



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

108237

DIVISION OF FINANCIAL AND
GENERAL MANAGEMENT STUDIES

See form #115 for title

B-115369

DECEMBER 28, 1978



The Honorable Jay Solomon
The Administrator of
General Services

Dear Mr. Solomon:

This letter report discusses our review of the automatic data processing equipment (ADPE) interim upgrade acquisition process, which is set forth in Federal Property Management Regulation (FPMR) 101-35.2 (formerly Federal Management Circular 74-5) and administered by the Automated Data and Telecommunications Service (ADTS). The purposes of the review were to evaluate the interim upgrade policy, GSA's administration of the interim upgrade process, and the effect the interim upgrade policy has had on competition in ADP procurements. Our work shows that the written definition of the policy differs from GSA practices in assigning this designation and that agreements to procure on a competitive basis within specified time frames have not been enforced. Accordingly, we are recommending that you make changes in the policy and procedures for handling interim upgrade acquisitions.

PRESENT PUBLISHED CRITERIA FOR INTERIM UPGRADES

The interim upgrade process prescribed in FPMR 101-35.2 permits an agency to acquire ADPE under circumstances of limited competition--but only on a temporary basis pending a fully competitive reprocurement. The process calls for an agency to document its ADPE requirements and submit a request to GSA for procurement action or delegation of procurement authority (DPA). The FPMR, in essence, requires that for a procurement to qualify as an interim upgrade it must meet the following criteria:

- fulfill an unforeseen, urgent, data processing requirement,
- be on a temporary basis pending a fully competitive reprocurement (normally within 2 years), and
- be an addition and/or augmentation of installed components or subsystems. 1/

1/See encl. I for excerpts from the FPMR.

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NUMBER OF INTERIM UPGRADES AUTHORIZED

We found that during the period July 1974 through June 1978, only 70 out of 1,831 agency procurement requests were classified as interim upgrades by GSA, as shown in the following table.

Interim DPAs Issued by GSA
July 1, 1974 - June 30, 1978

FY	Agency Procurement Requests (APRs)	DPAs Issued	Sole-source DPAs	Interim DPAs	
				(included in sole-source)	percent of APRs
1975	460	399	210	16	3
1976	385	333	147	19	5
TQ (note a)	140	132	59	3	2
1977	470	445	207	27	6
1978 (through June 30, 1978)	—	—	—	—	—
Total	<u>1,831</u>	<u>1,662</u>	<u>771</u>	<u>70</u>	4

a/Transition quarter covering July, August, and September 1976.

PUBLISHED CRITERIA NOT APPLIED IN PRACTICE

We attempted to examine the case files for the 70 authorized interim DPAs to see how the interim upgrade policy was applied by GSA and discovered that GSA's criteria differed from those set forth in the FPMR. We were limited in our analysis in 11 cases because the files were not readily available; in other cases, documentation was lacking; and in still others, correspondence referred to telephone conversations that were not documented.

Fifty-nine cases had sufficient documentation for analysis, and our examination of them showed that:

- Only one case had unforeseen aspects.
- Only 18 cases were for an addition and/or augmentation to already installed components or subsystems. Many others were for types of resources not cited in the governing regulation, such as total systems, lease extensions, or maintenance agreements.

In the one case that had unforeseen aspects, a disk drive had been damaged. Rather than seek an interim upgrade, however, the agency had requested a sole-source procurement for the remainder of the fiscal year, pending a competitive procurement. Their justification statement read, in part, as follows:

"The equipment is to replace a * * * unit which has suffered irreparable damage * * *. It is proposed to issue a competitive solicitation for this requirement for Fiscal Year 1977 and subsequent years."

In contrast, the following statements are typical justifications in other cases which were classified by GSA as interim:

"The replacement will thereby help relieve a critical data processing backlog."

* * * * *

"We have an urgent need for additional storage capacity because our current facilities are saturated and there is a major new system due for implementation in March."

Although these justification statements may indicate a legitimately "urgent" data processing need, in the cases analyzed many of the situations appeared to have resulted from a gradual increase in workload and proper advance planning should have precluded these "urgent" situations from arising. These situations do not meet the "unforeseen" criterion specified in the FPMR.

