

We accept the quality control findings and vendor inspection reports of the Defense Supply Agency as an integral part of our own quality control program.

We also interchange quality control information with the Food and Drug Administration and other elements of the Department of Health, Education, and Welfare.

I previously mentioned that we procure or contract for drugs for other Federal users. In 1961 the Administrator of General Services Administration, as provided in the Federal Property and Administration Services Act, assigned to the Veterans' Administration the responsibility and authority for the procurement and distribution of drugs, biologicals, medical chemicals and reagents required by Federal agencies.

Since that time we have contracted for and administered the Federal supply schedules for these items. We have also provided them from our central depot stocks to those agencies who have placed requisitions upon us.

During the fiscal year 1970, we estimate that other Federal agencies acquired \$37.5 million worth of drugs and chemicals and reagents through or from us, broken down as follows: \$33,500,000 ordered from Federal supply schedules executed by the Veterans' Administration; \$3,500,000 ordered from our supply depot stocks; \$500,000 ordered from stocks at our hospitals.

We also procure from time to time items made available to us from the Defense Supply Agency when that agency is able to acquire them at a lower cost than our own direct procurement.

In closing, I would like to assure this subcommittee that we are interested in effective control of drug purchasing, and in the greatest economy consistent with our needs and the effective and safe treatment of our veteran patients.

We do strive to bring competitive conditions into the drug market and to economize wherever possible.

Senator NELSON. May I ask a question at this point?

Mr. JOHNSON. Yes, sir.

Senator NELSON. I realize now that we have all of the purchases that are made, of the \$91 million purchases made in the fiscal years 1968 and 1969. It appears from our examination of the contract that only 2.07 percent was by competitive bid. The rest was sole-source purchase. How is that reconciled with your statement:

We do strive to bring competitive conditions into the drug market and to economize whenever possible?

Mr. JOHNSON. Mr. Donald Whitworth.

Mr. WHITWORTH. Sir, our figures show that of the VA marketing center purchases that we supplied you information on, that we bought 12.66 percent competitively of the items that could have been bought competitively.

In other words, we bought single source, where competition was available, on 12.66 percent. That is, in 1969, competition was not available—and I am talking now strictly about the data we furnished you—competition was not available on 81.46 percent. Therefore, our percentage that we bought after advertising was 5.88 percent. This does not jibe with your 2 percentages, but it is 5.88. It is not impressive, but we bought competitively about 5.88 percent.