



Summary of Third Party Pricing Review Herman Miller

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 furniture contract.

We have received the completed pricing review from MG&O for the supplier Herman Miller for the timeframe of October 1st 2008 through April 30th 2009. 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;

- San Bernardino County, CA
- Massachusetts Institute of Technology, MA (MIT)
- University of Washington , WA

MG&O randomly selected one project for each participating agency. The three projects totaled \$567,597.55 of sales that was tested to verify that the pricing did not exceed contract pricing. Two exceptions were noted resulting from employees entering data in error. The exceptions totaled \$33.23 or less that .01 of 1% of total audited sales.

U.S. Communities recognizes that the audit has highlighted a gap that has allowed the noted exceptions to occur and accordingly Herman Miller is addressing these with corrective actions to further ensure public agencies compliant pricing. Nevertheless we believe the pricing review demonstrated that Herman Miller is materially in compliance with the pricing terms and conditions of the Fairfax County/U.S. Communities furniture contract.

**U.S. COMMUNITIES,
HERMAN MILLER, INC., AND
FAIRFAX COUNTY**

**Independent Accountant's Report On
Applying Agreed-Upon Procedures
For the Period October 1, 2008 to
April 30, 2009**



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

U.S. Communities,
Herman Miller, Inc., and
Fairfax County:

We have performed the procedures enumerated below, which were agreed to by U.S. Communities on behalf of itself, Herman Miller, Inc., (Herman Miller) and Fairfax County, solely to assist U.S. Communities, Herman Miller, and Fairfax County in determining that items purchased under Fairfax County's office furniture contract with Herman Miller were invoiced in accordance with contractual terms for items invoiced during the period of October 1, 2008 to April 30, 2009. Herman Miller's management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities, to ensure compliance with Fairfax County's office furniture contract with Herman Miller. 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:

- San Bernardino County, CA
- Massachusetts Institute of Technology, MA
- University of Washington, WA

1. Randomly select 1 project for each Public Agency listed above in the October 1, 2008 to April 30, 2009 period. Herman Miller to provide a usage report/list of a least 15 Projects from October 1, 2008 to April 30, 2009.

Results: Procedure performed without exception.

2. For each project in procedure 1, verify that invoice pricing does not exceed U.S. Communities contract pricing. Request enough electronic invoices in order to select 150 parts. Note that invoices could be one page or multiple pages depending on size of the project. For the invoices provided, select up to 150 parts. Pricing verification can be achieved by using the following, but not exclusive, resources:

- Cross reference the part numbers to the Herman Miller online catalog, apply appropriate contract discount from Product List Price to arrive at customer's final purchase price and verify pricing accuracy.

Results: Procedure performed with the following exceptions:

- University of Washington, WA – Herman Miller was not able to provide electronic invoices for 38 of the 50 items selected for testing. We selected those 38 items from screen prints of the various orders selected in procedure 1.
- University of Washington, WA – One item was invoiced for \$684.04, which resulted in an overcharge of \$13.23 due to a transposition error (\$1,396 instead of \$1,369) made by an employee while entering the list price.
- University of Washington, WA – Two custom items were invoiced for \$549.12, which resulted in an overcharge of \$44.00 due to an employee entering the wrong list price (\$624 instead of \$574).
- Massachusetts Institute of Technology, MA – Two Sit-On-It (SOI) products were invoiced for \$678.24, which resulted in an overcharge of \$71.96 based on a 'loading doc' discount (54%). A Herman Miller representative stated these SOI were installed (discount of 51%), and per the discount schedule, an additional charge may apply for major metro markets, quoted on a project basis (a reduction of the discount by 2.5% for a net discount of 48.5%). Based on this information, there is no overcharge. However installation was not noted on either the purchase order or the invoice, and Herman Miller was not able to provide a quote to support the reduced discount.

3. Services (Installation, Design, and Project Management) are quoted, ordered, acknowledged and invoiced in various ways as requested by the customer.

- Included in the discount as part of the product price, e.g. discounted price may include installation.
- Listed as a line item separate from the product.
- A mix of the 2 option, e.g. Installation may be included in the discounted product price and Design may be listed as a separate line item.

Pricing can be verified against original bid and all subsequent addendums. When included in the discount it should be per the 3 customer pricing options 1) dock, 2) inside, 3) installed. If listed as a line item, installation should equal the spread between docks and installed. Example, tier 1 Action Office is 69% and 64% installed - std. installation should not exceed 5% of list product value (69 - 64). Page 2 of this document lists non-std terms and conditions under which a dealer could charge more than 5%, e.g. union labor included or install site on the 25th floor downtown LA. Note, Inside Door delivery is rarely used.

Results: Procedure performed with the following exceptions:

- Massachusetts Institute of Technology, MA order #92700 was charged for services of \$8,385 for installation. Herman Miller was unable to provide support to verify these service fees.
- San Bernardino County, CA order #45821 was charged for services of \$1,657 for installation and \$450 for design. Herman Miller was unable to provide support to verify these service fees.
- San Bernardino County, CA order #46718 was charged for services of \$605 for design. Herman Miller was unable to provide support to verify this fee.
- San Bernardino County, CA order #47433 was charged for services of \$1,463.75 for installation and \$1,250 for design. Herman Miller was unable to provide support to verify these services fees.

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 office furniture contract with Herman Miller. 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, Herman Miller, and Fairfax County, and may be shared in whole or in part by U.S. Communities with the agencies they selected for testing (San Bernardino County, CA; Massachusetts Institute of Technology, MA; and University of Washington, WA) 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

November 20, 2009