

Washington, D. C., or New York district offices. Only after such testing reveals compliance with our specifications does the inspector accept and ship the material.

In the context described above, the technical operations division completed action on this specific item review report and subsequently forwarded to procurement both the requisition from supply operations, and the definitive specifications.

PROCUREMENT

The DPSC organization is made up of a number of separate directorates, as shown in their organization chart (exhibit 3). The Directors of the Directorate of Medical Materiel and the Directorate of Procurement and Production are on an equal organizational level, and both report directly to the Commander. I point this out to show that at this point, the requisition passes from the control of a medical officer to the province of a medical procurement specialist.

Within the Directorate of Procurement and Production is a division of medical materiel which does the actual buying of drugs.

Drug purchases result from a team effort. Supply operations determines when and how much to buy. The technical staff looks at each buy and establishes the specifications. An advance copy of the purchase request is received in the procurement directorate for supply operations. This copy is utilized by the contracting officer to determine the method of procurement.

The basic statute governing procurement by the Department of Defense (title 10, USC 2304) directs that purchases shall be made by formal advertising and authorizes the use of negotiation in 17 specifically enumerated situations.

Formal advertising operates most effectively where:

- (1) An adequate number of qualified suppliers have actively competed for Government contracts.
- (2) They are willing to price competitively.
- (3) Definitive specifications are available for the required product.
- (4) There is sufficient time to carry out the inflexible formalities of the formal advertising process—preparing the invitation; permitting bidders time to prepare their bids; reviewing, opening and evaluating the bids received; and determining the responsibility and responsiveness of the low bidder.

When all of these conditions exist, formal advertising is the most successful means of securing for the Government the benefits of competition. In the absence of any one condition, however, formal advertising may be ineffective and negotiation must be used.

It should be noted that the benefits which flow from competition do not result exclusively from "formal advertising". Publicized negotiated procurements can actually become more competitive than procurements utilizing traditional invitation for bid format.

The contracting officer reviews the item's procurement history card and the bidders list for past procurement problems. Should the bidders list indicate only one known source of supply, or limited sources of supply, this would be a signal to the buyer or contracting officer that a negotiated procurement is in order. The buyer determines whether the delivery schedule allows time for formal advertising. If not, he negotiates with the supply operations division. If priorities permit, the delivery date is revised. If the urgency of need does not permit a reduction in the priority, negotiated procurement may be required to meet the required delivery date.

The hard copy of the requisition contains the specifications to be utilized for the procurement. Should the specification be new or a significant modification of an existing specification, this too could be a reason for negotiation of the procurement.

Once the contracting officer determines that negotiation or formal advertising is in order, a solicitation is issued. In the case of formal advertising, award is then made to the low responsive and responsible bidder. In cases of negotiated procurements, the contracting officer evaluates the responses received and makes a determination whether further negotiation is in order. In contrast to the formally advertised procurements, in negotiated procurements, an offeror's prices, terms and conditions are not revealed until after award.

It is the policy of the Department of Defense to place a fair proportion of its total contracts for supplies and services with small business concerns. Every