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COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

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OCT 24 1980

The Honorable Jack Brooks, Chairman
Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

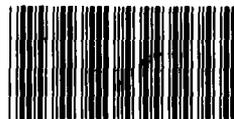
Subject: [Review of GSA's Acquisition of ADP Resources]
(AFMD-81-15)

Your July 14, 1980, letter requested that we review the General Services Administration (GSA) plans to acquire automatic data processing (ADP) resources to support its internal data processing requirements. Specifically, you expressed concern about GSA's continued reliance on sole-source, noncompetitive extensions of the Computer Sciences Corporation (CSC) INFONET contracts for teleprocessing services. These extensions have been justified by GSA as interim solutions until its planned long-range acquisition of ADP resources is completed. This acquisition has been in process for at least 4 years, but GSA still has not completed the action. In addition, GSA is now planning yet another sole-source, noncompetitive extension of the INFONET contracts.

We intend to provide you with our final report on the information you requested in your July 14 letter by November 30, 1980, but we are making this interim report to advise you of GSA's current actions.

INFONET CONTRACTS FOR
TELEPROCESSING SERVICES

On March 21, 1972, GSA awarded a fixed-price requirements-type contract to CSC INFONET, known as the National Teleprocessing Services (NTS) contract. This contract was a mandatory source for all Government users requiring teleprocessing services and consisted of interactive timesharing and remote batch access to a common data base under a nationwide teleprocessing network. The initial contract period, subject to annual renewals, was not to exceed 54 months. However, 103 months have now passed since the award of this contract, and the current extensions run to 1981 and 1983 for two dedicated systems.



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GSA DETERMINES IT NEEDS
DEDICATED TELEPROCESSING SERVICES

Public Law 92-313, enacted June 16, 1972, created a Federal Building Fund to finance the real property activities of the Public Buildings Service, controlled by GSA. The law required GSA to design a new accounting system to support the Federal Building Fund. The accounting system became operational on July 1, 1974, and was processed on the NTS INFONET system. Due to implementation problems and a backlog in constructing the accounting system's data base, GSA's Office of Finance was not able to process its daily transactions while simultaneously building the data base. Thus, GSA determined that it had a need for dedicated teleprocessing service. Since the software and terminals used to support the accounting system were designed for use on INFONET, GSA concluded that it was impractical to obtain the required services from any source other than INFONET.

In October 1974, GSA contracted for a sole-source, 12-month lease of a dedicated teleprocessing system exclusively for the Federal Building Fund accounting system. The service was acquired by modifying the NTS INFONET contract, with options to extend the service further at any time during the term of the contract. To insure that dedicated service would be available for the accounting system without disruptions in processing, GSA again modified the NTS INFONET contract. The modification allowed the GSA contracting officer to exercise options under the contract until termination, even though INFONET may have had another Government contract under the newly established ADP Teleprocessing Services Program discussed below.

TELEPROCESSING SERVICES PROGRAM

To enhance competition within the ADP teleprocessing services environment, GSA established the Teleprocessing Services Program (TSP). On May 5, 1977, GSA issued a directive to all Federal agencies that effective August 1, 1977, the TSP would become the mandatory means by which Federal agencies would acquire commercial teleprocessing services. Those Federal agencies who had been obtaining teleprocessing services under the NTS INFONET contract must terminate such service and initiate competitive procurements under the TSP. Furthermore, GSA stated that it would not extend the NTS INFONET contract beyond September 1977. However, since GSA modified the NTS INFONET contract to provide authority to the GSA contracting officer to exercise options under that contract until its termination, GSA continued to exercise these options by extending the NTS INFONET contract--even though all other Federal agencies were required to use the TSP program.

GSA EXPANDS NEED FOR
DEDICATED SERVICE

GSA has been developing a long-range plan to replace its in-house ADP equipment because this equipment is outdated and inadequate to meet increasing data processing requirements. Until a fully competitive procurement can be executed and the internal ADP systems can be converted to the newly acquired resource, GSA has determined that both the Public Buildings Service and the Office of Finance require a dedicated system.

The NTS INFONET contract for dedicated service to support the Federal Building Fund accounting system was scheduled to expire in September 1977. When GSA extended the contract for 3 months--to December 1977--it included a provision which authorized GSA to contract for two dedicated systems under a multiyear commitment for up to 5 years, with an option to cancel at the end of each fiscal year.

In December 1977, GSA exercised this option and contracted for two dedicated systems from CSC under the NTS INFONET contract. One system was for the Office of Finance and was not to exceed 4 years. The other system was for the Public Buildings Service and was not to exceed 5 years. GSA justified its actions by stating that it was impracticable to secure bid competition for the interim period pending completion of the long-range procurement.

