



Oceanic Consultants

STANDARD PROJECT PROCUREMENT
PROCEDURES

June 2009

PROCUREMENT PROCEDURES

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1. PURPOSE

The purpose of this procedure is to provide General Guidelines and definitions for the OCEANIC Procurement Department to follow during procurement for the CLIENT.

2. SCOPE

This procedure shall be implemented on the CLIENT, unless superseded by CLIENT procedures and the Project Manager.

3. RESPONSIBILITY

The responsibility for compliance with this procedure shall rest with the Vice-President of Administration.

4. GENERAL PURCHASING GUIDELINES

4.1 Organization

OCEANIC
V.P. - Administration

OCEANIC
Purchasing
Manager

OCEANIC
Project
Manager

CLIENT
Project
Manager

OCEANIC
Project
Procurement
Coordinator

CLIENT
Procurement
Manager

OCEANIC
Project
Expediter

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4.2 Purchasing Responsibilities

4.2.1 Purchasing Manager

Supervise and direct activities of the Project Purchasing Coordinators/Expeditors under his jurisdiction.

Work closely with Project Management to resolve any purchasing problems which may occur.

Assist in developing Project Bid List

Assist in Project planning and scheduling.

Work closely with the Project Procurement Coordinators/Expeditors in promoting good vendor relations.

Guide Project Procurement Coordinator in the preparation of bid lists, analysis, vendor selection, and negotiations of purchase.

Assist in major negotiations with vendors for purchases, settlements, backcharges, etc., as required.

Conduct periodic meetings with Project Procurement Coordinators/Expeditors to review workloads and establish priorities on workloads as required.

4.2.2 Project Procurement Coordinators (PPC)

Works with Project Management and Project Engineering to prepare Project Procurement Plan.

Tracks and reports Procurement progress to Project Management.

Develop Bid List for CLIENT approval based on input from CLIENT and OCEANIC's previous experience.

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Prepare and issue Request for Quotation (RFQ) to approved bidders.

Receive vendor quotes, perform commercial evaluation and coordinate with project engineering on technical evaluations.

Prepare Requisition and Letter of Recommendation (LOR) based on commercial and technical evaluations.

Transmit Requisition and LOR to OCEANIC Project Manager and CLIENT for approval.

Receive approved Requisition and LOR from CLIENT and prepare Purchase Order for CLIENT approval and signature.

Ensure that all Specifications, Requisitions, Requests for Quotation and Purchase Orders contain sufficient requirements for inspection, vendor data, access and testing.

Issue signed Purchase Order to Vendor.

Coordinate inspections and shipping release of materials.

Collect and maintain all Vendor data for use in project design and final project data manuals.

Prepare Project Data Manuals.

Verify receipt of materials on site, verify vendor invoices and transmit to CLIENT.

Maintain all project procurement records on a current basis.

Maintain and issue Project Materials Reports.

Remain informed regarding potential or existing problems with all orders.

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4.2.3 Project Expediter

Participate in Project meetings as determined by Project Procurement Coordinator.

Make initial phone call or visit to establish an Expediting contact and ensure understanding and conformance of all aspects of Purchase Order.

Maintain at minimum weekly contact with vendors to ensure all delivery dates are met.

Ensure Vendor Data, and other deliverables (i.e. MTR's) delivery dates are met.

Coordinate and maintain all interim and final Vendor Data.

Contact vendor as necessary to prevent slippage of milestone dates.

Notify Purchasing Manager of any anticipated situations which may cause milestone dates to be missed.

Maintain Expediting file to include: Purchase Order, Change Order, Vendor Document Requirements, any written communications, and any verbal (telephone record) communications.

Maintain computerized procurement system with current data (daily).

4.3 Commitment Authority

4.3.1 Purchase Order/Invoice

Commitment authority shall be as follows:

- CLIENT Project Engineer \$100,000
- CLIENT Project Manger \$500,000
- CLIENT Facilities Manager \$1.5 Million
- CLIENT Vice President > \$1.5 Million

4.3.2 Change Order

Commitment authority shall be as follows:

Same as Purchase Order authority for amount of change, not new total.

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4.3.3 Contract

Commitment authority shall be as follows:
Same as Purchase Order authority

4.4 Project Procurement Flow

4.4.1 Project Procurement Flow shall be according to the CLIENT Material Requisition Flow Chart shown in this section.

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Procurement Planning and Scheduling		

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1. PURPOSE

The purpose of this procedure is to define the scope and general content of procurement planning required in support of the Project.

2. SCOPE

All OCEANIC projects where such planning is required by either the Client or the OCEANIC Proposal/Project Sponsor.

3. RESPONSIBILITY

The responsibility for preparing and coordinating approval of the procurement plans called for hereunder shall reside with the Project Procurement Coordinator assigned procurement responsibility for the project.

4. PROCEDURES

4.1 Preliminary Phase Planning

Procurement shall provide all equipment and material cost and delivery time estimates and preliminary procurement plans as required in support of the project. Such data will be based on combination of historical data and current vendor quotes, with every reasonable attempt made to secure current quotes in writing. All data provided shall be transmitted to the Project Manager via memos which shall include the Procurement's best estimates of uncertainties in the data and shall identify any contingent conditions that could significantly impact the data. All long lead items and required action dates shall be clearly highlighted as such. Procurement also shall provide execution plan write-ups, schedules and budgets and personal commitments in support of the project. All such data and commitments shall be approved by the Vice-President responsible for OCEANIC Procurement and transmitted in final draft stage via memo.

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4.2 Execution Phase Planning

For each project falling under the scope of this procedure, Procurement will prepare and coordinate project and OCEANIC approval of a procurement plan containing, at minimum, the following items:

- 4.2.1 A 30-day plan, including tasks for the first 30 days of the Project, including long lead item procurement, and finalization of the Project Procurement Plan document.
- 4.2.2 The Procurement Master Schedule showing, at a minimum, activity durations and schedules, for issue of requisitions and purchase orders and for deliveries of hardware, software and data for all items identified on the Project Master Schedule.
- 4.2.3 A list, fully coordinated within the Project for all Procurement reports to be issued, including contract formats and issue schedules.
- 4.2.4 The Project Procedures applicable to Procurement work on the Project, where these are based on revisions to OCEANIC Procedures, all such revisions must be approved by OCEANIC Commercial Vice-President and the Project Manager.
- 4.2.5 The specific coordination responsibilities assigned to procurement in its interfaces with all other project organizations and with client organizations.
- 4.2.6 The procurement Organizational Plan and job descriptions, Procurement interfaces with project engineering, cost/schedule, and quality control.

