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December 17, 1980

B-200948

RELEASED

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



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Dear Mr. Chairman:

Subject: [Review of General Services Administration's
Acquisition of ADP Resources] (AFMD-81-21)

Your July 14, 1980, letter requested that we review the General Services Administration's (GSA's) plans to (1) acquire automatic data processing (ADP) resources (which GSA decided to conduct in accordance with Office of Management and Budget Circular A-109, Major Systems Acquisition, April 5, 1976); and (2) further extend the interim sole-source of the Computer Sciences Corporation INFONET (CSC) contracts for teleprocessing services. You also requested that we orally report our findings to your committee staff no later than November 30, 1980.

Our October 24, 1980, letter report (AFMD 81-15) covered our findings on the CSC contracts. In a meeting on December 1, 1980, with your committee staff, it was agreed that we also would send you a letter on (1) our findings on GSA's long range plan to acquire ADP resources to support its internal data processing requirements; and (2) our increasing concerns with GSA's plans to remove certain of its ADP applications from CSC. Both subjects are discussed in the enclosure to this letter.

In summary, we concluded that GSA has not, thus far, conducted its acquisition of ADP resources in accordance with OMB Circular A-109; nor will it meet its current milestones for acquiring its long range ADP resources. As a result of

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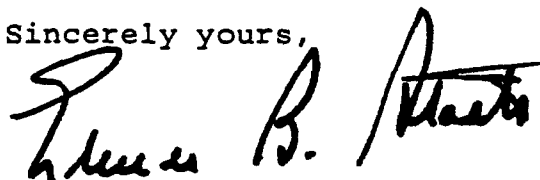
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not meeting these milestones, we do not believe GSA will be able to transfer its financial system application from CSC to the acquired long range ADP resources before the contract with CSC for teleprocessing services expires in December 1981. Our recommendations concerning this matter are discussed in Enclosure I, on page 8.

We will be glad to discuss these matters with you or with members of your staff at a mutually agreeable time to ascertain if more work is needed.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Thomas B. Staecher". The signature is written in a cursive style with a large initial "T" and a long, sweeping underline.

Comptroller General
of the United States

Enclosure

GSA'S ACTIONS TO ACQUIRE
ADP RESOURCES

GSA has conducted studies on replacing its current ADP resources since 1977. According to GSA officials, the resources were unreliable because of age and spare parts and maintenance service was limited. GSA officials also stated that these resources were saturated, and the current contracts for teleprocessing services will expire. As a result, the GSA Administrator, directed that a long range ADP plan be developed to replace most of GSA's current internal ADP resources. He further directed that a fully competitive procurement be conducted, using the guidelines of OMB Circular A-109.

The planning document was completed in February 1980 and GSA officials indicated that the acquisition would take about 3 years. GSA was faced with inadequate ADP resources during this period, and thus GSA officials planned to modify their contractual arrangements with Computer Sciences Corporation INFONET (CSC) and transfer certain information systems to CSC computers. (Our views on modification of the CSC contracts were submitted in a letter to the Chairman, House Committee on Government Operations, dated October 24, 1980, AFMD 81-15.)

To accelerate the acquisition process, milestone dates were established as follows:

- Request for Proposal (RFP) release, May 1980.
- Proposals Due, October 1980.
- Initial Proposal Evaluation, January 1981.
- Contract Award, July 1981.

GSA expected full operating capability of the acquired ADP resources by July 1982. Although GSA officials recognized that any slippage would create a problem, the original milestones have been slipped by several months. In our opinion, the resources would have been very difficult to obtain under the original milestones; and, it is questionable if they can be obtained under the revised milestones.

Long range procurement
not an A-109 acquisition

The acquisition of ADP resources by GSA to support its internal data systems is not being conducted in accordance with the requirements of OMB Circular A-109 as was originally intended. Under Circular A-109, a competitive demonstration of alternative system design concepts, submitted by vendors in response to the RFP, should be performed. This would result in an award to the vendor who satisfied the requirements to the best advantage of the Government. GSA does not intend to conduct any benchmark demonstration analysis of alternative system design concepts, after the competitive range is selected. Vendors are required to submit proposal benchmarks of their selected system. GSA then intends to determine a competitive range only by subjectively analyzing the management and technical features of the vendors' proposals. Cost may be considered only after the competitive range has been determined. (GSA has not, in our opinion, adequately identified all of its functional requirements in the RFP. For example, GSA is currently redesigning its financial system, to be implemented on equipment currently under upgrade at the National Capital Region. Vendors are submitting proposals to support current applications, including this financial system, without knowing what the redesigned system will look like.)

For GSA's acquisition to conform to OMB Circular A-109, the agency should first define all its functional requirements that specify the management and business information required for mission accomplishment. Then, from this perspective, GSA should develop an RFP with a reply date which would permit vendors to prepare and submit well developed system design concepts. GSA should then evaluate these concepts and select the proposals which appear to demonstrate workable and economic solutions, and, most importantly, GSA should require vendors to demonstrate, through a competitive benchmarking their proposed system design concept. A contract would then be awarded (if all other A-109 criteria are met) to the vendor who satisfied the requirement to the best advantage of the Government.

