

DOCUMENT RESUME

02961 - [A2073165]

[Procurement Practices at the Defense Fuel Supply Center].
PSAD-77-146; B-189042. July 25, 1977. 2 pp.

Report to Rep. Guy Tucker; by Robert F. Keller, Deputy
Comptroller General.

Issue Area: Federal Procurement of Goods and Services (1900).

Contact: Procurement and Systems Acquisition Div.

Budget Function: National Defense: Department of Defense -
Procurement & Contracts (058).

Organization Concerned: Department of Defense; Department of
Defense: Defense Fuel Supply Center, Alexandria, VA;
Department of the Air Force; Parker Solvents Co., Inc.;
Small Business Administration.

Congressional Relevance: Rep. Guy Tucker.

There have been allegations of poor procurement practices at the Defense Fuel Supply Center. Parker Solvents Company, Inc., claimed that it was not notified when the procurement responsibility for solvents was switched from the Little Rock Air Force Base to the Fuel Supply Center and that it had bid a lower price than the firm that was awarded a contract. Findings/Conclusions: The contract award at the higher price occurred because the base solicited and obtained a bid from Parker without knowledge that the Fuel Supply Center had already filled the base requirement through another contract awarded at a higher price 2 months earlier. A review of the procedures used to notify fuel and petrochemical suppliers where their bids should be submitted showed that local installation suppliers are not notified when bids for their products are no longer solicited locally, but, instead, are being solicited centrally from the Fuel Supply Center. The Defense Logistics Agency has agreed to require activities such as the Air Force base to forward the names and addresses of past local suppliers of petroleum products to it so that the Center may send a bidder's list application to the local suppliers and inform them of centralized procurement solicitations and procedures. The Agency asserted that this was the only known case within the past year where a local supplier was inadvertently deprived of the opportunity to bid on petroleum products. The Agency will conduct a cost comparison review of specific petroleum products to determine if solicitations should be made centrally or by local installations. (SC)



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

JUL 25 1977

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B-189042

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The Honorable Guy Tucker
House of Representatives

Dear Mr. Tucker:

This is in response to your letter of May 4, 1977, in which you requested that we examine allegations of poor procurement practices at the Defense Fuel Supply Center. In your letter you indicated that Parker Solvents Company, Inc., (1) was not notified when the procurement responsibility for solvents was switched from the Little Rock Air Force Base to the Fuel Supply Center and (2) had bid a lower price than the firm that was awarded a contract by the Fuel Supply Center. The latter situation occurred because the Air Base solicited and obtained a bid from Parker without knowledge that the Fuel Supply Center had already filled the Base requirement through another contract awarded at a higher price two months earlier.

We reviewed selected information and interviewed officials of the Center and the Defense Logistics Agency, the parent organization, to determine the procedures used to notify fuel and petrochemical suppliers where their bids should be submitted. We found local installation suppliers are not notified when bids for their products are no longer solicited locally, but instead are being solicited centrally from the Fuel Supply Center.

Based on our recommendations, the Agency has agreed to require activities such as Little Rock Air Force Base to forward the names and addresses of past local suppliers of petroleum products to it, so that it may send a bidder's list application to the local suppliers and inform them of centralized procurement solicitations and procedures.

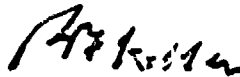
An agency official told us that this is the only known case within the past year where a local supplier was inadvertently deprived of the opportunity to bid on petroleum products. Since the local bid price from Parker was less than the contract price awarded centrally by the Fuel Supply Center, we interviewed officials to ascertain the criteria used to determine if bids for petroleum products should be solicited locally or centrally.

A Department of Defense directive authorizes the Defense Logistics Agency to determine which fuels and related supplies should be centrally purchased and which items should be authorized for local procurement. The Agency made a determination in September 1976 that resulted in the procurement in question. This decision was made without a comprehensive study to determine the most cost effective method of petroleum procurement, and the Agency was unable to provide any convincing economic justification for procuring the solvent centrally.

The Agency concurred in our recommendation that it conduct a cost comparison review of specific petroleum products to determine if solicitations should be made by local installations or centrally by the Fuel Supply Center. The Agency agreed that the review should be quantitative, be based on experience or known costs, and cover such variables as pertain to geographical regions, minimum quantities and class of petroleum products. The results of the review will be used to revise and expand on the criteria for buying locally or centrally.

We trust this will answer your needs. If you have further questions, please do not hesitate to call.

Sincerely yours,



DEPUTY Comptroller General
of the United States