The above Organizational Plan, Procedures and Master Schedule will be combined into a Project Procurement Plan Document maintained and upgraded by the Project Procurement Organization in accordance with applicable OCEANIC Company and Project Procedures.

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Procurement EDP Systems and Report Formats		

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1. PURPOSE

The purpose of this procedure is to define the process to be followed by Project Procurement in the application of the computerized procurement system to the monitoring and coordination of Project Purchased Materials for the CLIENT.

2. SCOPE

This procedure applies to the use of the computerized procurement system by members of the Project Procurement group involved in the monitoring and coordination of Project purchased materials.

3. RESPONSIBILITY

The responsibility for ensuring overall compliance with this procedure shall reside with the Project Manager. The responsibility for implementing the steps defined herein and administering the procedure shall reside with the Purchasing Manager and Project Procurement Coordinator.

4.0 PROCEDURES

- 4.1 All information resulting from the Project Procurement Process shall be input and maintained on the OCEANIC computerized procurement system.
- 4.2 This information will be input into the system on a daily or as received basis by the Project Expediter or Project Procurement Coordinator.
- 4.3 Project Procurement information contained in the computerized procurement system shall be available to project team members and CLIENT on a network system.
- 4.4 The OCEANIC and CLIENT Project Managers shall determine which project team members, other than Project Procurement shall have network access.
- 4.5 Only OCEANIC Project Procurement shall have full access to the network. All other nominated project team members shall have read only access.

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- 4.6 Information contained in the network shall also be made available to the project costing and scheduling groups.
- 4.7 Program maintenance support shall be made available through the OCEANIC E.D.P. group.
- 4.8 No changes to the computerized procurement system shall be made without the prior approval of the OCEANIC Vice President of Procurement.

5.0 REPORT FORMATS

The following attached report formats shall be used by Project Procurement in the monitoring and coordination of Project Purchased Materials. However, these formats are to be modified to suit the specific requirements of the CLIENT. Such format modification shall be approved by CLIENT prior to implementation.

- Requisition Status Report
- Inquiry Description Report
- Inquiry Status Report
- Purchase Order Summary Report
- Material Status Report
- Vendor Document Status/Expediting Report
- Material Expediting Report
- Inspection Report
- Shipping Report
- Invoice Status Report
- Procurement Exception Report
- Field Material Status Report
- Material Overage, Shortage, and Damage Report

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Prequalification of Potential Vendors	Approved	

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Prequalification of Potential Vendors	Approved	

1.0 PURPOSE

The purpose of this procedure is to define the process to be followed by Project Procurement in the selection of Potential Vendors for the supply of Project Purchased Materials on the project.

2.0 SCOPE

This procedure applies to the Pre-qualification of Potential Vendors by Project Procurement and to other OCEANIC personnel involved in the pre-qualification process.

3.0 RESPONSIBILITY

The responsibility for ensuring overall compliance with this procedure shall reside with the Project Manager. The responsibility for implementing the steps defined herein and administering the procedure shall reside with the Project Procurement Coordinator assigned procurement responsibility for the Project.

4.0 PROCEDURES

- 4.1 The Project Manager shall furnish to Procurement a list of equipment and materials required for the Project, organized by type.
- 4.2 Based on this list, Procurement shall formulate a list of Potential Vendors for each type of equipment and material required.
- 4.3 The Potential Vendors lists shall be based on information supplied by CLIENT and on Procurement's prior knowledge of Vendor performance and should include only those Vendors who supply high quality products on schedule and at competitive prices. Procurement shall consult with CLIENT and Project Engineering for input in formulation of this list.
- 4.4 After the above list of Potential Vendors has been prepared by Procurement, it shall be submitted to the Project Manager for Project and CLIENT approval or comment. Any changes made to the list as a result of these comments will be incorporated by Procurement, and the list re-submitted for approval.

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- 4.5 Upon approval of the proposed list by the Project and the CLIENT, Procurement shall, when requested by CLIENT, proceed with financial screening of the Potential Vendors. The financial screening should, as a minimum, include a Dunn and Bradstreet rating and banking references where such are available.
- 4.6 In addition to financial screening of Potential Vendors, Procurement shall coordinate all Project technical and quality screening all Vendors being pre-qualified for the Project. All such screening results are to be fully documented in reports issued by Procurement to the Project Manager which shall include all financial, technical and quality findings.
- 4.7 As required by CLIENT, Procurement shall solicit Certificates of Insurance for contractors to perform labor on CLIENT premises.

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Bid List Approval	Approved	

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Bid List Approval	Approved	

1. PURPOSE

The purpose of this procedure is to define the process to be followed by Procurement in the establishment of approved lists of Vendors (Bid Lists) for the Procurement of Project equipment and materials, including Procurement Organizations interfaces with Client and other Project Organizations.

2. SCOPE

This procedure applies to all Project Procurement bid lists.

3. RESPONSIBILITY

The responsibility for ensuring compliance with this procedure shall reside with the Project Manager. The responsibility for implementing the steps defined herein and administering the procedure shall reside with the Project Procurement Coordinator assigned procurement responsibility for the Project.

4. PROCEDURES

- 4.1 The procurement of long lead items and fast track procurement items will be handled on a case-by-case basis in general accordance with the provisions herein, and Client Procurement Approval.
- 4.2 After the prequalification of potential Vendors as described in Procurement Procedure No. 04 is complete, Procurement shall formulate a proposed final Bid List along with supporting financial, technical, and quality data for Project and Client approval.
- 4.3 Procurement shall conduct any additional financial evaluations for all RFQ's above \$100K if requested by Client and coordinate additional technical and quality evaluations including current shop QC Surveys as directed by the Project Manager or Client.
- 4.4 After Client approval of the Bid List, it shall be used by Procurement for inquiry purposes.
- 4.5 A Client approved Bid List copy shall accompany all request for Quotation packages submitted to Client and the OCEANIC Project Manager for approval.

