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Department of Administrative Services

State Purchasing Division

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Assistant Commissioner-Procurement

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February 8, 2008

VIA EMAIL (bob.cetina@officedepot.com) & US MAIL

Mr. Bob Cetina, Vice President
Office Depot
2200 Old Germantown Road
Delray Beach, Florida 33445

RE: Office Depot/State of Georgia Office Supplies Contract
Statewide Contract No.SWC70760

Dear Mr. Cetina:

The purpose of this letter is to notify Office Depot that the above-referenced contract is being terminated due to Office Depot's inability to satisfactorily address the performance defects in the August 10, 2007 cure letter – most notably ongoing mistakes in pricing. As you know, we have been working with Office Depot for the past six months to try to help Office Depot address the problems identified in the August 10 cure letter. While some progress has been made in that the number of mispriced items in Office Depot's online Georgia government product catalog have been reduced, a recent visit to the Office Depot website shows that Office Depot continues to misprice items every month. For example,

-SKU 992305 File Guides is supposed to be priced at \$33.76 but Office Depot's online Georgia government product catalog is charging State customers \$74.29 (and then for some reason the price jumps again to \$77.89 when added to the shopping cart)

-SKU375808 Smead 1/3 Cut Folders Pack of 24 is supposed to be priced at \$1.82 but Office Depot's online Georgia government product catalog is charging State customers \$11.91

Furthermore, the operation of Office Depot's online Georgia government product catalog continues to have problems rerouting State of Georgia government customers to agreed upon substitutes when a product has been discontinued. For example

-SKU422407 Bic Z4 Liquid Ink Rollerball Pen 12 Pack priced at \$7.84 was discontinued. SKU375931 was the approved alternate at the same \$7.84 price. However, Office Depot's website provides SKU312653 with a price of \$9.70 as the alternative (and then for some reason "our price" shows as \$16.53)

-SKU2555585 Pentel Tetra Liquid Ink Rollerball Pen 12 Pack priced at \$5.66 was discontinued. SKU216951 was the approved substitute at the same \$5.66 price. However, Office Depot's website provides SKU527624 with a price of \$15.76 as the alternative (and then for some reason "our price" shows as \$28.50)


While there are also other mispriced items that are underpriced rather than overpriced, the point is that pricing continues to be incorrect. Especially troubling is that it has fallen to State of Georgia government staff to constantly monitor and raise these errors with Office Depot rather than these errors being addressed proactively by Office Depot as part of quality control in the ordinary course of business. In contracting with Office Depot, the State of Georgia never contemplated being responsible for ongoing quality control of Office Depot's online Georgia government product catalog and our staff has devoted entirely too much time toward this effort over the past 10 months. It has become readily apparent that Office Depot's use of its retail website to service the State of Georgia government product catalog (with different pricing from Office Depot's retail pricing) will not allow for the self-sufficient administration and performance of the contract by Office Depot without extensive State of Georgia staff management and quality control of the information on the website. Therefore, the contract must be terminated.

By this action, there is no official statewide contract for office supplies. Accordingly, state agencies are authorized to purchase office supplies on the open market from any vendor until further notice.

Because the contract is terminated, please immediately disable the State of Georgia portal and cancel all passwords (state and local government) associated with users authorized to use the contract. Please confirm to us in writing by next week that this has been accomplished. If the State of Georgia portal is not disabled and passwords canceled, we will seek injunctive relief to make sure no one is under the impression that the contract is still in place or otherwise available for use.

In addition, as a result of Office Depot's performance under this contract, Office Depot is suspended pursuant Section 7.21 of the *Georgia Vendor Manual* for 120 days from the date of this letter to allow for consideration of debarment. During this period of suspension, Office Depot (like any other vendor) can provide office supplies to state agencies on the open market but Office Depot will not be eligible to bid on any state contracts. If Office Depot is ultimately debarred, Office Depot would also not be eligible to provide products to state agencies on the open market.

Sincerely,


Timothy Gilhey
Assistant Commissioner
State Purchasing Division

Cc: Commissioner Brad Douglas
Terry Doumkos, Director of Strategic Sourcing
Dennis King, Category Cluster Manager