

The objective was to assure that our reporting rules accurately reflect the competition actually achieved.

We do not interpret either the GAO or Joint Economic Committee position as suggesting any change in our current reporting rules for formal advertising. With respect to negotiated procurements however, I have determined that statistical accuracy will be best attained by adoption of rules substantially as follows:

1. A contract shall be reported as price competitive if offers were solicited and received from at least two responsible offerors capable of satisfying the government's requirements wholly or partially and the award or awards were made to the offeror or offerors submitting the lowest evaluated prices. However, price competition may exist even though only one offer is received when the offers are solicited from at least two responsible offerors who normally contend for contracts for the same or similar items.

2. Procurements shall not be reported as competitive where only one responsive offer was received and the solicitation was restricted to a prime contractor and his vendor for that item.

3. Multiple awards in such areas as subsistence, clothing and equipage, and other commodities where several awards normally result from one solicitation may be recorded as competitive, even though the total quantity of the solicitation is not awarded, if in the judgment of the contracting officer there are sufficient facts to support a valid finding of price competition.

4. Transactions shall not be recorded as price competitive solely on the basis of the number of solicitations made. Contracting officers shall consider the content of the responses to solicitations, the procurement history of the items procured, and other relevant information and shall exercise sound judgment in the recording of transactions as competitive.

5. Purchase orders in amounts less than \$250 shall be reported as noncompetitive. With regard to orders of \$250 or over, but not exceeding \$2,500, contracting officers shall determine on an individual transaction basis which actions should be recorded as competitive and which noncompetitive. However, where it is not economically feasible to do this, these actions will be recorded as noncompetitive.

These instructions shall become effective upon publication in a DPC, in approximately two weeks.

(Signed) PAUL R. IGNATIUS,
Assistant Secretary of Defense
(Installations and Logistics).

The questions raised by GAO were as follows:

(a) Is it proper to automatically classify "open market purchases of \$2,500 or less within the United States" as price competitive? GAO found that there is no assurance in these very numerous transactions (approximately 8 million annually) that purchasing personnel are, in fact, obtaining two or more quotations. We agree with GAO and have issued regulations under which purchase orders in amounts less than \$250 shall not be reported as competitive due to the costly paperwork involved in keeping track of each such transaction. With respect to orders of \$250 or over, an individual determination will be made as to those transactions which are competitive and those which are not. Our statistics in the future will be based directly on these individual determinations. GAO has endorsed these revised reporting rules.

Chairman PROXMIRE. Why did you pick the \$250 break-off point?

Mr. MORRIS. Due to the numerous actions, sir, of very small character falling under that amount—it did not seem worthy to try to keep account of these. And, of course, these purchases are frequently made in the customary fashion of taking oral quotations.

Chairman PROXMIRE. You say, in this statement, "We agree with GAO—in amounts less than \$250 shall not be reported as competitive."

Mr. MORRIS. Yes, sir.