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Requisition and Purchase Order Forms	Approved	

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Requisition and Purchase Order Forms	Approved	

1.0 PURPOSE

The purpose of this procedure is to define the forms to be used by Project Procurement in the preparation of Requisitions and Purchase Orders for the supply of Project Purchased Materials for the CLIENT.

2.0 SCOPE

This procedure applies to the Requisition and Purchase Order forms to be used by Project Procurement.

3.0 RESPONSIBILITY

The responsibility for ensuring compliance with this procedure shall reside with the Project Manager. The responsibility for implementing the steps of defined herein and administering the procedure shall reside with the Project Procurement Coordinator assigned procurement responsibility for the Project.

4.0 PROCEDURES

4.1 CLIENT Requisition and Purchase Order forms shall be used exclusively for the supply of Project Purchased Materials by Project Procurement.

4.2 Change Orders to existing Purchase Orders shall be incorporated using the same forms.

5.0 FORMS

The following attached CLIENT Requisition and Purchase Order Forms shall be used by Project Procurement.

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Requisitions for Purchase Orders	Approved	

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Requisitions for Purchase Orders	Approved	

1. PURPOSE

The purpose of this procedure is to define the process to be followed by Project Procurement and other Project organizations involved in preparation and processing of Requisitions for Purchase Orders for the CLIENT.

2. SCOPE

This procedure applies to all Requisitions issued for the Purchase of Project Purchased Items on behalf of CLIENT.

3. RESPONSIBILITY

The responsibility for ensuring compliance with this procedure shall reside with the Project Manager. The responsibility for implementing the steps defined herein and administering the procedure shall reside with the Project Procurement Coordinator assigned procurement responsibility for the Project.

4. PROCEDURES

4.1 Requisitions for Purchase of required Project Purchased Materials shall be prepared by the Project Procurement Coordinator based on approved specifications as supplied by Project Engineering and information derived by Project Engineering as a result of the RFQ process.

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4.2 The Project Procurement Coordinator shall assure that Requisitions include all information necessary for Purchase of equipment and material or Project Procurement, including but not limited to the following:

- Requisition Number (using XXXX-001 format)
- Project Number
- Project AFE Number
- Project Fabrication WBS Number
- Quantity of Item Required
- Item Description
- Item Specification, including preferred manufacturer, model number, and any unique requirements determined by the Specification.
- Project Drawing Reference Number
- Required delivery date
- Estimated Price (budget)
- Inspection Requirements (i.e. hold or witness)
- Required Vendor Data
- Destination (if known)

4.3 After the Requisition has been prepared by the Project Procurement Coordinator, it shall be issued to the OCEANIC Project Manager for his review and approval.

4.4 If the Requisition lacks adequate information for approval by the OCEANIC Project Manager, it shall be returned to the Project Procurement Coordinator for revision or correction.

4.5 After revision or correction the Requisition has been completed, the Project Procurement Coordinator shall re-submit it to the OCEANIC Project Manager for his approval.

4.6 Upon approval of the Requisition by the OCEANIC Project Manager, it shall be submitted to CLIENT for their approval by the Project Procurement Coordinator.

4.7 A Letter of Recommendation approved by the OCEANIC Project Manager as addressed in Project Procurement Procedure No. 11 shall accompany the Requisition when it is submitted to CLIENT.

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- 4.8 After approval of a Requisition by CLIENT it will be returned to the OCEANIC Project Manager. The OCEANIC Project Manager will then forward the approved requisition to the Project Procurement Coordinator, who will prepare a Purchase Order based on the Requisition for CLIENT signature and issue to the selected vendor.
- 4.9 Requisitions submitted for approval shall be transmitted using a project transmittal form and shall contain a CLIENT approved copy of the respective bidders list and any attachments, specifications, project conditions or inspection requirements.
- 4.10 Requisitions shall be numbered as follows, CLIENT VK-989DXXX, with the project identifier, "D", meaning deck, and three digits. The first requisition number shall be CLIENT VK-989D100, the next VK989D101, etc.
- 4.11 Requisition numbers as indicated above shall become the Purchase Order number when the Purchase Order is issued to the Vendor.
- 4.12 In instances where multiple Purchase Orders are issued from one requisition, the original requisition number shall be used, but each separate Purchase Order shall be designated by an additional sequence number after the requisition number. That is CLIENT VK-989D100-01, 02, 03, (which would indicate that this requisition was split into three Purchase Orders).

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Request for Quotation Package Preparation and Approval	Approved	

1. PURPOSE

The purpose of this procedure is to define the process to be followed in the Preparation and approval of Request for Quotation Packages for the purchase of equipment and materials on behalf of CLIENT for the CLIENT.

2. SCOPE

This procedure applies to all Requests for Quotation Packages prepared by OCEANIC for the purchase of equipment and materials purchased by OCEANIC on behalf of CLIENT. CLIENT Inquiry levels shall be used in all circumstances.

3. RESPONSIBILITY

The responsibility for ensuring compliance with this procedure shall reside with the Project Manager. The responsibility for implementing the steps of defined herein and administering the procedure shall reside with the Project Procurement Coordinator assigned procurement responsibility for the Project.

4. PROCEDURES

4.1 Request for Quotation Packages shall be prepared and assembled by Procurement based on technical and commercial documents supplied and/or developed as called for in the Procurement Plan.

4.2 The Request for Quotation Packages shall contain the following Project and CLIENT approved components as follows:

- Letter of Invitation to Bid
- Instruction to Bidders, including Scope of Work and Project Conditions
- Bid Form
- Engineering Specifications
- Engineering Drawings
- Vendor Data and Drawing Requirements
- QC/Inspection Requirements - with hold points for inspection

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-Any special commercial considerations, i.e.

1. Vessel Nozzle and Clip change prices "up front."
2. Restocking charges
3. Mill Test Reports (if required)
4. Priced Spare Parts Lists (Start up and Operating)
5. Prices for Additional Vendor Data
6. Equipment Warranty including validity dates

-CLIENT Terms and Conditions.

-Other Client Specific Documents as called for under the Procurement Plan.

