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Audit Proposal From Sage Forensic Accounting

1 message

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To: Rich Amon <ramon@utah.gov>
Cc: Kim Hood <khood@utah.gov>

Tue, Mar 12, 2013 at 11:12 AM

Rich:

I have reviewed the audit proposal from Sage Forensic Accounting outlining their proposed scope of work. Overall, the proposal is acceptable. The scope of work should be sufficient to dispel all of the false and misleading allegations that have been made against myself and the Division of State Purchasing.

We are busy assembling all of the documents that will be needed in order for Sage to complete their audit. Because we are basically doing all of the work in terms of collecting and copying this information, the cost of the audit should be minimal. Sage will essentially be verifying the information we and other WSCA/NASPO member states provide.

The only audit area with limited data will be the benchmarking analysis comparing WSCA's contract pricing with state contract prices. We have the 2012 benchmarking study recently completed by the KPMG on the WSCA Office Furniture contract which clearly showed that the WSCA contract is superior to contracts issued by a number of other states (including Utah) as well as other purchasing cooperatives. This audit was commissioned by WSCA at a cost of \$50,000. Because of budget constraints, it will be impossible for Sage to duplicate this level of analysis. Nevertheless, the KPMG benchmarking study should serve as an acceptable proxy for all other WSCA contract.

Under my direction as the Chair of WSCA, WSCA is in the process of hiring a consulting firm to assist in developing a business plan. One of the key elements included in the business plan will be regular and systematic benchmarking of all key WSCA contracts.

Since I have only been involved with WSCA for the past four years, I have had to rely on statements from some of the more seasoned WSCA Directors as to why WSCA has not previously conducted benchmarking on more WSCA contracts. In my discussions with these Directors, they have indicated that benchmarking WSCA contracts was not a priority because it was so obvious to everyone involved that they were getting better prices, contract terms/conditions, maintenance/service agreements, and warranties that they did not think it necessary to formally document it through benchmarking studies. As one Director put it, "Anyone with any business sense at all knows that Walmart gets better pricing (etc.) than the mom and pop corner store and likewise WSCA gets better pricing (etc) by combining the buying power of 10, 20, or 30 states than any single state can get on its own".

I have put out a request to the other WSCA Directors to see anyone has completed a benchmarking study on their own comparing WSCA pricing to their state contract pricing. We will see what comes back.

Best Regards,

Kent