Current status of acquisition

GSA originally sent draft copies of its RFP to vendors, inviting comments. This RFP contained both mandatory requirements, such as system responsiveness, and desirable features such as a data element dictionary. After comments were received, and some incorporated, GSA released a revised RFP on October 31, 1980, 6 months later than planned. This

RFP does not contain any mandatory requirements or desirable features. Proposals from the vendors are currently due on January 29, 1981. However, during a bidders' conference held December 3, 1980, many vendors requested, in writing, an extension of the due date for proposals because they needed additional time to (1) develop their proposals, and (2) configure benchmark tests. (GSA officials said they were considering these requests.) In addition, written vendor questions regarding the procurement are due December 15, 1980. The content of these vendor questions also may indicate additional delay in submitting proposals.

In view of the probable delays confronting GSA, we believe it is likely that GSA will not have its long range ADP procurement in place and operational by the presently specified milestone dates of September 1981 and September 1982, respectively. This action leads to our second major concern: whether or not GSA can remove its financial system applications from CSC before the contract expires in December 1981.

EXISTING CSC CONTRACTS
FOR TELEPROCESSING SERVICES

On March 21, 1972, GSA awarded a fixed-price requirements-type contract to CSC, known as the National Teleprocessing Services (NTS) contract. This contract was a mandatory source for all Government users requiring teleprocessing services. Later, 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 which had been obtaining teleprocessing services under the NTS contract with CSC were required to terminate such service and initiate competitive procurements under the TSP. In addition, GSA stated it would not extend the NTS contract with CSC beyond September 1977.

Although GSA directed all other Federal agencies to use the TSP program, GSA continued to extend the NTS contract with CSC for its own internal use. Under the provisions of the contract, GSA modified the contract to provide authority to the GSA contracting officer to exercise options under that contract, until its termination. In exercising these options, GSA awarded contracts to CSC to provide dedicated support for GSA's financial system and for Public Building Service (PBS) applications. These contracts will expire December 1981 and March 1983, respectively.

In its long range plan to acquire ADP resources for its internal data processing requirements and those being supported by CSC, GSA planned to continue extending the current contracts with CSC, until the long range acquisition was operational.

Since 1977, Congress has been concerned about GSA's continued reliance on sole-source, noncompetitive extensions of the CSC contracts for teleprocessing services. In our October 24, 1980, report to the Chairman, of the House Committee on Government Operations, we recommended that GSA (1) not exercise its option to extend the CSC contracts beyond their current expiration dates; and (2) take prompt action to insure that current GSA workloads processed by CSC will be processed by competitively awarded contracts when the current CSC contracts expire.

At an October 1, 1980, meeting, we presented our views on CSC contracts to the GSA Administrator. He indicated that he would consider our suggestions.

On November 3, 1980, GSA suspended the Computer Sciences Corporation from future contracting and subcontracting with GSA, as a result of an FBI investigation. GSA will not award a contract to the Corporation for any new business pending the completion of legal proceedings, currently scheduled to start in February 1981. At present, there are no indications that this litigation will be completed quickly.

If Computer Sciences Corporation is still under suspension in December 1981, GSA would not be able to further extend its contract with CSC using normal procedures. It seems very likely that the acquisition of the ADP resources will not be completed to transfer the financial system from CSC support by December 1981. Although "public exigency" could be cited by GSA to extend the CSC contract past December 1981, we believe this could put the Government at a substantial disadvantage in that Computer Sciences Corporation (given its problems) could decline to furnish such service, or, could offer to extend the service at non negotiable high rates.

CURRENT ACTION BY GSA

GSA recognized its problem and has initiated action to transfer its finance system from CSC to another facility before the December 1981 expiration date.

To make this move, GSA decided to upgrade its IBM/360 series equipment at the National Capital Region (NCR) facility for the second time. The initial upgrade, currently underway, was acquired to support developmental work on GSA's payroll system (now processed by NCR).

Acquisitions of the initial upgrade were conducted under Federal Procurement Regulation Temporary Regulation E-46 for about \$260,000. GSA acquired a Magnuson M80/32 processor (IBM-compatible), and support terminals. However, the proposed second upgrade is specifying Magnuson gear by make and model, and is expected to cost over \$300,000. Current Federal Procurement Regulations require a general systems study before deciding if ADP equipment should be acquired. Also, such an upgrade requires a data communications study. These studies will take time, which GSA does not have now. A GSA official told us that the agency has just started determining what actions are required for the second upgrade acquisition.