- 4.3 The Request for Quotation shall be numbered the same as the resulting material requisition and purchase order. That is, CLIENT VK-989-D100, for the first RFQ, D101 for the second, etc.
- 4.4 As a final check on the completeness of the assembled Request for Quotation Packages, Procurement shall conduct a review against existing approved codes to ensure that all codes are correct and that the correct coding and tagging instructions for all Vendor deliverables are included in the Request for Quotation Packages. Procurement also shall verify with Project Schedule Control that the due dates for all Vendor deliverables are compatible with the current Project Schedule.
- 4.5 After draft Request for Quotation Packages have been assembled by Procurement, and reviewed for Article 4.2 above, Procurement shall submit them to the Project Manager and CLIENT for approval for issue.
- 4.6 After return of the Project and CLIENT reviewed Request for Quotation Package, Procurement shall incorporate any requested changes and proceed with issue of the Request for Quotation Package.
- 4.7 Request for Quotation Packages shall be in accordance with the following Procurement matrix:

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Procurement Matrix

- | | |
|-----------------------|--|
| Up to \$5,000 | Written purchase order/confirming purchase order, no formal RFQ necessary, document verbal bid(s) received in file. |
| \$5,000 to \$50,000 | Written bids required, may be solicited verbally or by Fax. Minimum of three bids. |
| \$50,000 to \$250,000 | Formal RFQ required with bid analysis sheets, formal bid procedure, request financial data if over \$100,000 when necessary. Use quotation opening form. |
| Over \$250,000 | Sealed bid procedure, witness bid opening. |
- 4.8 Unless specifically waived pursuant to OCEANIC Procedure No. 09, a minimum of three qualified bidders will be identified for all Project Purchased items. A formal Letter of Recommendation shall be written if this procedure is waived.
- 4.9 A copy of each Request for Quotation shall be sent via transmittal to CLIENT by the Project Procurement Coordinator at the same time the Request for Quotations are issued to vendors.

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Waiver of Bidding Requirement	Approved	

1. PURPOSE

The purpose of this procedure is to define the process to be followed by Project Procurement and other project organizations involved in the Waiver of Bidding Requirements in the purchase of Project equipment and materials for the CLIENT.

2. SCOPE

This procedure applies to all instances requiring Waiver of Bidding Requirements in the purchase of Project equipment and materials on behalf of CLIENT.

3. RESPONSIBILITY

The responsibility for ensuring overall compliance with this procedure shall reside with the OCEANIC Project Manager. The responsibility for implementing the steps defined herein and administering the procedure shall reside with the OCEANIC Project Procurement Coordinator assigned procurement responsibility for the Project.

4. PROCEDURES

4.1 Except as otherwise approved by CLIENT, the Project Manager and OCEANIC 's Commercial Vice-President, Procurement shall conform to Bidding Requirements defined in the applicable Project Procedures.

4.2 Any request for waiver by Project Procurement from approved Project Procedures shall be submitted in writing to OCEANIC 's Commercial Vice-President and the Project Manager, with supportive documentation for Client approval. Examples of valid reasons for waiver of bidding include:

- Client Instruction
- Client Blanket Order
- Unique design
- Only one Vendor

4.3 Procurement shall not proceed with requested waiver until CLIENT approval is received pursuant to Article 4.1 herein. Following such approval, Procurement shall then proceed with the Bid process in accordance with the applicable Procedures.

4.4 If using a Client Blanket or Pricing Agreement, it should be noted, with Agreement Number and expiration date if known.

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Bidder Coordination	Approved	

1. PURPOSE

The purpose of this procedure is to define the guidelines and responsibilities for coordination with Bidders during the period from Request for Quotation Issue to receipt of Proposals for the Project.

2. SCOPE

This procedure applies to all Requests for Quotations issued by Project Procurement and to all OCEANIC personnel involved in responding to Bidder inquiries during the period from Request for Quotation issue to receipt of proposals.

3. RESPONSIBILITY

This responsibility for overseeing compliance with and administering this procedure shall reside with the Project Manager and Procurement Coordinator respectively. The responsibility for strictly adhering to the guidelines of the procedure shall reside with each person involved on the process covered by the Procedure.

4. PROCEDURES

- 4.1 For each Bid, the Procurement Coordinator shall identify a member of the Project Procurement staff to whom Bidder inquiries during the bidding phase are to be directed (Bid Coordinator). This person shall be named in the Instructions to Bidders portion of the Request for Quotations.
- 4.2 The terms of the Request for Quotation shall require that inquiries from Bidders shall be in writing and directed to the Bid Coordinator assigned responsibility for inquiries. Other OCEANIC personnel contacted by a Bidder shall so advise the Bidder and refer the inquiry to the Bid Coordinator without discussion on it.

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- 4.3 For each Request for Quotation, the Project Procurement Coordinator also shall identify individuals who will prepare responses to Bidder inquiries on various Engineering Quality and Schedule aspects of Bid. The Bid Coordinator shall provide each such individual with the list of Request for Quotations so assigned and the Bid Release and Due Dates.
- 4.4 It should be clear that Engineering Quality/Schedule personnel should not discuss pricing with any bidder. All commercial terms shall be handled by the Project Procurement Coordinator.
- 4.5 The Bid Coordinator shall ensure that a log and files are established and maintained for all inquiries on all assigned Bids and that such inquiries are promptly assigned for action, distributed and scheduled for return.
- 4.6 The Bid Coordinator shall expedite the return of all responses to Bidders inquiries.
- 4.7 The Bid Coordinator shall ensure that all responses to Bidders are logged out on the Bid inquiry logs and that all responses are distributed and filed.
- 4.8 Should the cut off date for receipt of inquiries given in the Bid Documents be extended, the Project Procurement coordinator will promptly advise all Bidders of the new date. However, such extension may only be granted with Client approval.
- 4.9 All information covered hereunder shall be transmitted to Bidders under the signature of the Bid Coordinator and will be sent to Bidder addresses as furnished by Bidders for such purposes.

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Bid Evaluation and Letter of Recommendation to Purchase	Approved	

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Procurement Procedures	Responsible Department Procurement	
Bid Evaluation and Letter of Recommendation to Purchase	Approved	

1. PURPOSE

The purpose of this procedure is to define the process to be followed in the evaluation of Bids and preparation of Letters of Recommendation to Purchase Project equipment and materials for the Project.

