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UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICE
9226 FEDERAL BUILDING, SIXTH AND ARCH STREETS
PHILADELPHIA, PENNSYLVANIA 19106

August 7, 1975

Captain George G. Ryon, Commander
Defense Industrial Supply Center
700 Robbins Avenue
Philadelphia, Pennsylvania 19111

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Dear Captain Ryon:

We recently completed an examination of the purchasing policies and practices followed by the Defense Industrial Supply Center, Philadelphia, Pennsylvania, for awarding contracts for industrial items used by the military services. The purpose of this letter is to advise you of certain unusual bidding patterns that we noted during our examination of small purchases awarded under limited competitive small purchase procedures. The purchases were for rivets and screws associated with Federal Stock Classes 5320 and 5305, respectively.

In reviewing the system for purchases between \$250 and \$2,500, which requires solicitations from up to seven vendors, we noted many purchase requests where identical bids were submitted by vendors who were requested to submit bids. In particular, one vendor -- Voi Shan Manufacturing Co., Inc., -- was involved in at least 18 instances where identical bids were noted.

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D. [signature]

The following table sets forth vendors submitting bids identical to Voi Shan for the 18 transactions discussed in this letter.

| | <u>Number</u> |
|---------------------------------------|---------------|
| Voi Shan and Hi-Shear Corp. | 11 |
| " " " Standard Pressed Steel Co. | 6 |
| " " " Olympic Fastening Systems, Inc. | <u>1</u> |
| Total | <u>18</u> |

Of the 18 instances involving identical bids, 8 were low bids and the ties were broken by the delivery schedules. Voi Shan was only successful in 1 out of 8 instances where its identical bids were also low bids.

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With regard to Voi Shan's bidding on the subject 18 transactions, we also noted 5 cases where Voi Shan offered a price break for a higher quantity at a lower total price than the price offered by the low vendor. We brought this matter to the attention of your procurement officials who stated that this was an oversight on the part of the buyers and that corrective action would be taken.

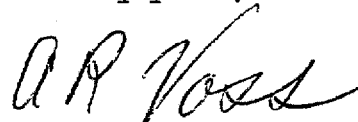
While Voi Shan was involved in all 18 transactions, we noted other transactions for Federal Stock Class 5320 where Voi Shan was not asked to submit a bid even though less than seven vendors were solicited. In discussing this matter with your data systems personnel, we observed a possible deficiency with regard to rotating bids among all potential suppliers for the item. For some transactions in Federal Stock Class 5320, it appears that the computer program has "locked in" on the same series of vendors and the bids were not being rotated among all qualified vendors as required by your system. Your data systems personnel are currently looking into this matter and have not yet been able to explain the apparent discrepancy.

We also found one instance, unrelated to the vendors noted herein, which apparently shows a flaw in the computer logic with regard to tie breaking where vendors submit identical low bids. In this instance, the award was made to a vendor contrary to the stated tie-breaking criteria. This matter is also under consideration by data systems personnel.

It is not our intention to pursue this matter any further during the course of this examination. It is our understanding that about 5 or 6 years ago, your activity was concerned with bidding patterns among vendors associated with the rivet industry. Accordingly, we are bringing this current information to your attention for further consideration.

We are enclosing a schedule of the 18 transactions which involve identical bids. We would appreciate receiving your comments with regard to the matters discussed in this letter.

