



United States
General Accounting Office
Washington, D.C. 20548

Office of the General Counsel

B-234015

April 21, 1989

The Honorable Barbara A. Mikulski
United States Senator
Suite 253
World Trade Center
Baltimore, Maryland 21202-3041

Dear Senator Mikulski:

This responds to your letter of December 14, 1988, requesting information in regard to an inquiry you received from TMA Corporation, Inc., of Riverdale, Maryland.

TMA objects to the failure of the Department of the Navy to award it a contract under section 8(a) of the Small Business Act for hardware and maintenance support services for the Naval Military Personnel Command Data Center. TMA states that it was advised by the Navy that there were insufficient funds available to award the contract. The firm contends, however, that the agency lacks the personnel to perform the work in-house, and that the circumstances suggest a violation of the Small Business Act.

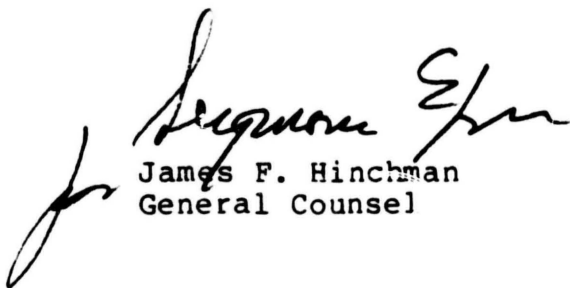
In its report to our Office, the Navy confirms that contracting officials initially considered obtaining the services from PSI International, Inc., a subcontractor under a Small Business Administration (SBA) 8(a) contract with the Navy, through a modification of PSI's contract. However, after receiving inquiries from the SBA and TMA, the Navy offered TMA an opportunity to demonstrate its ability to perform the work in question; TMA subsequently met with contracting officials on October 5, 1988, to describe the firm's qualifications.

The Navy reports that, in the interim, a September 30 program review indicated that 35 percent reduction in the contracting activity's fiscal year 1989 data services budget was necessary. The agency advised TMA at this juncture that the new budget would not support contracting for the services. The agency states that, as a result of these budgetary restraints, the services currently are being performed by in-house personnel rather than by contract.

Notwithstanding TMA's speculation to the contrary, we find no evidence that the Navy acted improperly in refusing to award a contract to TMA under the section 8(a) program. Our review indicates that the Navy gave TMA an opportunity to present its qualifications, and that the contracting effort was abandoned simply because budgetary constraints did not allow the Navy to proceed further. In this respect, we point out that it is not uncommon for agencies to terminate efforts to award contracts because the anticipated funding for the contracts is lost or does not materialize.

We trust this information will be helpful.

Sincerely yours,

A handwritten signature in black ink, appearing to read "James F. Hinchman". The signature is written in a cursive style with a large initial "J" and "H".

James F. Hinchman
General Counsel