2. SCOPE

This procedure applies to Bid evaluations and Purchase recommendations for all Project Procurement Bids and to all Project and OCEANIC personnel involved in the bid evaluation and recommendation process.

3. RESPONSIBILITY

The responsibility for overseeing compliance with and administering this procedure shall reside with the Project Manager and Procurement Coordinator respectively. The responsibility for strictly adhering to the guidelines of the procedure shall reside with each person involved in the process covered by the Procedure.

4. PROCEDURES

4.1 Procurement shall receive all Bids directly from Vendors.

4.2 Bids received directly from Vendors shall be logged in, date stamped, and initialed by the Procurement Coordinator and Sealed Bids shall be held unopened until bid close date or such later time as is dictated for bid opening by Client. Client shall be present at the opening of all sealed bids, but may also elect to be present at any other Bid opening. (See Procedure No. 08, Section 4.7.)

4.3 Quotation opening forms shall be used for all bids for more than \$____ but may be used informally for other bids as well.

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4.4 The Procurement Coordinator shall arrange for bid openings as required. The Bids shall be opened, date stamped with the opening date and initialed by the Procurement and Bid Coordinators. For all quotations over \$__,__.00, Client Quotation Opening forms shall be used (used informally for all Quotations).

4.4 Procurement shall perform a commercial evaluation of bids assessing at a minimum items such as:

- Buyer Name
- Date
- Client Name/Job Name
- Bidder Name, Contact, Phone Number
- Proposal Number, and Date
- Quantity
- Unit
- Description
- Unit Price
- Extended Price
- Options/Alternatives
- Vendor Data Charges
- Tagging Cost
- Freight Cost
- Total Cost
- Delivery Date
- Approval Drawing Delivery
- F.O.B. Point
- Freight Terms
- Progress Payments
- Escalation
- Restocking/Cancellation Charges
- Validity Period
- Recommended Supplier and justification (price, delivery, technical conformance, etc.)
- Remarks
- For Pipe, Flanges, and Fittings-Name of Manufacturer
- For Valves-Manufacturer, and Figure Number

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- 4.6 Letters of Recommendation (LOR) based on commercial and technical evaluation of vendor bids shall be prepared by the OCEANIC Project Procurement Coordinator and submitted to the OCEANIC and Client Project Managers for approval prior to their transmission to Client Procurement.
- 4.7 As a minimum, all LOR's over \$.00 shall be submitted to Client Purchasing.
- 4.8 A standard LOR format shall be used for all purchases greater than \$.00.
- 4.9 A short form LOR may be used for purchases less than \$.00. This short form may omit such items as D&B Reports and a Financial Summary.
- 4.10 As a minimum LOR forms shall contain the following:
- Letter describing the purchase and reason for recommendation.
 - Commercial spread sheet/summary (PC spread sheets may be used).
 - Commercial attachments (D&B, etc., if over \$.00).
 - Technical summary/detail.
 - Technical attachments in support of technical recommendation.
 - Recommended vendors quotation, plus any correspondence/clarifications with that vendor.
- 4.11 Bid analysis spread sheets shall be used for commercial analysis.
- 4.12 For purchases over \$.00, the Project Procurement Coordinator shall notify all unsuccessful vendors in writing. For purchases less than \$.00 this notification may be accomplished verbally. At no time should percentages, dollar values or the name of the winning vendor be disclosed.
- 4.13 LOR's for Change Orders to existing orders shall contain a change order summary and the original bid analysis spread sheet marked to show the changes.

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Purchase Order Negotiation, Approvals and Award		

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Purchase Order Negotiation, Approvals and Award	Approved	

1. PURPOSE

The purpose of this procedure is to define the process to be followed by Project Procurement and other Project organizations involved in negotiating and awarding Purchase Orders for the CLIENT.

2. SCOPE

This procedure applies to all Purchase Orders negotiated by OCEANIC and on behalf of CLIENT regardless of whether such Purchase Orders are executed by OCEANIC or CLIENT.

3. RESPONSIBILITY

The responsibility for ensuring compliance with this procedure shall reside with the Project Manager. The responsibility for implementing the steps defined herein and administrating the procedure shall reside with the Project Procurement Coordinator assigned responsibility for the Project.

4. PROCEDURES

- 4.1 Except as requested otherwise by CLIENT, Procurement shall schedule all vendor negotiations and coordinate OCEANIC and CLIENT preparations for such meetings. OCEANIC representation at such meetings shall include Project Representatives from all areas under negotiation.
- 4.2 Negotiations shall be conducted with one or more short-listed bidders as approved by CLIENT.
- 4.3 No information describing an intent to award work to a particular Vendor shall be made to any short-listed Vendor until final agreement has been reached on all outstanding items with the Vendor to whom the Purchase Order is to be awarded.
- 4.4 All Vendor negotiations shall be attended by the Project Procurement Coordinator or his or her designee and at least one other OCEANIC or CLIENT Representative.

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- 4.5 All negotiation meetings shall be minuted, with minutes coordinated with other OCEANIC and CLIENT Representatives and with the approval of the Project Procurement Coordinator and CLIENT where required, and released once the signature of the OCEANIC attending Procurement Representative Coordinator is affixed.
- 4.6 All competitively sensitive information developed in negotiations shall be held in strict confidence and such information clearly marked confidential and kept in locked storage.
- 4.7 Unless required otherwise by CLIENT or the Project Manager, full agreement on all technical and schedule issues shall be reached prior to commercial negotiations.
- 4.8 At the discretion of the Project Procurement Coordinator, with approval of CLIENT and the Project Manager, he or she shall either ask the bidder to submit a revised quotation with agreed changes, or the changes may be reduced to writing by the PPC, to be approved prior to award of Formal Purchase Order.
- 4.9 Authority for execution of a Purchase Order shall be as follows:
- | | |
|---------------------------|---------------|
| CLIENT Project Engineer | \$700,000 |
| CLIENT Project Manager | \$500,000 |
| CLIENT Facilities Manager | \$1.5 Million |
| CLIENT Vice President | \$1.5 Million |
- 4.10 Procurement shall coordinate, track and expedite the approval, execution and distribution of all Purchase Orders by the use of the Purchasing/Expediting Control System (computerized procurement system).

