



The Comptroller General
of the United States

Washington, D.C. 20548

Decision

Matter of: Grimm's Orthopedic Supply & Repair

File: B-231578

Date: September 19, 1988

DIGEST

Since the purpose of the small purchase procedures is to minimize administrative costs, a contracting officer is given broad discretion with respect to making small purchases, and the General Accounting Office therefore will not question a contracting officer's small purchase decision unless it is shown that it had no reasonable basis.

DECISION

Grimm's Orthopedic Supply & Repair protests the procedures used by the Veterans Administration (VA) for the acquisition of orthotic devices and services at the VA Medical Center in Iowa City, Iowa. Grimm's contends that because the VA is not distributing small purchases under \$1,000 equitably among qualified suppliers, Grimm's has not received its fair share of those purchases. We deny the protest.

Grimm's has been the incumbent contractor performing all orthotic repairs and services for patients at the VA Medical Center for over 15 years. Beginning in fiscal year 1988, however, the VA Medical Center began performing most orthotic repairs and stocking supplies in-house; repairs requiring the services of an orthopedic repair firm were distributed among qualified vendors in the local area.

Grimm's alleges that starting in fiscal year 1988 the VA failed to distribute orthotic small purchases equitably, did not verify price reasonableness for orthotic small purchases, and made consecutive sole-source awards to one other particular vendor. The VA responds that the Medical Center has distributed orthotic small purchases in accordance with applicable procurement statutes and regulations by equalizing the number of items ordered among

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qualified vendors in the local area, taking into account veteran preference for a particular vendor, and item availability. Moreover, the VA notes, as of July 1, 1988 (after this protest was filed), the Medical Center instituted a formal vendor rotation system in order to further equalize the distribution of orthotic small purchases by both number of orders issued and dollar amount.

Under Federal Acquisition Regulation (FAR) § 13.106(a)(1) (FAC 84-26), purchases under \$1,000 may be made without securing competitive quotations if the contracting officer considers the prices to be reasonable. See Northern Virginia Football Officials Association, B-231413, Aug. 8, 1988, 88-2 CPD ¶ ____. The contracting officer, however, must distribute such purchases equitably among the qualified suppliers. FAR § 13.106(a)(2). In addition, the VA Acquisition Regulation (VAAR) authorizes the prosthetics clerk at the Medical Center to procure orthotic appliances and services costing less than \$300 on the open market. Orders in excess of \$300, but less than \$1,000, require a purchase order request recommending a particular vendor to be forwarded to the VA Medical Center purchasing Agent. VAAR § 801.670-6 (June 19, 1987). The VA advises that if the purchasing agent believes that the price at the recommended source is unreasonable, additional quotes are solicited. The VA further advises that although purchase orders are distributed among qualified vendors of orthotics on a rotation system, that system must take into account the guidelines set forth in VA Manual M-2, Part IX, § 3.02(b) (May 29, 1986), which provides that the patient shall be given the opportunity to select a vendor from which the appliance or service is to be procured, provided the source of supply is not restricted by VA contract or specified by the physician.

Data provided by the VA indicate that Grimm's received 42 percent of the orders under \$300 issued for 39 patients in the first and second quarters of 1988, while the only other vendor within a 10-mile radius of the Medical Center received the exact same share of orders and patients. However, Grimm's received only 29 percent of the total five dollar value of those orders, \$2,933.55, while the other vendor received 53 percent, or \$5,429.58. Grimm's also received five orders totaling \$2,594.30 for purchases over \$300 in the first and second quarters of 1988, while the other vendor received nine orders totaling \$5,380.50. Cumulatively, Grimm's and the other vendor received approximately equal percentages of orders placed by the VA

and treated approximately the same number of patients. However, as the VA itself noted, Grimm's received only 26 percent of the total dollar value of all purchases, while the other vendor received 50 percent.^{1/} After the VA implemented its revised distribution plan as of the fourth quarter of 1988, Grimm's and the other vendor received orders of essentially equal dollar value. (No data was available for the third quarter of 1988).

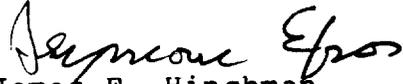
Since the purpose of the small purchase procedures is to minimize administrative costs, a contracting officer is given broad discretion with respect to making small purchases and, in fact, may decide to solicit only particular suppliers to the exclusion of others, so long as this decision is not the result of bad faith. We therefore will question such determinations only if it is shown that they are without a reasonable basis. Gradwell Co., B-216480, Feb. 8, 1985, 85-1 CPD ¶ 166.

We find no legal merit to the protest. The record is clear that the VA reasonably attempted to distribute the small purchases for orthotic supplies under \$1,000 equitably between the two qualified suppliers near the Medical Center by number of orders issued during the first and second quarters of 1988. Moreover, when Grimm's called the inequity of dollar distribution between vendors to the VA's attention, the VA instituted a system of vendor rotation that is based on dollar amount rather than just on number of orders issued, which appears to be an even more acceptable method of ensuring equitable distribution of such purchases. Further, as stated above, the VA procuring official does not have a duty to secure competitive quotations for purchases under \$1,000, and may even solicit particular suppliers to the exclusion of others for such purchases as long as the decision is not the result of bad faith. We therefore see no reason to object to the fact that the VA made determinations of price reasonableness without seeking further price quotations from competitors, or to the VA's

^{1/} Grimm's disagrees with the VA's dollar totals for the first and second quarters of 1988, which, for Grimm's, add up to \$5,527.85. Grimm's calculates that it received only \$3,336.05 worth of orders while the other vendor received \$ 12,227.09 (\$10,810.08, according to the VA), and also that it served 34 patients while the other vendor served 55.

practice of issuing consecutive orders to one firm while attempting to distribute the total number of small purchase orders equitably, taking into account veteran preference, specific medical prescription and item availability.

The protest is denied.

for 
James F. Hinchman
General Counsel