Sincerely yours,



Allen R. Voss
Regional Manager

Enclosure

LIST OF TRANSACTIONS WITH IDENTIAL BIDS

| Purchase request | | FSN | Descr. | Vendors solicited | Quotes received | Low bidder | | Identical bids received | |
|------------------|---------|---------------|--------|-------------------|-----------------|---------------------------------|----------------------|---------------------------------|--------------|
| Number | Date | | | | | Name | Price quoted | Name | Price quoted |
| YP175019003420 | 1/19/75 | 5320-003-6949 | Rivet | 7 | 7 | Standard Air Parts, Inc. | \$1.78600 | Vol Shan Mfg. Co. Inc. | \$1.88450 |
| | | | | | | | | HI-Shear Corp. | 1.88450 |
| YP175033003743 | 2/ 2/75 | 5320-972-3377 | Rivet | 7 | 7 | Standard Air Parts, Inc. | .17990 | Vol Shan Mfg. Co. Inc. | .18050 |
| | | | | | | | | HI-Shear Corp. | .18050 |
| YP175033003702 | 2/ 2/75 | 5320-613-7957 | Rivet | 7 | 7 | Rice Aircraft, Inc. | .32000 | Vol Shan Mfg. Co. Inc. | 1.19500 |
| | | | | | | | | HI-Shear Corp. | 1.19500 |
| YP175075003479 | 3/16/75 | 5320-055-4095 | Rivet | 7 | 7 | Standard Air Parts, Inc. | ^c .44800 | Vol Shan Mfg. Co. Inc. | .51450 |
| | | | | | | Imperial Air Parts | .44800 | HI-Shear Corp. | .51450 |
| YP175075003500 | 3/16/75 | 5320-136-5738 | Rivet | 7 | 7 | Standard Air Parts, Inc. | .38800 | Vol Shan Mfg. Co. Inc. | .45250 |
| | | | | | | | | HI-Shear Corp. | .45250 |
| YP175075003560 | 3/16/75 | 5320-726-6866 | Rivet | 7 | 4 | HI-Shear Corp. | ^a .51500 | Vol Shan Mfg. Co. Inc. | .51500 |
| | | | | | | | | HI-Shear Corp. | .51500 |
| YP175075003592 | 3/16/75 | 5320-835-2195 | Rivet | 6 | 6 | Standard Air Parts, Inc. | .14890 | Vol Shan Mfg. Co. Inc. | .14950 |
| | | | | | | | | HI-Shear Corp. | .14950 |
| YP175075003614 | 3/16/75 | 5320-907-7701 | Rivet | 7 | 6 | Imperial Air Parts | .29900 | Vol Shan Mfg. Co. Inc. | .35200 |
| | | | | | | | | HI-Shear Corp. | .35200 |
| YP175086001420 | 3/27/75 | 5320-103-3073 | Rivet | 7 | 7 | Standard Air Parts, Inc. | .13390 | Vol Shan Mfg. Co. Inc. | .13400 |
| | | | | | | | | HI-Shear Corp. | .13400 |
| YP175075002683 | 3/16/75 | 5305-991-7020 | Screw | 6 | 4 | HI-Shear Corp. | ^a .57300 | Vol Shan Mfg. Co. Inc. | .57300 |
| | | | | | | | | HI-Shear Corp. | .57300 |
| YP175091001864 | 4/ 1/75 | 5320-007-6378 | Rivet | 7 | 2 | Olympic Fastening Systems, Inc. | ^a .11800 | Vol Shan Mfg. Co. Inc. | .11800 |
| | | | | | | | | Olympic Fastening Systems, Inc. | .11800 |
| YP175094000243 | 4/ 4/75 | 5305-782-4324 | Screw | 7 | 2 | Vol Shan Mfg. Co. Inc. | ^a 1.50300 | Vol Shan Mfg. Co. Inc. | 1.50300 |
| | | | | | | | | Standard Pressed Steel Co. | 1.50300 |
| YP175091001958 | 4/ 1/75 | 5320-959-1767 | Rivet | 7 | 7 | Standard Air Parts, Inc. | .07380 | Vol Shan Mfg. Co. Inc. | .07400 |
| | | | | | | | | HI-Shear Corp. | .07400 |
| YP175094000239 | 4/ 4/75 | 5305-551-6730 | Screw | 7 | 3 | Standard Pressed Steel Co. | ^a .16900 | Vol Shan Mfg. Co. Inc. | .16900 |
| | | | | | | | | Standard Pressed Steel Co. | .16900 |
| YP175094000235 | 4/ 4/75 | 5305-546-2738 | Screw | 7 | 3 | Standard Air Parts, Inc. | ^b .27900 | Vol Shan Mfg. Co. Inc. | .29000 |
| | | | | | | | | Standard Pressed Steel Co. | .29000 |
| YP175075002537 | 3/16/75 | 5305-764-3023 | Screw | 7 | 5 | Standard Pressed Steel Co. | ^a .62700 | Vol Shan Mfg. Co. Inc. | .62700 |
| | | | | | | | | Standard Pressed Steel Co. | .62700 |
| YP175075002564 | 3/16/75 | 5305-823-5682 | Screw | 7 | 3 | Standard Pressed Steel Co. | ^a .25200 | Vol Shan Mfg. Co. Inc. | .25200 |
| | | | | | | | | Standard Pressed Steel Co. | .25200 |
| YP175075002580 | 3/16/75 | 5305-846-8851 | Screw | 7 | 3 | Standard Pressed Steel Co. | ^a .20600 | Vol Shan Mfg. Co. Inc. | .20600 |
| | | | | | | | | Standard Pressed Steel Co. | .20600 |

^aTie broken by proposed deliveries.

^bInitially, the only bids received were the two identical bids. The tie was broken when the buyer subsequently solicited, received, and accepted Standard Air Parts, Inc., low bid.

^cTie broken based on earliest receipt of offer in accordance with DISC criteria.

ENCLOSURE