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- 4.11 All Purchase/Change orders shall be issued as CLIENT c/o OCEANIC
- 4.12 All Purchase/Change Orders should incorporate the following items, as applicable:
- Purchase/Change Order Number
 - Vendor Name and Address
 - Shipping Mode
 - Delivery Destination
 - F.O.B. Point and Freight Terms (P.P. & A., F.F.A., etc.)
 - Cash/Payment Terms
 - Schedule for Equipment and Other Deliverables
 - Item Number
 - Quantity
 - Description
 - Item Price
 - Extended Price
 - Approval Drawings
 - Document Charges (to meet our requirements)
 - Tagging Charges
 - Restock Charges
 - Vessel Price changes
 - Progress Payments
 - Escalation
 - Receiving Reports by Fabrication Vendors
 - Description of Substitutes
 - Mill Test Reports
 - CLIENT Blanket/Pricing Agreement Number and Date
 - Total Price
 - Buyers Name (Signature line)
- 4.13 All Hard copies of Purchase/Change orders shall be issued within three days of approval receipt from CLIENT.

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Change Orders	Approved	

1. PURPOSE

The purpose of this document is to define the approval and administrative requirements for processing Change Orders to Purchase Orders for the CLIENT.

2. SCOPE

This procedure applies to Change Orders to Purchase Orders issued for the CLIENT.

3. RESPONSIBILITY

The responsibility for ensuring compliance with this Procedure shall reside with the Project Manager. The responsibility for implementing the steps defined herein and administering the procedure shall reside with the Project Procurement Coordinator assigned Procurement responsibility for the Project.

4.0 PROCEDURES

- 4.1 Procurement shall coordinate and expedite all requests to Vendors for changes to Purchase Orders and shall ensure distribution of all approved changes.
- 4.2 Procurement shall verify that all OCEANIC and CLIENT approvals on all changes to Purchase Orders are as authorized under applicable Project documentation.
- 4.3 Procurement shall verify that all schedule changes to a Purchase Order have been coordinated with the Project Schedule Control Engineer prior to execution.
- 4.4 Changes to the cost, schedule or technical scope of a Purchase Order shall be implemented only under a duly approved change in the Material Requisition which authorized the Purchase Order.
- 4.5 Changes to a Purchase Order schedule which affects the Critical Path Schedule shall require approval of the Project Manager.
- 4.6 Changes to Purchase Order costs shall be approved according to the Project Delegation of Authority limits as applied to the amount of the change, not the total amount of the new order.

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Change Orders	Approved	

- 4.7 Changes to Purchase Orders other than to the cost, schedule, and technical provisions thereof shall require the same Project approvals as were required for the Purchase Order.
- 4.8 Change Orders to Purchase Orders shall be executed on the CLIENT Purchase Order Form.
- 4.9 Change Orders to Contracts shall be executed on CLIENT approved format.
- 4.10 Format for Change Orders shall include:
- Restate Scope of Work
 - Show current quantity (was ____).
 - Mark all changes with _____.
 - Only issue other sections if changed (e.g. Inspection)
 - If cost is affected show old cost and state new cost.
- 4.11 Change Orders shall retain the original Requisition and Purchase Order number issued for the order to be changed.
- 4.12 Each Change Order to a Purchase Order shall be specifically identified by a sequential change order number. That is, change order No. 1, No. 2, etc.

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Purchase Order Administration	Approved	

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Procurement Procedures	Approved	

1. PURPOSE

The purpose of this procedure is to define the process to be followed by Project Procurement and other Project organizations involved in the Administration of Purchase Orders issued for the CLIENT.

2. SCOPE

This procedure applies to the Administration of all Purchase Orders issued for the CLIENT.

3. RESPONSIBILITY

The responsibility for ensuring compliance with this procedure shall reside with the Project Manager. The responsibility for implementing the steps defined herein and administering the procedure shall reside with the Project Procurement Coordinator assigned procurement responsibility for the project.

4.0 PROCEDURES

4.1 Procurement shall coordinate and/or monitor the issue of Purchase Orders as required, whether such orders are issued by Procurement or by the CLIENT.

4.2 When Purchase Orders are issued by Project Procurement, the Project Procurement Coordinator shall ensure that Project Management and CLIENT Approvals are obtained prior to issue of the order.

4.3 The Project Procurement Coordinator shall make distribution of all Purchase Orders issued by Procurement to the Vendor, other Project organizations, and to the CLIENT.

4.4 In the case of Purchase Orders issued by the CLIENT, Procurement shall only make distribution to the other Project organizations after receipt of copies of Purchase Orders from the CLIENT.

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Procurement Procedures	Responsible Department Procurement	
Purchase Order Administration	Approved	

- 4.5 Priced copies of Purchase Orders shall only be distributed to the following persons: CLIENT, Vendor, Project Manager, Cost Schedule Engineer, and Accounts Payable, unless superseded by CLIENT Instruction. It shall be the responsibility of Procurement to ensure that priced copies are distributed only as dictated.
- 4.6 Project Procurement Coordinator shall ensure that all Purchase Orders issued are correct in all respects.
- 4.7 If discrepancies are noted on a Purchase Order Procurement shall immediately notify the Project Manager and take corrective measures , or assist CLIENT in correcting the order as necessary. In any case, CLIENT shall be notified of the problem as soon as possible by the Project Manager.
- 4.8 All OCEANIC Purchase Order auditable files shall contain the following items:
- Original Purchase Order with correct approvals
 - All Attachments (Drawings, Specifications, Terms and Conditions, etc.)
 - All original Quotations
 - Original Request for Quotation
 - Original Purchase Requisition with correct approvals
 - All Correspondence, written or telephone records (with Vendor and CLIENT-if applicable)
- 4.9 Project Procurement Coordinator shall coordinate with Accounts Payable to ensure all Progress Payments are made only if that milestone has been confirmed by the following: Receiving Report (from Fabrication Vendor or Inspector receiving purchased items), Inspection/Quality Control Report, or Vendor Data Status/Expediting Report.

