

eral Accounting Office has a review under way at two locations to ascertain whether the above policy is being carried out with respect to maintenance of facilities in areas where there are concentrations of military installations. The areas we are reviewing are Oahu, Hawaii, and Norfolk, Virginia. Findings to date indicate that further centralization of maintenance functions at these locations should provide substantial savings in maintenance expenditures.

7. COMPETITION IN PROCUREMENT

Contracts negotiated on the basis of adequate price competition represent a significant portion of all contracts negotiated by the Department of Defense during the past three years. DOD statistics indicate that contracts negotiated on the basis of price and other competition aggregated about \$5.5 billion in fiscal year 1965, \$9.8 billion in fiscal year 1966, and \$11 billion in fiscal year 1967.

Public Law 87-653 provides that in the award of a negotiated contract over \$100,000, cost or pricing information and a certificate need not be obtained in instances where the contract price is based on adequate price competition.

The Department of Defense in its procurement regulations defines adequate price competition and sets out general guidelines for the use of contracting officials. The guidelines provide that price competition exists if offers are solicited on the basis that the contract is to be awarded to the responsive and responsible offeror submitting the lowest evaluated price and at least two offerors who can satisfy the Government's requirements independently contend for the contract by submitting priced offers responsive to the expressed requirements of the solicitation.

If these conditions are met, contracting officials may presume that price competition is adequate unless they determine that the solicitation was unreasonably restricted, the low offeror had such an advantage over other competitors that he was immune to the stimulus of competition, or the lowest price was not reasonable. The determination of whether there is adequate price competition for a given procurement is largely a matter of judgment on the part of contracting officials.

We are currently performing a review to determine how these guidelines are being applied by contracting officials and whether there is a need for additional or revised instructions pertaining to contracts negotiated on the basis of this exception to the requirement for obtaining certified cost or pricing information. Our work has not progressed to the point we can draw any conclusions.

8. REPORTING OF NEGOTIATED PROCUREMENT ACTIONS AS COMPETITIVE OR NONCOMPETITIVE BY THE DEPARTMENT OF DEFENSE

At the May 1967 hearings we stated that a significant number of the procurement actions valued at \$2,500 and under as well as other actions in excess of \$10,000 each, were classified and reported as competitively awarded, which, in our opinion, were awarded under noncompetitive conditions. Our work showed that the primary causes for these misclassifications stemmed from inadequate criteria in the Armed Services Procurement Regulation, the manner in which the Regulation was applied, and from the format of reports used to report the procurement actions. We felt that the Regulation needed revision to provide additional guidance to contracting officers for classifying and reporting of negotiated procurement actions. In September, 1967 the Department of Defense issued its revised instructions. The revisions, if appropriately applied by contracting officers, should improve the reporting of negotiated procurement actions.

With respect to negotiated procurement actions of \$2,500 and under, the Department has provided that these actions be reported as noncompetitive unless it is economically feasible to record and tabulate the price competition status of such actions.

Among the more important changes in determining whether price competition existed in procurements in excess of \$2,500, is the general requirement that at least two offers should be received from responsible offerors capable of satisfying the Government's requirements. In the past, one offer would be classified as competitive so long as two or more bids had been solicited. The proposed changes still permits the reporting of one offer as competitive where offers were solicited from two or more firms who normally contend for the same or similar items. However, provision is made that contracting officers exercise sound judgment in