Also, the financial system that is now being processed by CSC is being redesigned using the initial 360 upgrade equipment at the NCR. The project manager for this work told us that the functional requirements statement for the financial system is not expected to be completed until April 1981. Although the development of the financial system will be done on the Magnuson gear now in place, the official indicated to us that GSA will need to move the developed system to the second Magnuson upgrade by the fall of 1981, if GSA is to be able to process the financial system on it when the CSC contract expires. Current implementation milestone date for the financial system is January 2, 1982. If there are any delays in the redesign and development of the financial system, GSA will not be able to transfer the system from CSC at the expiration date of December 31, 1981.

In our view, GSA, in this developing emergency situation, should consider other alternatives to support its finance system.

Potential for sharing
with other Federal agencies

There are other Federal facilities which may have the capability to process GSA's financial system applications.

For example:

- The Mint facility in San Francisco has a IBM 370/155,
- The Harry Diamond Laboratories in Maryland (IBM 370 series equipment) has been looking for customers for its ADP capability,
- Other facilities such as the Air Force's San Antonio Data Services Center, and the Lawrence Berkeley Laboratory, could also be explored.

In our discussion with GSA's Director of Finance, he indicated that the current financial system now being processed by CSC could be scaled down in an emergency to bare essentials--paying bills. As a result of GSA's current situation, GSA should seriously consider this action and, if the shared processing capability is available from other Federal agencies, GSA should take immediate action to transfer this scaled down version to one of these facilities before the CSC contract expires.

There are other alternatives which GSA has not adequately explored.

FEDERAL DATA PROCESSING CENTER
AT MACON, GEORGIA

Officials at the Federal Data Processing Center (FDPC) at Macon told us that, on an interim basis using their existing equipment, they could support GSA's financial system, now on CSC computers. This facility is operated by the Office of Personnel Management (OPM); however, GSA manages the FDPC under a program called RAMUS II.

Under the current Macon contract with Honeywell, the center has the option to obtain additional processors, and there is room in the building to accomodate additional equipment. Also, the contract for the building, which houses the ADP equipment, contains an option to enlarge the building if necessary.

An OPM official at Macon told us that there would be no problem, as far as OPM is concerned, in expanding the facility. GSA's Commissioner of Automated Data and Telecommunication Services also saw no problem in GSA obtaining this support from Macon.

We believe that if additional processors were acquired for the Macon facility, GSA's PBS system could be transferred to it and that enlarged facility could satisfy all of GSA's internal ADP needs currently identified in its long range program.

COMMERCIAL TIME-SHARING CAPABILITIES

This approach could be used as a method for GSA to terminate its dependent support with CSC because the requirements for both the financial system and the PBS system are identified in the current long range procurement plan. RFP's could be developed and submitted for competition under the Time-sharing Services Program. (GSA's current RFP for the long range procurement precludes any bids from Time-sharing Services Program vendors in a time-sharing mode because of the requirement that GSA requires pre-emptory control of computing resources.)

GSA is approaching an emergency situation regarding ADP support for its financial system. We discussed some of the above alternatives with the GSA Administrator, on October 1, 1980. Since the CSC suspension, we have discussed all these alternatives with GSA's Director of Data Systems, who is the official responsible for GSA's internal data systems. He stated that these alternatives are not viable because "computing resources must be fully and exclusively dedicated to GSA use".

While the above alternatives do not afford dedicated GSA use, GSA has not, in our view, demonstrated any need for fully dedicated processing resources for its internal applications.

CONCLUSIONS

GSA has not yet conducted its acquisition of ADP resources to support internal data systems in accordance with OMB Circular A-109, although that was the original intent.

In our opinion, GSA probably will not meet its current milestone dates--in place September 1981 and fully operational September 1982--for acquiring ADP resources. Thus, GSA will not be able to transfer its financial system processed by CSC, to the acquired ADP resource before the contract

expires. We do not believe that the current action taken by GSA to upgrade its IBM equipment at the NCR will be completed prior to the contract's December 1981 expiration date. Under the circumstances, since this effort may not be successful by the desired date, it should be stopped now before a lot of resources are spent on it.

RECOMMENDATIONS

We recommend that the Administrator, GSA:

--Immediately plan to scale down the financial system, and ascertain if processing capability is available elsewhere in Government to handle this system. If scaling down is feasible, GSA should arrange transfer of the reduced financial system to another Federal computer to assure continuity of critical processing, and cancel the plan for the second upgrade of the IBM-compatible equipment at the National Capitol Region and cease the redesign of the financial system, for processing on this equipment.

We then recommend that the Administrator, GSA, should, without delay,

--Act jointly with OPM officials to expand the Federal Data Processing Center at Macon, Georgia, and begin redesign and implementation of the financial system for processing on the equipment at Macon.

--Initiate action to complete conversion of the PBS system to Macon before March 31, 1983.

The Administrator should also immediately act to terminate the current long range plan to acquire ADP resources to support GSA internal systems and remain at the Macon facility until the long range procurement can be properly conducted in accordance with OMB Circular A-109 and other Federal regulations.

We recognize that these interim actions are not ideal, and will cost money, but we believe they are necessary in view of the developing emergency situation.