In a December 14, 1977, letter, the Administrator of General Services assured the Committee that GSA would not continue this dedicated NTS INFONET service beyond the contract's expiration, which was established to provide sufficient time to execute the long-range procurement. Almost 3 years have passed. GSA has not acquired its planned long-range ADP resources, and is again planning to extend the NTS INFONET contracts for dedicated service beyond the current expiration dates. The cost of this extension is expected to add more than \$35 million to the current dedicated contracts. GSA again maintains that this extension is the only practicable way to continue supporting the Public Buildings Service and the Office of Finance with ADP service until the long-range procurement is completed. We do not hold this view. We believe that there are more cost-effective alternatives than extending the dedicated NTS INFONET contract, even though we recognize that these alternatives may require dual conversion.

POTENTIAL SAVINGS
THROUGH COMPETITION

We believe that GSA's two dedicated systems under the NTS INFONET contract can be competitively replaced before the expiration of the current extensions--1981 and 1983, respectively.

GSA has stated that the requirements for these two systems already have been identified for inclusion in the request for proposals for the planned long-range procurement. Therefore, we believe that GSA should have sufficient time to complete both systems, rather than continue to extend the contract.

We are not able to assess the potential savings that GSA could realize through competitive procurement. We can, however, cite our own experience in the GAO recompetition of the NTS INFONET contract--resulting in a 35-month contract for 34 percent of the original estimated cost.

CSC PROPOSES EXTENSIONS
OF THE DEDICATED NTS INFONET CONTRACTS

GSA's dedicated services under the NTS INFONET contracts now expire in December 1981 (Office of Finance) and March 1983 (Public Buildings Service). Computer Sciences Corporation INFONET has submitted an unsolicited proposal to GSA. In this proposal CSC states that the current dedicated systems, utilizing U-1108 series hardware, are being used to full capacity and that CSC is concerned about GSA's ability to continue to increase processing to meet its mission requirements. CSC therefore suggests that--since it plans to upgrade its hardware to the U-1100/80 series and also redesign its operating system to take advantage of the increased capability of the 1100/80s--the two dedicated systems could be combined on one U-1100/80. This would leave GSA with a considerable amount of available processing capability. CSC also suggests that GSA could take advantage of this service through further modification of the NTS INFONET contract.

Based on CSC's proposal, GSA has designed a modification of the NTS INFONET contracts for the interim period until the long-range acquisition is completed and GSA's systems are converted to the newly acquired ADP resource--currently estimated to be about October 1983. GSA's justification for this extension is to provide for "risk of slippage" in its planned long-range acquisition schedule. Although GSA has not exercised this extension to date, all necessary documents are signed and approved for transmission to CSC.

CONCLUSIONS

We believe that the potential cost-effective alternatives, cited above, should be exercised rather than extending the dedicated NTS INFONET contracts; even though we recognize that these alternatives may require dual conversion. In addition, we believe these alternatives could be implemented prior to the current expiration dates of the existing NTS

INFONET contracts, if GSA takes prompt action. We further believe that these alternatives, if implemented, will provide impetus toward making the long-range acquisition a reality.

We have been advised by GSA officials that the computer resources included in the CSC-proposed upgrade are nearly equivalent to the computer resources GSA will require in its planned long-range acquisition. If GSA exercises its option to extend the NTS INFONET contracts, as proposed by CSC, and the planned long-range procurement experiences further delays or slippages, it is conceivable that GSA could be "locked in" to CSC INFONET for many years to come and the long-range acquisition may never be completed.

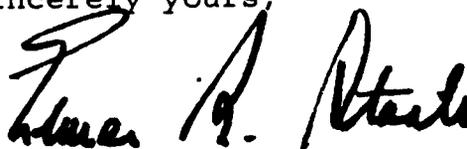
At an October 1, 1980, meeting, we presented our views to the Administrator of GSA. He indicated that he would consider our suggestions and keep us informed.

RECOMMENDATIONS

In view of the Committee's interest in the subject, the estimated dollar magnitude, and the possible long-range "lock in" with INFONET for ADP services, we recommend that the Administrator of GSA

- not exercise GSA's option to extend the NTS INFONET contracts beyond their current expiration dates and
- take prompt action to insure that the current NTS INFONET workload will be processed by competitively awarded contracts when the current NTS INFONET contract extensions expire, and until the planned long-range ADP resource is acquired.

Sincerely yours,



Comptroller General
of the United States