up period, we found that 1,410 of 4,186 (34%) purchases were for less than \$50. We also successfully processed an order through Staples Advantage which totaled less than \$50. We subsequently cancelled the order.</p>	<ol style="list-style-type: none"> <li>1. Request and review periodic reports for purchases made under \$50.</li> <li>2. Purchases made under \$50 should be communicated with the respective department as well as with Staples.</li> <li>3. Discuss with Staples personnel the probability of the Staples Advantage purchasing system automatically blocking purchases being made under \$50 from being processed or filled.</li> </ol>	<p><b>RESOLVED</b> - Staples has programmed the Staples Advantage supply ordering system to prohibit processing orders totaling under \$50. Audit tested this feature on September 14, 2015, and confirmed Staples assertions.</p>