



**Comptroller General
of the United States**

Washington, D.C. 20548

Decision

Matter of: Navistar Marine Instrument Corp.

File: B-278075

Date: December 19, 1997

Steven J. Nadel for the protester.

Neil Hirsh, Esq., Naval Supply System Command, for the agency.

Sylvia Schatz, Esq., and John M. Melody, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

Acquisition of compass repair services was micro-purchase not subject to competition requirements, and unpriced purchase order therefore properly was awarded on sole-source basis, where contracting officer's estimate for the work was \$600 (below the \$2,500 micro-purchase threshold), and finalized price was \$1,180; fact that estimated price in purchase order was \$3,200 does not establish that acquisition value was above micro-purchase threshold where record shows that this amount did not reflect expected price.

DECISION

Navistar Marine Instrument Corporation protests the Department of the Navy's issuance of purchase order No. N00104-97-M-N037 to John E. Hand & Sons Co., for the evaluation and repair of four magnetic compasses. Navistar primarily protests that the agency improperly issued the purchase order on a sole-source basis, precluding Navistar from competing.

We deny the protest.

On August 31, 1996, the contracting officer at the Naval Inventory Control Point (NAVICP) received from the NAVICP inventory manager a purchase order for the evaluation and repair of four magnetic compasses. Since the compasses originally had been supplied by Hand, the manufacturer, the inventory manager recommended that the repairs be performed by Hand. On December 12, the contracting officer orally solicited and received from Hand quotations of \$600 for evaluation and repair of the compasses and \$3,200 for their replacement. On December 18, the contracting officer issued an unpriced purchase order to Hand for the evaluation and repair of the compasses, having determined that the need for inspection and evaluation made it impractical to establish a fixed price in advance. Although, based on Hand's quote, the contracting officer estimated the price of the work at

\$600, in light of the uncertainty as to the final price, she set forth the price of \$3,200 in the purchase order as the total estimated price.

On February 27, Hand shipped the repaired compasses to the Navy and, on the following day, submitted to the Defense Contract Management Command (DCMC) a detailed price proposal of \$1,180 for the work. The DCMC contracting officer determined Hand's price to be reasonable, and on May 21 the Navy executed a contract modification finalizing the price of the purchase order at \$1,180.

The simplified acquisition procedures under Federal Acquisition Regulation (FAR) part 13 covers acquisitions under \$100,000. Where the aggregate amount of a purchase is between \$2,500 and \$100,000, agencies are required to obtain competition to the maximum extent practicable, FAR §§ 2.101, 13.106-2(a). Acquisitions that do not exceed \$2,500--defined as micro-purchases in FAR § 2.101--may be awarded without competition where the contracting officer has determined that the price is reasonable. FAR § 13.106-1(a)(2).

The principal issue to be decided is whether the acquisition value of this requirement was above or below the micro-purchase threshold. If it was below the threshold, it is a micro-purchase and the agency properly proceeded on a sole-source basis. If the value was above the threshold, award without seeking maximum practicable competition was improper.¹

We find that the acquisition value was below \$2,500, and that the award to Hand was proper. The dispute between Navistar and the Navy turns on whether \$600 or \$3,200 should have been deemed the acquisition value at the time the purchase order was issued. We think the record is clear on this point--the contracting officer received a quote of \$600 for the repair work, and determined that this was the estimated value. As such, it was the most accurate available measure of the acquisition value. While the contracting officer inserted \$3,200 as the estimated price of the purchase order, the agency explains that this essentially was only a ceiling price, and was set forth solely to give the contracting officer the option of continuing with performance in the event Hand's evaluation revealed that more extensive repairs than anticipated would be required. In this regard, by the terms of the purchase order, the agency was only obligated to pay for, and the contractor was only authorized to perform, work costing up to the estimated amount. We do not think providing for an unexpected contingency in this manner can be viewed as altering the contracting officer's otherwise rationally founded expectation as to the cost of the repair work. We conclude that the acquisition was a micro-purchase.

¹There is no statutory or regulatory guidance as to the manner in which the value of an acquisition is to be determined for purposes of deciding whether the acquisition qualifies as a micro-purchase.

Navistar also contends that Hand's price of \$1,180 for the services was unreasonable--since Navistar allegedly could have performed the services for only \$600--and that award without competition therefore was improper. See FAR § 13.106-1(a)(2). This argument is without merit. First, the DCMC contracting officer specifically determined that the final price was reasonable, and the mere fact that Navistar states--in support of its award challenge--that it could have performed the work at a lower price does not show that this determination was incorrect. Moreover, under the circumstances of this case, the agency was not even required to verify price reasonableness before proceeding on a micro-purchase basis. In this regard, the FAR--recognizing that the administrative cost of verifying price reasonableness ordinarily could more than offset savings from detecting instances of overpricing--provides that reasonableness need not be verified, except in specified circumstances not present here. FAR § 13.106-1(a)(3).

The protest is denied.

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