We also learned it was GSA--not the requesting agency--that had classified the requests as interim. Since the FPMR specifies that an interim upgrade is to be based on an agency's unforeseen, urgent data processing requirements, it is logical that the agency should document in the request what those conditions are. Instead, we found that in 57 of the 59 cases, the agencies did not mention interim upgrade in their requests. Rather, GSA classified the cases as interim. According to a cognizant GSA official, classification as an interim is based on factors unique to each case. GSA's determinations are based mainly on the "urgency" of the requirement. When carried through, the process culminates in GSA's granting the agency an interim delegation of procurement authority at the end of its review.

LACK OF EFFECTIVE GSA FOLLOWUP

While discussing this matter further, a GSA official said that entries were made in the "Interims" log maintained by his office based on information in the DPA. For instance, if the agency procurement request limits competition and if the DPA is limited in terms of time and the acquisition must be replaced by a certain date with equipment acquired competitively, the request is entered in the "Interims" log.

Thus, the purpose of the interim upgrade classification seems to be to require that a "fully competitive" procurement be accomplished within a stated period. We believe this is basically a sound approach, but we found that GSA had no effective system for assuring that the promised procurement has occurred. In numerous instances case files did not show that a fully competitive reprocurement had taken place, and in those cases, the benefits of a fully competitive acquisition are lost.

CONCLUSION

The interim upgrade process as administered by GSA has not improved competition in ADP procurements. The application of criteria different from that in the FPMR clouds the issue and makes it difficult to determine which situations qualify for interim procurement. GSA's lack of an effective tracking and followup procedure has further contributed to the ineffectiveness of the interim upgrade process and we have concluded that changes are in order.

RECOMMENDATIONS

We recommend that GSA reexamine its ADP interim upgrade policy and clearly define (1) its purpose, (2) the types of resources that qualify for such a procurement, (3) the criteria to be applied by the agency in determining whether an interim upgrade procurement is appropriate, and (4) the types of competitive procurement and administrative commitments the agency must accept to obtain approval of an interim upgrade request. We further recommend that GSA (1) issue a revised regulation covering ADP interim upgrades, (2) enforce the general criteria and any specific commitments applicable, and (3) implement effective tracking and followup procedures.

AGENCY COMMENTS

We discussed this report with the Commissioner, Automated Data and Telecommunications Service, and members of his staff. They stated that GSA's application of criteria in interim upgrades has, as a practical necessity, been focused on the "urgent" rather than the "unforeseen" aspect of the data processing requirements. They pointed out that even though most requirements could have been foreseen, the lack of agency advance planning frequently resulted in the need becoming "urgent."

The ADTS staff also stated that during the review GSA recognized that proper cognizance over outstanding interim DPAs was lacking. Early in 1977 they established a control log; however, they agreed that all interim DPAs (even the more recent) still could not be readily identified by using the log. They also agreed that an agency's progress toward satisfying the interim DPA conditions was not documented. The ADTS staff advised us that the registration and tracking system has been improved to assure that an accurate interim delegation log is maintained. They have also instituted followups with agencies delinquent in progress reporting.

We intend to evaluate the effectiveness of the new tracking system as part of our future review of computer procurements overall. We advised you of that assignment in our letter of September 12, 1978.

This report contains recommendations which, as you know, are subject to section 236 of the Legislative Reorganization Act of 1970. This section of the act requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

Copies of this letter are being sent to the Chairmen, House and Senate Committees on Appropriations, House Committee on Government Operations, and Senate Committee on Governmental Affairs.

We wish to express our appreciation for the cooperation and assistance your staff gave us and for their help in providing files and documents during our study of the ADPE interim upgrade procurement issue.

Sincerely yours, .

A handwritten signature in black ink, appearing to read "D. L. Scantlebury", with a long horizontal flourish extending to the right.

D. L. Scantlebury
Director

Enclosure

Excerpts from Federal Property Management Regulation
101-35.2: Management, Acquisition, and Utilization
of Automatic Data Processing (ADP), dated June 30, 1978

FPMR 101-35.206

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"(c)(4) If ADPE for an interim upgrade is acquired noncompetitively then the agency shall commit itself to replace the complete ADPE complex (or some logical and substantial subset thereof) of which the interim equipment forms a part. Such acquisition shall be based on new specifications and shall be accomplished through a competitive procurement within 2 years of the initial acquisition. The agency and GSA may mutually agree to a longer period of time when there are unusual circumstances."

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"Appendix A - Glossary of Terms"

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"6. 'Interim upgrade' means the acquisition of additional and/or augmentation of installed components or subsystems to increase or improve the data processing capability of ADPE or systems. The acquisition and/or augmentation must be on a temporary basis, pending a fully competitive procurement, to meet unforeseen, urgent, data processing requirements."