

Place in 970001 930001- EI  
92-140-4-1  
Req. Fuel  
Ending 03/31/93

**SPECIFIED CONFIDENTIAL**

**DECLASSIFIED**

per PSC-94-0954

DOCUMENT NUMBER-DATE

06500 JUN 16 88

FBI RECORDS/REPORTING

## AUDIT DISCLOSURE 2

SUBJECT: Spot Market Purchases

### STATEMENT OF FACTS:

Fuel Management Department makes spot fuel purchases when the spot oil prices are below contract pricing and when contract deliveries can be reduced, fuel oil inventories are below planned operating levels or if short term requirements exceed contract quantities.

An internal audit issued November 25, 1992 of Fuel Resources Department for the period April 1, 1991 through May 31, 1992 revealed the following:

A statistical sample of forty-four (44) spot market purchases were reviewed for propriety. Bid evaluation documentation was also examined for compliance with FPL and departmental procedures. The following was noted:

1. Seven (7) or 16% of the selections reviewed did not have the Bid Evaluation Approval form on file.
2. Four (4) or 9% of the selections reviewed had the bid evaluation approval form prepared on or after the date of delivery.
3. Seven (7) or 16% of the selections reviewed did not have the Bid Evaluation Approval form properly authorized.
4. Three (3) or 7% of the invoices reviewed were approved by an individual signing for the manager, and no delegation memorandum was noted.

### OPINION:

Weakness in internal control over spot fuel purchases can cause unapproved purchases which may be at a higher cost than the approved.

### RECOMMENDATION:

The internal auditors recommendation should be followed and a secondary review of the spot folder should be performed by a manager when the spot invoice is submitted for approval to ensure completeness.

COMPANY COMMENTS: Follows.



To: Carlos Suastegui

Date: June 3, 1993

From: Mike Caldwell

Department: Fuel Management

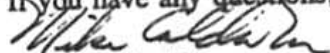
Subject: **Company Comments on FPSC  
Audit Disclosure 2**

On June 1, 1993, you provided us with a copy of FPSC Audit Disclosure 2 (see attached). Our company comments regarding that audit disclosure are as follows:

**Fuel Management agrees with the recommendations stated by our internal auditors. These recommendations are in the process of being implemented, including revising the appropriate procedures in Fuel Management. The internal auditor's recommendation that a secondary review be performed by a manager has already been implemented.**

Regarding the opinion noted in Audit Disclosure 2, please note that FPL's internal audit report indicated a need for improved record keeping and documentation. There was no discussion in the internal audit report of "unapproved purchases" or "cargoes delivered at higher cost than approved."

If you have any questions, please call me at x3476.

  
Mike Caldwell  
Attachment

Copies to:  
R. Lippman  
R. Silva

### AUDIT DISCLOSURE 3

SUBJECT: Verification of Invoice Quality

#### STATEMENTS OF FACTS:

An internal audit issued November 25, 1992 of the Fuel Resources Department-Oil, for the period April 1, 1991 through May 31, 1992 revealed the following:

##### I. Verification of Invoice Quality.

Fuel Oil Specification Notices prepared by FPL Plant Services Central Laboratories Personnel were examined on a test basis to determine if the temperature and components content of fuel oil received complied with the specification of the fuel oil contracts.

Two deliveries occurring in May 1991 had excess water sediment and a volume adjustment was not filed. The unclaimed credits totaled \$7,955.28 and have been outstanding too long to receive a credit.

One delivery occurring in June 1991 was not in compliance with the minimum heat value, and did not have a credit filed with the vendor. The unclaimed credit totaled \$38,889.60 and has been outstanding too long to receive a credit.

#### OPINION:

- 1 Lack of testing of the Heat Combustion Value could result in overstatement of Fuel Expenses which could overstate the fuel adjustment.
- 2 Unclaimed credits lost on deliveries not in compliance with contract specifications over a continued period of time could become material and overstate fuel expenses and the fuel adjustment.

COMPANY COMMENTS: Follows.