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Progress Monitoring and Expediting	Approved	

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Procurement Procedures	Responsible Department Procurement	
Progress Monitoring and Expediting	Approved	

1. PURPOSE

The purpose of this procedure is to define the process to be followed by Project Procurement and other Project organizations in the Progress Monitoring and Expediting of Purchase Orders issued for the CLIENT.

2. SCOPE

This procedure applies to all Progress Monitoring and Expediting of all Purchase Orders issued for Project equipment and materials regardless of whether such orders are issued by OCEANIC or CLIENT.

3. RESPONSIBILITY

The responsibility for ensuring compliance with this procedure shall reside with the Project Manager. The responsibility for implementing the steps defined herein and administering the procedure shall reside with the Purchasing Manager.

4. PROCEDURES

- 4.1 Project Expediter shall participate in kickoff meetings with Vendors, as determined necessary by the Purchasing Manager.
- 4.2 The Project Procurement Coordinator shall furnish to the Project Expediter copies of all Purchase Orders as they are issued.
- 4.3 Upon receipt of a Purchase Order, the Project Expediter will make an initial phone call or visit as required, to the Vendor to establish a Vendor expediting contact and to confirm the Vendors understanding and conformance with all data requirements, and inspection, test and delivery schedules as required by the Purchase Order.
- 4.4 The Project Expediter shall expedite and review all Acknowledgements (OCEANIC , or Vendor) for corrections and exceptions by vendors. Any such exceptions or corrections shall be brought to the attention of the Project Procurement Coordinator for action.

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Progress Monitoring and Expediting	Approved	

- 4.5 The Project Expediter will make, as a minimum, weekly contact with all Vendors to ensure that all schedule dates are met for the delivery of purchased items according to the established Project Schedule.
- 4.6 In the case of critical items or where possible problems may occur, the Expediter will contact the Vendor as necessary to prevent slippage of milestone dates.
- 4.7 When problems occur which may cause established milestones to be missed by the Vendor, the Project Expediter shall immediately notify the Project Procurement Coordinator. Project Procurement Coordinator shall seek resolution of the problem within the delegated authority if possible and shall inform the Project Manager who will assess the overall effect on the Project and suggest possible solutions or alternatives.
- 4.8 The Project Procurement Coordinator shall implement whatever action is possible to return the order to its proper schedule.
- 4.9 The Project Expediter shall establish and maintain a hard copy Project Expediting file for each Purchase Order to include:
- Copy of the Purchase Order.
 - Copies of Change Orders.
 - Vendor Data requirements
 - QA/Inspection requirements
 - Vendor Drawing Transmittals
 - OCEANIC Drawing Transmittals
 - Inspection Reports
 - Any correspondence with Vendors (written, FAX, and telephone records,)
 - Any other documentation, as required.
- 4.10 The Project Expediter will update the computerized procurement system daily with any new information obtained as a result of that days work.
- 4.11 Based on the reports of individual Project Expeditors and through the use of the Computerized procurement system Control system, a Project Materials Expediting Report will be issued weekly by the Project Procurement Coordinator to Project organizations and CLIENT to ensure that all concerned are aware of Project materials delivery status.

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Vendor Drawing and Data Control	Approved	

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Procurement Procedures	Responsible Department Procurement	
Vendor Drawing and Data Control	Approved	

1. PURPOSE

The purpose of this procedure is to define the process to be followed by Project Procurement and other Project Organizations in the Control of Vendor Drawings and Data received as a result of the purchase of equipment and materials required for the CLIENT.

2. SCOPE

This procedure applies to the control of all Vendor Drawings and Data received by OCEANIC in conjunction with Project Purchase Orders.

3. RESPONSIBILITY

The responsibility for ensuring compliance with this procedure shall reside with the Project Manager. The responsibility for implementing the steps defined herein and administering the procedure shall reside with the Project Procurement Coordinator assigned procurement responsibility for the Project.

4. PROCEDURES

- 4.1 Vendor Drawings and Data requiring approval by Project Engineering and/or CLIENT will be expedited from the Vendor by Procurement based on requirements defined in the Request for Quotation, Vendors Bid, Purchase Order, and scheduled dates specified by the Project Schedule.
- 4.2 Procurement will coordinate and expedite the review and approval by Project Engineering and CLIENT, of all Vendor Drawings and Data through the Project Manager.
- 4.3 After review, Vendor Drawings and Data will be returned to the Vendor by Procurement as approved for construction, or with comments for revision and re-submission by the Vendor.
- 4.4 Such approval or comments will be applied to each Vendor Drawing or piece of Data by project Engineering in the form of a stamp bearing the determination of the Project Engineer, the date and his signature. In no instance shall Procurement assume this function.

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Vendor Drawing and Data Control	Approved	

- 4.5 Procurement shall also furnish to the Project Design Group all Vendor Drawings and Data submitted for their use in their design of the Project.
- 4.6 All final approved Vendor Drawings and Data shall be maintained by Procurement for use in the Project design and possible incorporation in the Project Data Manuals.
- 4.7 The status of Vendor Drawings and Data shall be maintained by Procurement through the use of the computerized procurement system. Information will be posted in the system on a daily, or as received basis.
- 4.8 A Vendor Data Status Report will be issued by Procurement to CLIENT and other Project organizations weekly or as required by CLIENT.

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Procurement Procedures	Responsible Department Procurement	
Procurement Status Report	Approved	

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Procurement Procedures	Responsible Department Procurement	
Procurement Status Report	Approved	

1. PURPOSE

The purpose for this procedure is to define the process to be followed by Project Procurement in producing Procurement Status reports for the CLIENT.

2. SCOPE

This procedure applies to the Procurement Status Reports issued pursuant to OCEANIC 's contractual obligations for the CLIENT.

3. RESPONSIBILITY

The responsibility for ensuring overall compliance with this procedure shall reside with the Project Manager. The responsibility for implementing the steps defined herein and administering the procedure shall reside with the Project Procurement Coordinator assigned procurement responsibility for the Project.

