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Honorable S. Floyd Mori
Chairman, and Members of the
Joint Legislative Audit Committee
State Capitol, Room 4168
Sacramento, California 95814

Dear Mr. Chairman and Members:

In response to an allegation we received, we investigated the contract procedures the University of California at Los Angeles (UCLA) used in the purchase of a camera system.

Based upon interviews with UCLA staff and a review of appropriate records, we found that the UCLA Purchasing Department violated university business guidelines in awarding the purchase contract for the video camera system to Dunn Instruments, Inc. The Dunn Corporation submitted an amended late bid offering a used camera, and the Purchasing Department accepted that bid without notifying the other bidders that a used camera was acceptable.

However, we also found that personnel of the UCLA Purchasing Department acted within university guidelines when they rejected the lowest bid submitted by the Schiff Corporation for a video camera system. Various UCLA personnel stated that (1) the Schiff bid did not meet all of the specifications, (2) Schiff personnel were unresponsive to inquiries concerning their bid, and (3) the Schiff Corporation had only recently begun to sell cameras of the type requested.

Background

In September of 1977, the UCLA Department of Radiological Sciences requested that the campus purchase a video camera system and specific accessories manufactured by the Dunn Instruments Corporation. The corporation had loaned the camera system to the department. In response to this request, the UCLA Purchasing Department solicited bids from four companies, including the Dunn Corporation and the Schiff Corporation. All four submitted quotations by the deadline date, October 26, 1977. The Dunn Corporation's bid was one of two which met all specifications. Although both bidders offered to sell the camera for $9,700, the second bidder offered some slides at less cost than did the Dunn Corporation. The Schiff Corporation bid the lowest price but offered to sell its own camera instead of the Dunn model. The fourth bid offered the Dunn model camera but did not include the accessories. Therefore, at the date when all quotations had to be received at UCLA, the second bidder was the lowest one to meet all of the specifications.

On November 30, 1977, the Dunn Corporation sent an amended bid to UCLA and offered to sell the camera which they had loaned to the Department of Radiological Sciences for $8,900. In January of 1978, the UCLA purchasing agent accepted that offer and placed the order for the Dunn camera.

Results of Investigation

The University's Business and Finance Bulletin, which was applicable in 1977, contained these requirements regarding fair competition:

> Provide equally to all suppliers all information necessary to prepare and submit quotations.
>
> Negotiate with, or allow the correction by the firm involved, of exceptions taken in quotations, or irregularities or errors therein, provided that, in the judgment of the materiel manager, this action will not negate fair competition and will permit proper comparative evaluation of quotations submitted.... (BUS-43, pp. 3-4)

The requests for quotation forms that the UCLA Purchasing Department sent to the four prospective bidders did not state that a used Dunn Model 649 camera would meet the specifications. Furthermore, in accepting the Dunn Corporation's amended offer, UCLA purchased a camera that did not meet the specifications sent to the other three bidders. No evidence indicates that the other bidders were notifed that a used camera would meet the specifications or that amended late bids were acceptable; thus, all potential suppliers were not equally informed. As a result, the bids received could not be equitably compared. The UCLA Purchasing Department therefore violated applicable university guidelines in accepting the Dunn offer.

The complainant also asked that we review the propriety of the UCLA Purchasing Department's decision to reject the lower Schiff bid and accept the higher Dunn bid.

The University of California Business and Finance Bulletin which represents applicable guidelines for 1977 contained the following requirement:

> Award the purchase order to the supplier whose quotation is reasonable and offers the lowest cost consistent with the best interests of the University. (BUS-43, Rev., p. 4)

UCLA personnel stated that the contract was not awarded to the Schiff Corporation for the following reasons:

1. The Schiff bid did not meet all of the specifications in the request for quotation form issued by UCLA.

2. UCLA staff anticipated problems in servicing the camera because Schiff was viewed as unresponsive to inquiries concerning its bid.

3. The Schiff Corporation had only recently begun to sell cameras of the type requested.

These reasons for rejecting the Schiff offer could be considered factors which were in the best interests of the University of California. Consequently, the UCLA Purchasing Department conformed to university policy in rejecting the Schiff bid.

Recommendation

In view of this investigation, the Chairman of the Joint Legislative Audit Committee should consider recommending that the Chancellor of the University of California, Los Angeles campus, review the activities of the campus Purchasing Department to ensure that state and university regulations are being followed.

Respectfully submitted,

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for Auditor General

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