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The Comptroller General  
of the United States

Washington, D.C. 20548

# Decision

Matter of: Check Technology Corporation--Reconsideration

File: B-223987.2

Date: May 14, 1987

## DIGEST

Solicitation requirement for an integrated check printing and document processing system incorporating an automated optical post-print verification process is not unduly restrictive of competition because the requirement is reasonably related to the agency's need to produce error-free checks.

## DECISION

Check Technology Corporation (CTC) requests reconsideration of our decision, Check Technology Corp., B-223987, Dec. 23, 1986, 86-2 CPD ¶ 704, in which we denied its protest. CTC protested that certain specifications in request for proposals (RFP) No. DABT60-86-R-0173, issued by the Department of the Army, Fort Eustis, Virginia, for four fully integrated check printing and document processing systems and related services, were unduly restrictive of competition. CTC did not submit a proposal after CTC requested, and the Army refused to provide, a written determination that CTC's system would not be rejected as technically unacceptable under various specifications.

Our prior decision is affirmed.

Generally, the RFP sought proposals for commercially available equipment that, among other things, would print paper checks; accept magnetic tape input; print alpha numeric Optical Character Recognition (OCR) font and Magnetic Ink Character Recognition (MICR) data on the checks; and validate OCR and MICR printed data against the computer records used to print the checks. The latter "post-print verification" process is to employ an optical character reader to compare the dollar amount, check number, and MICR serial number, transit number and check symbol number to ensure that the check was printed correctly. Erroneous checks are to be automatically rejected, with no manual intervention from creation of the checks through insertion of the checks into envelopes.

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In our prior decision, we found that the equipment CTC seeks to have the Army allow would use paper sheets rather than roll paper, necessitating manual insertion of cut sheets of blank checks into the processing equipment. CTC also sought to have the Army restate its requirement for four machines in order to permit offers to furnish a larger number of lower capacity machines than the RFP requested. We concluded that the Army properly determined that CTC's approach would result in a loss of productivity and an increased risk of theft of blank checks, in contrast to the system specified. We held that the Army's stated need for a fully automated process using continuous roll paper was justified in view of its production requirement to prepare 1.6 million checks monthly. We noted that the Army, in framing its requirement, relied on guidance from the Department of the Treasury, which has regulatory authority concerning the preparation and issuance of government checks.

Further, we found that the Army was justified in rejecting a related demand by CTC that the Army drop the requirement for built-in optical scanning of checks. In this regard, we concluded that CTC had not provided substantial evidence to rebut the Army's proof that post-print verification is necessary to control production quality.

In requesting reconsideration, CTC reiterates its basic contention that the RFP is unduly restrictive of competition and contends that our decision reflects numerous errors. According to CTC, we misstated the length of the rolls of paper, which contain 80,000 checks per roll, indicating instead that each roll is to contain 120,000 checks. CTC contends that we relied unduly on the Army's concern regarding the likelihood of theft and asserts that the agency selected roll paper primarily because of concern for efficiency. CTC further disputes our finding that the process was to be performed without human intervention, which CTC says is to some degree always necessary to correct malfunctions. Concerning CTC's demand that the Army dispense with its requirement for post-print verification, CTC contends that our prior decision is in error because we confused verification of optically and magnetically readable data; optical scanning cannot be used, CTC says, to verify that magnetically encoded information was correctly printed. Finally, our prior decision is said to be in error as a matter of law because, CTC says, we penalized it for failing to submit a proposal and failed to recognize and treat this matter as a de facto procurement from a sole-source, requiring close scrutiny of the Army's solicitation because only one offeror responded to the RFP.

While our reference in our prior decision to the paper stock as containing 120,000 rather than 80,000 blank checks

appears to have been in error, correction of the discrepancy merely reduces the time for replacement of a roll from once every 9 to once every 6 hours and does not alter the conclusions on which our decision was based. Moreover, CTC has clearly indicated that it will not offer post-print verification, and we continue to believe, as affirmed below, that the Army has a legitimate need for that feature.

Concerning post-print verification, CTC argues that its system uses a more advanced technology than the RFP requires. The system includes a central memory which drives two print mechanisms, including an ion deposition printer, that print both the optically and magnetically readable data on the check. According to CTC, the two print mechanisms get their data from the same source so the printed numbers will always be the same, precluding discrepancies. In support of its position, CTC submitted the following affidavit:

"The architecture of the CTC 2000 printing system hardware and Series III software is such that an external OCR device is unnecessary for the above purpose. In the CTC System, input data is placed in memory. The data block for the OCR and MICR data is one and the same, not two separate data blocks. The CTC 2000 is able to convert this single number to OCR through an OCR font command and to MICR through a separate MICR font command. Until both the OCR and MICR data is printed, the input data block is held in memory and cannot be overwritten by new data. Because of this architecture (retention in memory) there is no need to compare the output to the original input. In short, the system architecture is designed to make comparison discrepancies impossible."

CTC also argues that an optical character reader cannot reconcile discrepancies between printed checks and magnetically encoded characters.

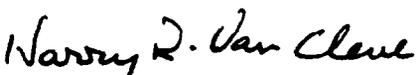
Although CTC apparently reads the post-print verification requirement narrowly as concerning only reconciliation of the visually and magnetically encoded data, a broader purpose is intended, providing abundant justification for the agency's specification of an optical post-print verification. The record shows that the government (collectively, the Army and Treasury) is concerned with producing high quality tamper-resistant checks that can be processed with minimum cost through the Federal Reserve banking system. Post-print optical verification ensures proper positioning of data on the check, as well as protection against voids in the printing, ink smears, paper flaws and similar defects

attributable to mechanical or electro-mechanical failures. Moreover, the record contains substantial evidence linking the post-print requirement to prior government experience indicating a need for quality assurance systems of this type. Specifically, Treasury has documented millions of errors detected in checks printed in the past, errors the agency attributes to intermittent problems that, unless caught, would result in the issuance of badly printed checks. Poorly printed checks, in the quantities involved here, would cause significant difficulty clearing through the Federal Reserve System, and it is this problem that post-printing verification seeks to avoid.

We recognize that CTC argues that its equipment is based on innovative technology which can minimize the frequency with which errors occur. It is CTC's view that the performance of its equipment is good enough that the government can dispense with optical post-printing verification. On the other hand, it is the government's judgment that post-printing verification is necessary as a safeguard to minimize printing errors. Our decisions have recognized that agencies may legitimately base specifications on their actual experience to satisfy their requirements and may impose restrictions they find to be reasonably necessary to correct problems they have encountered. Bill Ward Painting and Decorating, B-200802 et al., Jan. 6, 1981, 81-1 CPD ¶ 7. Since the government's requirement has a substantial and logically supportable basis, founded in its past experience, and has not been shown by CTC to be arbitrary, the requirement for post-printing verification is reasonable.

The Army may insist on limiting competition to firms capable of meeting its legitimate needs, even if this results in only one bidder. Gerber Scientific Instrument Co., B-197265, Apr. 8, 1980, 80-1 CPD ¶ 263. Since CTC has not expressed any willingness to offer optical post-print verification, it is not prejudiced by the Army's refusal to relax other requirements. Therefore, the remaining issues it raises need not be decided.

Our prior decision is affirmed.

  
Harry R. Van Cleve  
General Counsel