

JUL 11 1969

B. Conclusions

1. Although it has been necessary to exercise extraordinary vigilance on these orders with National Stainless Corporation, it has been determined to our satisfaction that the piping furnished through Pipeco under Purchase Order No. 5346 does, in fact, meet all of the requirements of the specifications. We are also satisfied that the procedures being employed under Purchase Order No. 5349, through Tube Associates, will assure that the piping furnished will meet the specifications.

The problem of vendor and subtier suppliers not understanding the requirements of the orders has been recognized for some time, and procurement contractors have been requested to include in all applicable procurements a requirement that unpriced copies of all purchase orders to subtier vendors be furnished immediately after placement by the prime vendor. Receipt and proper review of these unpriced purchase orders will furnish necessary information on order timing and adequacy, as well as providing useful knowledge for the inspection agency. Failure to receive them would serve as a warning that the orders had not yet been placed.

2. Procurement contractors will continue to emphasize the policy of ensuring that vendors understand the customers' requirements as described by the procurement documents. However, the inspection contractors will continue to emphasize early and follow up visits to the vendors' plants, and operate on the philosophy that there has been no understanding irrespective of any assurance which may be given by signed contracts, unpriced purchase orders, prebid conferences, etc.

Please advise if any additional information is desired.

Original Signed by
CARL R. MALMSTROM

for W. L. Ginkel
Manager

Enclosure:
PBF Piping Rpt. (2 cys.)

cc: Assistant Director for Plant Engineering, DRDT w/cy. encl.
Plant Engineering, DRDT/C. R. Domeck w/cy. encl.
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Director, PBF Project Office, ID w/2 cys. encl.