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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON REGIONAL OFFICE
FIFTH FLOOR
803 WEST BROAD STREET
FALLS CHURCH, VIRGINIA 22046

091307

APR 7 1976

Mr. Herbert T. Mills
Acting Assistant Administrator
for Administration
U.S. Small Business Administration
1441 L Street, NW.
Washington, D.C. 20416

Dear Mr. Mills:

This letter is a follow-on to our letter of February 13, 1976, and our discussion with you on that day. You will recall that in the course of our audit we noted that certain incidental services were purchased under the INFONET contract which should have been procured by other means. The enclosed summary describes our observations.

Because the General Services Administration (GSA) is responsible for the administration of the INFONET contract, we are forwarding a copy of this letter and the summary to them.

Again, we would like to acknowledge the courtesy and assistance extended to us by your staff during our audit. Should you have any questions concerning our comments, we shall be pleased to discuss them with you.

Sincerely yours,

D. P. Sorando
Regional Manager

Enclosure

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SUMMARY OF THE U.S. SMALL BUSINESS ADMINISTRATION'S
PURCHASE OF INCIDENTAL SERVICES UNDER THE INFONET CONTRACT

U.S. General Accounting Office
Washington Regional Office
Falls Church, Virginia
April 1976

CRITERIA FOR PROCUREMENT
OF INCIDENTAL SERVICES

The General Services Administration's INFONET system contract (GS-00S-11580) with Computer Sciences Corporation (CSC) provides teleprocessing services to Federal agencies on a national scale. The contract also provides that certain incidental services are available to users. These include the use of terminals to meet urgent agency requirements, analyst/consultant services, training, and use of applications programs.

GSA's "Special Notice Concerning Timesharing User Services, Dated May 1, 1973," states that the availability of these incidental services is not a basis for contract award, and therefore, the INFONET contract is not a requirements contract for such services. The purchase of incidental services must be justified in accordance with applicable procurement regulations.

GSA's timesharing instructions also state that the analyst/consultant services provided under the INFONET contract are intended to assist users in the implementation and maintenance of their systems on the teleprocessing network to the extent specialized network skills are required to meet agency needs. Analyst consultant services are provided on an as requested basis within

the hourly rates shown in schedule J of the contract.

These specialized network services are not intended to be used for major system development efforts.

Procurement procedures for acquiring ADP services from a commercial source are specified in Federal Property Management Regulation (FPMR) 101-32.203. The FPMR requires that agencies first attempt to satisfy requirements for ADP services by screening resources of other ADP units in the immediate vicinity. If the result of the screening is unsuccessful, the requirements must be referred to GSA.

CONFLICT BETWEEN USER
INSTRUCTIONS AND THE
INFONET CONTRACT

GSA's user instructions conflict with the INFONET contract regarding the need for GSA approval for the purchase of incidental services. The user instructions specify an annual limitation of \$25,000 per user identification number for specialized services which may be obtained without prior GSA approval. However, the INFONET contract provides that all such services must be authorized by GSA with no mention of an annual limitation.

The GSA contract administrator responsible for monitoring the INFONET contract told us that the user instructions that were mailed to the Federal agencies were in error regarding the \$25,000 blanket purchase agreement.

He stated that the incidental services instructions in the INFONET contract are binding and Federal agencies should receive GSA approval for the purchase of any incidental services.

PROCUREMENT OF INCIDENTAL SERVICES
BY THE SMALL BUSINESS ADMINISTRATION

The Small Business Administration (SBA) installed INFONET timesharing facilities on November 1, 1974. SBA's budget for INFONET amounted to \$47,085 and approximately \$300,000 for fiscal years 1975 and 1976, respectively.

SBA expended over \$19,000 for fiscal year 1975 and over \$14,000 for the first quarter of fiscal year 1976 for consultant services under the INFONET contract that were not network related. The consulting services were provided by DBD Systems, Inc. (DBD) to assist an SBA task force in the development and initial implementation of a long-range plan to establish a data base management system for SBA's in-house computer. SBA did not obtain GSA approval for the purchase of about \$40,000 of other incidental services under the contract in fiscal year 1975.

CSC is billing SBA for DBD's consulting services at the rates specified in schedule J of the INFONET contract. However, according to a DBD Systems, Inc., letter dated February 6, 1975, CSC is receiving 20 percent of the consultant fees because DBD is only charging CSC 80 percent of the amount stated in the contract.



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Mr. James Hennessey
Chief, ADP Procurement
General Services Administration
CDPR, Room G-20
18th & F Street, NW.
Washington, D.C. 20405

Dear Mr. Hennessey:

Enclosed is a copy of our letter report to the U.S. Small Business Administration, concerning the procurement of certain incidental ADP services under the INFONET contract.

Sincerely yours,

D. P. Sorando

D. P. Sorando
Regional Manager

Enclosure