



## Summary of Third Party Pricing Review Ricoh Americas

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 City of Los Angeles/U.S. Communities office machines contract.

We have received the completed pricing review from MG&O for the supplier Ricoh Inc. for the timeframe of January 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;

- McKinney Independent School District, TX
- City of Los Angeles, CA
- Hennepin County, MN

The number of available machines purchased or leased during this time frame was not as great as the planned 20 per agency and there were no maintenance or cost-per-copy plans to audit. It was necessary to audit IKON's internal audit to verify pricing for McKinney Independent School District. Except for these limitations, procedures were performed without exception.

The pricing review demonstrated that Ricoh is complying with the pricing terms and conditions of the City of Los Angeles/U.S. Communities contract.

**U.S. COMMUNITIES,  
RICOH AMERICAS, AND  
THE CITY OF LOS ANGELES**

**Independent Accountant's Report On  
Applying Agreed-Upon Procedures  
For the Period January 1, through  
December 31, 2008**



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

U.S. Communities,  
Ricoh Americas and the City of Los Angeles

We have performed the procedures enumerated below, which were agreed to by U.S. Communities on behalf of itself, Ricoh Americas (Ricoh), and the City of Los Angeles, solely to assist U.S. Communities, Ricoh, and the City of Los Angeles in determining that items purchased under the City of Los Angeles' office machines contract with Ricoh were invoiced in accordance with contractual terms for items invoiced during the period of January 1, 2008 through December 31, 2008. Ricoh's management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities, to ensure compliance with the City of Los Angeles' office machines contract with Ricoh. 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:

- McKinney Independent School District (ISD), TX
- City of Los Angeles, CA
- Hennepin County, MN

## Office Machines (Purchase or Lease)

1. Randomly select 20 machines purchased or leased for each Public Agency listed above during the period of January to December 2008.
2. For each of the machines selected in procedure 1, request an electronic invoice (from agency for dealer scenarios and from supplier for direct scenarios)
3. For each of the invoices in procedure 2, match invoice price to the Brand Catalog Pricing document (Customer Purchase Price or Lease Payment) to verify pricing (note: Pricing is structured as a ceiling, many items will be sold below the stated discount amount)

**Results:** Except for the limitations discussed below, procedures were performed without exception.

Per review of invoices and usage reports, Hennepin County only purchased or leased 9 machines during the period of January to December 2008. Therefore, for Hennepin County, we performed this procedure on only these 9 machines.

In addition, IKON (a Ricoh Company) is not invoicing McKinney ISD for individual machines as McKinney ISD has an Image Management bundled lease agreement with IKON. Therefore, we were not able to perform the agreed-upon procedures for McKinney ISD. Under this agreement, McKinney ISD makes one monthly payment of \$78,146 for their entire fleet of 110 assets. This bundled payment amount includes both equipment lease and service. IKON's monthly bill to McKinney is estimated to be about 8% or \$3,798 more than what would have been billed under the U.S. Communities agreement for the lease payment charges, but about 66% or \$55,358 less than what would have been billed under the U.S. Communities agreement for cost-per-copy service charges. Therefore, it would appear that IKON is billing McKinney about 40% or \$51,560 less monthly on contract pricing based on average usage.

## Accessories

4. For each of the machine selected in procedure 1, determine if there are accessory prices to verify.
5. For each such case, match invoice price to pricing listed on Brand Catalog Pricing document. Accessories that match up with each machine will be listed below machine name and model number on Brand Catalog Pricing document.

**Results:** Except for the limitation noted above for McKinney ISD, procedure performed without exception.

## Maintenance Plans

6. For each of the machines selected in procedure 1, determine if there are maintenance plans pricing to verify.
7. For each such case, match invoice price to pricing listed on Brand Catalog Pricing document. Maintenance Plans that match up with each machine will be listed in a separate column (along with copies included in plan and excess copy charges).

**Results:** Due to the limitation noted above for McKinney ISD and per review of the invoices and usage reports for the City of Los Angeles and Hennepin County that did not indicate any maintenance plans were purchased, no testing was performed for this procedure.

Cost-Per-Copy Plans

8. For each of the machines selected in procedure 1, determine if there are Cost-Per-Copy plans pricing to verify.
9. For each such case, match invoice price to pricing listed on Brand Catalog Pricing document. Cost-Per-Copy plans that match up with each machine will be listed in a separate column on Brand Catalog Pricing document.

**Results:** Due to the limitation noted above for McKinney ISD and per review of the invoices and usage reports for the City of Los Angeles and Hennepin County that did not indicate any copy plans were purchased, no testing was performed for this procedure.

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 the City of Los Angeles' office machine contract with Ricoh. 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, Ricoh, and the City of Los Angeles, and may be shared in whole or in part by U.S. Communities with the agencies they selected for testing (McKinney ISD, TX; the City of Los Angeles, CA; and Hennepin County, MN) and is not intended to be and should not be used by anyone other than those specified parties.

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November 20, 2009