

A Delivery Integrity Policy: Does *Your* Oil Dealer Have One? by Carla L. Romita The Mann Report, December 2007

As I write this, the prompt month for crude oil is trading at over \$87 a barrel. Today's unprecedented market conditions mean that it is very important for you to monitor your supplier's pricing and be vigilant about getting all of the oil you are paying for. Here are some suggestions about what to look for in a supplier to be protect yourself from the possibility of delivery shortages.

Make sure your supplier operates a substantial fleet of company-owned delivery vehicles driven by its own employees. Operating its own fleet gives a fuel oil supplier the greatest degree of control over the process of getting fuel oil from the terminal into your tank. You might be surprised to learn that many oil companies do not own trucks. Instead, they subcontract their deliveries to outside truckers. It's more difficult to control the actions of an outside contractor as opposed to employees. Even if your supplier owns some trucks, you should find out if the drivers are actually employed by the supplier. If not, it will be harder for the supplier to control the integrity of its deliveries.

Make sure your supplier has, and enforces, a strict Delivery Integrity Policy. An effective Delivery Integrity Policy should apply to everyone who makes deliveries on behalf of your supplier. Most perceived delivery shortages have legitimate explanations such as broken or misread gauges, improper calibration, incorrect tank, or delivery equipment failure. The cause of a delivery shortage can only be determined if the facts are investigated promptly. Thus, your supplier should have a program in place that not only minimizes delivery discrepancies in the first place, but also addresses your concerns quickly when you have them. If your supplier responds promptly and forthrightly when you complain about a suspected delivery shortage, you know the supplier is serious about protecting your interests.

Your supplier should only employ trucking contractors who agree to subject their employees and equipment to procedures that ensure integrity. Reputable suppliers use various techniques to monitor the integrity of their delivery process. For example, trucks belonging to outside contractors should be followed on a random basis without prior notice to ensure that appropriate delivery procedures are being followed at all times. Contractors' trucks and equipment should be subject to spot inspection to verify that truck meters are sealed and working properly, that air eliminators are functioning properly to prevent air passing through the meter, and that the trucks do not have any piping bypasses or other irregularities.

Similarly, the metered volume of oil delivered to customers should be randomly verified by a company employee using a gauge or a stick reading immediately prior to and following deliveries to determine if the metered volume is consistent with the gauge-measured or stick-measured volume. If these quality assurance steps give your supplier any reason to suspect the integrity of a contractor, the truck and the driver in question should be prohibited from making any deliveries for the supplier until a full investigation has been completed.

Your supplier should encourage you to report any perceived delivery shortage or discrepancy *immediately* after the delivery is made. As noted, a meaningful investigation of a suspected shortage is possible only if the problem is reported promptly. This is particularly true in cold weather, when a substantial amount of fuel oil can be burned between the time of the delivery and the time of the investigation. The supplier should respond to a complaint the same day. If an unexplainable delivery shortage is verified, your supplier should issue a credit for the amount of the shortage.

Your supplier should adhere to "best practices" in the delivery process. You should expect your supplier to require all drivers, employees and contractors alike, to adhere to best delivery practices. For example, all delivery tickets should be carefully read before starting a delivery. The driver should make sure he is at the correct address, that he is delivering the correct product, and that he is following any special instructions such as "deliver only as ordered," "must get signature," or "must see superintendent." The driver should locate the superintendent, if possible, and verify tank capacity and fill pipe location. He should take a "before" stick reading to compare the tank inventory with the inventory reported by the customer and double-check the tank size before delivering. The driver should consult the supplier's office for instructions whenever necessary.

If your supplier doesn't have a strict Delivery Integrity Policy, doesn't respond promptly and forthrightly to shortage complaints, or doesn't adhere to best delivery practices, you would be wise to rethink where you purchase your fuel oil.