

Inquiry into

Acquiring Turbine Bulk Oil for Purdom Generating Station



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Request for Inquiry

We are responding to a Commission request that we review the process for acquiring turbine bulk oil for Purdom Generating Station to determine whether Jim Hinton Oil and Grubbs Petroleum were given an unfair advantage by allowing them to submit quotes after the published end date.

Summary

We have reviewed the process of acquiring quotes for turbine oil for the Purdom Generating Station for compliance with City purchasing policy.

Based on the evidence, there is no indication that either Jim Hinton Oil or Grubbs Petroleum were given an unfair advantage by allowing them to submit quotes after the published return date. In fairness to them, they should have been allowed to submit a quote because they were not timely noticed by the City.

Department Actions

On Wednesday, January 26, 2000, Kent Rickey, Purchasing Agent, in Procurement Services of the Department of Management and Administration, attempted to fax invitations to quote on 6500 gallons of Turbine Oil and daily demurrage to three vendors. Only one of the invitations was sent; the following morning he determined that two invitations did not go through. He attempted to fax the other two invitations; one to Grubbs Petroleum was successful. One to Jim Hinton Oil was not sent until Monday, January 31, 2000.

Detailed specifications were included in the invitation to quote.

Quotes were to be returned by the "End of work, January 28, 2000 (CLOSING DATE)."

McKenzie Service responded within the requested time frame. Jim Hinton Oil and Grubbs Petroleum were given until Monday, January 31, 2000, to allow them to issue quotes on the item.

Vendors and their responses are listed below.

Item	Vendor		
	Jim Hinton Oil Responded 1/31/2000	Grubbs Petroleum Responded 1/31/2000	McKenzie Service Responded 1/28/2000
1. Turbine Oil	\$22,880.00	\$21,027.50	\$24,783.20
2. 14 day Demurrage	\$3500.00	\$910.00	\$1,050.00
3. Pick-up		\$300.00	
4. Clean out	\$150.00		
5. TOTAL	\$26,530.00	\$22,237.50	\$25,833.20

Current Policies

The purchase description or specification should include the essential physical and functional characteristics necessary to express the minimum requirements of the City, such as (a) common nomenclature; (b) kind of material, i.e., type, grade, class, alternatives, etc. (Section 10.2.1)

It is the responsibility of Procurement to establish price agreements (annual, semiannual, biennial, triennial, etc.) as will ensure the most effective use of a centralized purchasing function. The need for a price agreement shall be based on the amount of repetitive purchases made of the same commodity over a period of time. (Section 6.8)

The Procurement Services Administrator has the responsibility for purchases between \$10,000 and \$25,000. (Section 1.2.6)

Written requests for quotations may be sent to vendors under the following conditions: (a) when purchasing capital equipment; (b) when purchasing items with nonstandard conditions, requirements, or instructions; or (c) when more permanent documentation is advisable. Written quotes should be typed using, whenever possible, the request for quotations form. Complete information should be provided, including, but not limited to: description, quantity, delivery requirements, special conditions, drawings, specifications, the date information is required, etc. (Section 4.4.2)

Issues, Responses, and Recommendations

Issue - Were Hinton Oil and Grubbs Petroleum given an unfair advantage by allowing them to issue quotes on the item after the published date?

Response - Based on the evidence, it appears that Procurement Services attempted to fax invitations to quote to all three vendors on January 26, 2000, and that two did not go through. An invitation to quote was faxed to Grubbs Petroleum on January 27, 2000 at 5:01PM. The fax to Jim Hinton Oil was sent on January 31, 2000. Both Hinton and Grubbs responded on January 31, 2000.

There is no indication that either Jim Hinton Oil or Grubbs Petroleum were given an unfair advantage by allowing them to submit quotes after the published return date. In fairness to them, they should have been allowed to submit a quote because they were not timely noticed by the City.

Mr. Rickey agrees that the issue of the closing date could be worded better to provide for extenuating circumstances. He believes that the best price was obtained for the City.

The purchase was awarded to Grubbs Petroleum, and delivery was scheduled for February 9, 2000.

Recommendation 1 - Procurement Services should work with Legal to modify the language for closing dates. The language should provide some leeway when technical problems attributed to the City do not allow adequate time for a vendor to respond by the closing date.

Recommendation 2 - Policies and procedures for the quote process should be adopted.

Recommendation 3 - Procurement Services should ensure that all requests for quotes are issued timely and vendors have adequate time to prepare responses.

Conducted by:
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