TO: *RAYMOND GRANT*

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To: Carlos Suastegui

Date: June 7, 1993

From: Mike Caldwell

Department: Fuel Management

Subject: **Company Comments on FPSC  
Audit Disclosure 3**

On June 1, 1993, you provided us with a copy of FPSC Audit Disclosure 3 (see attached). As requested by the FPSC auditors, FPL's comments regarding that audit disclosure are as follows:

**As noted in FPL's response to FPSC Document/Record Request No. 10, we have taken steps to resolve the concerns noted by FPL's internal auditors. These steps include revising the appropriate quality claim procedures as well as implementing routine reviews of outstanding claims to ensure timely payment of the claims.**

If you have any questions, please call me at x3476.

A handwritten signature in cursive script that reads "Mike Caldwell".

Mike Caldwell  
Attachment

Copies to:  
R. Lippman  
R. Silva

- 6) Inform the Supplier of the out-of-specification result. Acquire the Supplier's concurrence to test the "official" fuel oil receipt referee sample for the parameter in question. The Supplier has the option to waive testing of the referee sample and use the FPL Power Plant Service Central Laboratory result as the mutually agreed upon final result.
- 7) If the referee sample result meets the quality specifications agreed upon for this delivery, then no claim is necessary. If the referee sample result does not meet the quality specification, then bill the Supplier for the appropriate reimbursement. In the event that the FPL Power Plant Services Central Laboratory result is mutually agreed upon by the Supplier and FPL as the "official" result for a quality claim, then bill the Supplier for the appropriate reimbursement using this result.
- 8) Retain all claim documents: Miscellaneous Bill, FPL-Supplier correspondence, lab reports, Supplier invoices, check payment copy, etc. (see attached examples) in a centralized book. Input the necessary claim information into the Fuel Oil Receipt System. Use the Misc. Bill Tracking Sheet to track the bills sent out to Suppliers and the date we receive payment for these bills. Compare this data with the information listed on the monthly trial balance for our location to ensure that payment is collected and documented in Accounting.
- 9) On a monthly basis (the 15th calendar day following the month completed), generate the computer report titled, "Fuel Oil Deliveries Below 151,000 Btu/gal" from the Fuel Oil Receipt System. This report will list all the deliveries for the preceding month, the minimum heat of combustion requirements for these receipts, and the Plant Services Central Laboratory's results. It will also identify those cargos (both Spot and Contract purchases) that did not meet the minimum heat requirements. Verify that Steps # 5 thru 8 were performed for the out-of-specification cargos identified in this report. (Only the Spot oil purchases and Contract oil purchases with cargo by cargo requirements (Vitol and Rio) should be considered for this analysis. The Contract oil purchases with either quarterly or semi-annual weighted average heat of combustion requirements are analyzed in a separate report.) Retain this report and any claim documents associated with the deliveries listed in the Contract/Spot Heat Value Claims Book.

FLORIDA POWER & LIGHT COMPANY (FPL)  
 DELIVERY OR WORK AUTHORIZATION

PO# 90499-90017

DATE: DECEMBER 31, 1992

TO: ENJET, INC.

ATTENTION: MR. RAY MT. JOY  
 5373 WEST ALABAMA, SUITE 502  
 HOUSTON, TEXAS 77056

DELIVER MATERIAL/PERFORM WORK

ATTN: MR. TED KRISS  
 P.O. BOX 029100  
 MIAMI, FLORIDA 33102

ITM	QTY	DESCRIPTION	RWO	ER	ACT	#	LOCN	EAC	AMOUNT
		THIS IS YOUR AUTHORIZATION TO PROVIDE NO.6 FUEL OIL UNDER THE FOLLOWING CONDITIONS: DATE RANGE: 1/4-5/93 LOCATION: PORT EVERGLADES GRADE: 1.0% SULFUR FUEL OIL MAX. QUANTITY: 105,000/BBLS +/- 10% FOR VESSEL ALLOWANCE PRICE: \$13.95/BBL. FIXED QUALITY: SULFUR-1.0% MAX. API GRAVITY: 8 MIN. VISCOSITY - MAX 300 SSF @ 122 DEG F ASPHALTENES - 8 MAX. 151,000/BTUS MINIMUM ALL OTHER TERMS AND CONDITIONS PER FPL/ENJET PURCHASE ORDER							
									\$1,650,000

REQUESTED BY: 

APPROVED BY: \_\_\_\_\_ AUTHORIZED BY: 

PURPOSE & NECESSITY:

SEE SPOT OIL REQUISITION P950110