4. PROCEDURES

- 4.1 Procurement shall gather and maintain all data necessary to monitor Project Procurement Status and shall produce and distribute Procurement Status Reports weekly or as determined by the OCEANIC Project Manager and CLIENT.
- 4.2 The gathering and maintenance of data shall be done by Procurement through the use of the computerized procurement system.
- 4.3 The following Procurement Status Reports represent a basis for monitoring Procurement Status.
 - Requisition Status Report
 - Inquiry Description Report
 - Inquiry Status Report
 - Purchase Order Summary Report
 - Material Status Report and Damage Report
 - Vendor Document Status/Expediting Report
 - Material Expediting Report
 - Inspection Report
 - Shipping Report
 - Invoice Status Report
 - Procurement Exception Report
 - Field Material Status Report
 - Material Overage, Shortage,

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Vendor Quality Surveillance	Approved	

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Procurement Procedures	Responsible Department Procurement	
Vendor Quality Surveillance	Approved	

1. PURPOSE

The purpose of this procedure is to define the process to be followed by Project Procurement and other Project organizations involved in Vendor Quality Surveillance for the CLIENT.

2. SCOPE

This procedure applies to the Vendor Quality Surveillance related to the production of Project purchased equipment and materials for the CLIENT.

3. RESPONSIBILITY

The responsibility for ensuring compliance with this procedure shall reside with the Project Manager. The responsibility for implementing the steps defined herein and administering the procedure shall reside with the Project Procurement Coordinator assigned procurement responsibility for the Project.

4.0 PROCEDURES

- 4.1 Procurement shall coordinate and monitor all Vendor Quality Surveillance and shall interface with Vendors, Inspectors, Project Engineering, and CLIENT as necessary to ensure the quality of materials produced for the Project is maintained throughout production.
- 4.2 The Project Procurement Coordinator will furnish to the Project Expediter information about the Inspector assigned for each Purchase Order, i.e. name, location, phone, FAX, and pager numbers.
- 4.3 The Project Expediter will make an initial call to establish Inspector contact and at this time outline items that require inspection, Vendor Name and Vendor Inspection contact, physical address where inspection is to occur and inspection and testing schedule dates as established by the Project Schedule.

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Vendor Quality Surveillance	Approved	

- 4.4 The Project Expediter will furnish to the Inspector an "Inspection QA Package" for each item to be inspected. This package shall contain an Unpriced copy of the Purchase Order, Unpriced Vendor Bid and clarifications, technical specifications and design drawings and any other data required for the inspection of the order.
- 4.5 The Project Expediter will make contact with the Inspector as required by inspection schedule to monitor progress and ensure that all scheduled dates are met for the inspection testing of all items.
- 4.6 The Inspector will contact the Project Expediter upon completion of any all inspections, tests, or visits to Vendor location for update or confirmation of any information currently on file. The Inspector shall issue an Inspection Report to the Project Expediter after each inspection or test and shall state whether or not the inspection or test was passed.
- 4.7 In the event that a scheduled inspection or test is failed, the Inspector shall immediately issue a Non-conformance Report to the Project Expediter outlining the cause for failure and corrective action to be taken.
- 4.8 The Project Expediter shall at all times immediately report problems relating to inspection schedules and Non-conformance of Inspections to the Purchasing Manager who will confer with the Project Manager and CLIENT to assess their impact and establish solutions.
- 4.9 The Project Expediter shall maintain contact with the assigned Inspector and Vendor as necessary to prevent slippage of milestone dates for the inspection and testing of all items.
- 4.10 The Project Expediter shall document all conversations with Vendors and Inspectors and shall include this documentation along with Inspection and Test Reports and all other inspection data with the respective Purchase Order for the Project Expediting File.

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Procurement Procedures	Approved	
Vendor Quality Surveillance		

- 4.11 The Project Expediter will update the computerized procurement system daily with any new information obtained as a result of that days Inspection work.
- 4.12 Based on the actions of the Project Expediter and through the use of the computerized procurement system, an Inspection Report will be issued weekly by the Project Procurement Coordinator to Project organizations and CLIENT to ensure that all concerned are aware of Project materials inspection status.

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Procurement Procedures	Responsible Department Procurement	
Correspondence	Approved	

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	Number 19	Rev 0
Procurement Procedures	Responsible Department Procurement	
Correspondence	Approved	

1. PURPOSE

The purpose of this procedure is to define the process to be followed by OCEANIC Project Procurement with regard to correspondence related to the purchase of equipment and materials for the CLIENT.

2. SCOPE

This procedure applies to all correspondence related to the purchase of equipment and materials for the CLIENT.

3. RESPONSIBILITIES

The responsibility for ensuring compliance with this procedure shall reside with the Project Manager. The responsibility for implementing the steps defined herein and administering the procedure shall reside with the Project Procurement Coordinator assigned procurement responsibility for the Project.

4. PROCEDURES

- 4.1 All urgent correspondence shall be sent to CLIENT promptly via FAX.
- 4.2 Correspondence requiring CLIENT approvals shall be transmitted via courier or express service.
- 4.3 All correspondence shall utilize the forms and formats described in the OCEANIC Project Operating Procedures issued May, 1992.

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Valid from		
Procurement Procedures	Responsible Department Procurement	
Job Close Out Requirements	Approved	

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Procurement Procedures	Responsible Department Procurement	
Job Close Out Requirements	Approved	

1. PURPOSE

The purpose of this procedure is to define the process to be followed in the completion of Job Close Out Requirements by OCEANIC Procurement for the CLIENT.

2. SCOPE

This procedure applies to Job Close Out Requirements to be completed by OCEANIC for the CLIENT.

3. RESPONSIBILITIES

The responsibility for ensuring compliance with this procedure shall reside with the Project Manager. The responsibility for implementing the steps defined herein and administering the procedure shall reside with the Project Procurement Coordinator assigned procurement responsibility for the Project.

4. PROCEDURES

4.1 At the close out of the job OCEANIC shall provide the following documents:

- Purchase Order Book - copies of all purchase orders issued, including successful vendor's quote, sorted by vendor, indexed by equipment description.
- Engineering Dossiers (5 copies) - copies of all vendor data submitted; to include drawings, MTR's, operating and maintenance manuals, spare parts lists, etc.
- Copy of all purchase order files at close out time
- Warranty Summary containing a final report of all equipment warranties and validity dates.