



## Summary of Third Party Pricing Review Haworth, Inc.

In an effort to proactively demonstrate public benefit, U.S. Communities has enacted an annual program to review contract pricing by engaging a third party to perform a pricing review. The firm of Macias, Gini & O'Connell (MG&O) was engaged to perform the pricing review of the Fairfax County / U.S. Communities office furniture contract.

We have received the completed pricing review from Macias, Gini & O'Connell (MG&O) for the supplier Haworth Inc. for the timeframe of September 1<sup>st</sup> through December 31<sup>st</sup> 2008. Below is a summary of the key findings and results of the pricing review.

- The following public agencies participated in the third party pricing review;
  - City of Fresno, CA
  - Dallas County Community College District, TX
  - City of Los Angeles, CA
- One furniture project was selected for each public agency listed above totaling \$1.6M dollars.
  1. For each project selected, up to 150 line items or parts in total were selected for pricing verification.
    - All items tested all were found to be in compliance with the pricing terms of the Fairfax County/U.S. Communities agreement.
  2. For each project selected, pricing verification was performed on installation, project management and design services.
    - Two items were unable to be confirmed in compliance with the Fairfax County/U.S. Communities agreement. One variance resulted from a higher charge for use of required agency use of union labor not called out in the pricing resources available to the auditors. A second variance occurred when a quote for the hours and hourly rate making up the labor charge was unable to be located due to the original dealer no longer being in business at time of audit.

The pricing review demonstrated that Haworth is complying with the pricing terms and conditions of the Fairfax County/U.S. Communities contract.



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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

U.S. Communities,  
Haworth, Inc., and  
Fairfax County, Virginia:

We have performed the procedures enumerated below, which were agreed to by U.S. Communities on behalf of itself, Haworth, Inc. (Haworth), and Fairfax County, Virginia, solely to assist U.S. Communities, Haworth, and Fairfax County in determining that items purchased under Fairfax County's furniture contract with Haworth were invoiced in accordance with contractual terms for items invoiced during the period of September 1, 2008 through December 31, 2008. Haworth's management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities, to ensure compliance with Fairfax County's furniture contract with Haworth. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

### Public Agency Audit Participants:

- City of Fresno, CA
- Dallas County Community College District, TX
- City of Los Angeles, CA

### Office Furniture:

1. Randomly select 1 project for each Public Agency listed above in the September 1, 2008 to December 31, 2008 period.  
**Results:** Procedure performed without exception.
2. For each project in procedure 1, request an electronic invoice. Note that invoice could be one page or multiple pages depending on size of project.  
**Results:** Procedure performed without exception.

Office Furniture (continued):

3. For the three invoices provided in procedure 2, select up to 150 parts in total and cross reference the part numbers to the Haworth online catalog, apply appropriate contract discount from Product List Price to arrive at customer's final purchase price and verify pricing accuracy. Invoice will state whether customer receives Single Source or Multiple Source Discount Schedule to calculate accordingly to the List Price.

**Results:** We verified pricing accuracy by applying the appropriate contract discount to the Product List Price in effect prior to those in effect as noted in Haworth's current online catalogs for 44 parts, from the screen shots for the 19 parts we could not locate in any of Haworth's catalogs, and from the current online catalogs for the remaining 87 parts without exception.

We were informed by Haworth that pricing for the Dallas County Community College District invoice was not based on Haworth's current online catalogs, but rather on prices in effect prior to its current online catalogs. Therefore, Haworth provided their 2005 catalogs, which noted the pricing increases that were effective prior to its current online catalogs. For 43 parts, we were able to roll forward the 2005 catalog prices to determine the pricing in effect prior to its current online catalogs. However, one of the parts with the ordered options was not listed in Haworth's 2005 catalogs, but it was included in their current online catalog. We were able to determine the pricing increase that was effective for its current online catalog, effectively backing into the pricing in effect prior to its current online catalog.

Furthermore, we were not able to locate 19 of the 150 parts selected (5 of the 40 selected for the City of Fresno, 6 of the 50 selected for the Dallas County Community College District, and 8 of the 60 selected for the City of Los Angeles) in Haworth's catalogs. Therefore, we obtained from Haworth screen shots of the Price Master from their sales module of their Comstar financial system of the pricing in effect for those parts when ordered.

Services:

1. For the three invoices provided in procedure 2 above, verify pricing accuracy for Installation, Project Management or Design services offered for any project. Price shall not exceed 7% of Total Product List Price and will be noted on the invoice if applicable.

**Results:** Procedure performed with the following exception. The City of Los Angeles invoice selected included a total charge of \$48,619.26 for installation and design services, which is more than 8% of the total product list price of \$581,440. Per the Haworth Services Matrix and a Haworth representative, one of the criteria for the 7% rate is the use of non-union labor. Per the Haworth representative, the City of Los Angeles requires the use of union labor.

2. For the three invoices provided in procedure 2 above, verify pricing accuracy for Reconfiguration or Refurbishing. Price shall not exceed \$55/hour for non-union or \$110/hour for union labor and will be noted on the invoice if applicable.

**Results:** Procedure performed with the following exception. The City of Fresno invoice selected included a \$600 charge for reconfiguration. However, a quote breaking down the hours and hourly rate could not be provided as the original dealer is no longer in business. For this reason, we were not able to perform this procedure on the City of Fresno invoice.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on compliance with Fairfax County's furniture contract with Haworth. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of U.S. Communities, Haworth, and Fairfax County, and may be shared in whole or in part by U.S. Communities with the agencies they selected for testing (the cities of Los Angeles, California and Fresno, California and the Dallas County Community College District) and is not intended to be and should not be used by anyone other than those specified parties.

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*Macias Gini : O'Connell LLP*

Sacramento, California

May 8, 2009