

The GAO report does not challenge the reporting rule in all contract awards where only one offer is received. Specifically, the GAO recommends that the criteria and the format for reporting negotiated contracts on the basis of price competition should be revised. The revision should consider the elimination of the criteria that price competition can be determined solely by the number of companies solicited. The GAO recommends that additional guidance should be provided to contracting officers for evaluating the extent of price competition and the competitive conditions under which contracts are awarded, such as the number and content of responses, the procurement history of the items procured and other relevant information which indicate the conditions of the procurement.

We will undertake a reappraisal of our reporting rules, giving particular attention to the circumstances under negotiated procurement where more than one offerer is solicited but only one offer is received. The Department of Defense is as anxious as the Committee and the GAO to insure that its reported data on competitive procurement is accurate and complete. The views expressed by Committee Members and the report of the GAO have been helpful to us in calling attention to areas that may require changes in present reporting procedures.

The GAO survey at four military installations also reflects that: Some negotiated purchases under \$2,500 each were improperly classified as competitive because the system of accumulating and reporting small purchase information authorized these purchases to be recorded as competitive.

The GAO report recommended that competitive and noncompetitive procurements under \$2,500 be identified and reported separately in an appropriately revised reporting format.

The accumulation of management statistics for any operation involves a choice from among several alternatives. Since 1959 the Department of Defense has followed the practice of reporting all procurements under \$2,500 as competitive. We could have treated these small purchase transactions in other ways. For example, all of them could have been reported as noncompetitive. If this had been done, we would have understated the extent of competition actually achieved.

Another alternative would have been to automatically exclude all transactions under \$2,500 from the base used to determine the percent of competition. If this alternative had been followed over the past six years, the results would have been as shown in the following table:

Price competition excluding small purchases

[Dollar amounts in millions]

Fiscal year	Published reports including small purchases				Excluding small purchases		
	Total procurement	Price competition		Small purchases	Total procurement	Price competition	
		Amount	Percent			Amount	Percent
1961	\$24,703.4	\$8,128.9	32.9	\$918.7	\$23,784.7	\$7,210.2	30.3
1962	28,099.0	10,003.2	35.6	1,069.4	27,029.6	8,933.8	33.1
1963	29,032.3	10,763.5	37.1	1,280.3	27,752.0	9,483.2	34.2
1964	28,234.3	11,029.0	39.1	1,337.7	26,896.6	9,691.3	36.1
1965	27,354.6	11,883.9	43.4	1,393.0	25,961.6	10,490.9	40.4
1966	37,228.6	16,538.9	44.4	1,704.9	35,523.7	14,834.0	41.8

The above figures show that the total defense procurement which was price competitive increased by 11.5 percentage points from 1961 to 1966, whether the figures include or exclude small purchases. With small purchases included, the 1961 base figure is 32.9%, with them excluded this base figure is 30.3%. In either case, the change from 1961 to 1966 is an 11.5 percentage point increase, reflecting the great emphasis the Military Departments have placed on increasing competitive procurement.

Still another alternative would have been to invest in the manhours necessary to classify each of the millions of transactions involved in this category as either competitive or noncompetitive. This may have been feasible at some of the large central buying offices such as the inventory control points where the GAO performed its surveys. However, most of the Defense small purchase activity takes place at smaller field buying offices in support of posts, camps and stations. These activities typically purchase commercial-type items from local wholesale