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B-146864

APR 16 1976

The Honorable Gale McGee
Chairman, Subcommittee on Agriculture,
and Related Agencies
Committee on Appropriations
United States Senate

Dear Mr. Chairman:

In response to your request of November 24, 1975, we have reviewed the Department of Agriculture's proposal to acquire automatic data processing equipment for its Washington Computer Center. This letter confirms and updates the oral report given your office in January 1976. As agreed by your office, we are continuing our review of the proposed procurement for the St. Louis Computer Center and will issue a separate report on that proposal at a later date.

Early in 1974, the Washington Computer Center was experiencing problems with its newly installed IBM 370/168 computer system. The difficulties were attributed to the type of disk drives being used. The Center concluded that the only satisfactory solution was to replace the disk drives with drives providing an improved switching capability. This feature was available only in IBM Corporation disk drives. Consequently, the General Services Administration authorized, on an emergency sole source basis, the mid-1974 leasing of 80 IBM single density disk drives on an interim basis; General Services stipulated that the Department would issue a request for proposals within 90 days to competitively acquire replacement disk drives to be installed within 9 months.

On October 7, 1975, the Department issued the competitive request for proposals which, as amended, was for a brand name or equal procurement of 44 IBM 3330/3333 double density disk drives and 6 control units. The delay in preparing the request resulted from difficulty in reaching agreement with General Services on performance requirements, evaluation procedures, and requirements for future expansion. Based on the Department's stated need for double density disk drives to minimize the amount of floor space used in

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[USDA Proposal To Acquire Automatic Data
Processing Equipment]

order to facilitate possible expansion into a mass storage system capable of housing larger data bases, General Services authorized the acquisition of the double density drives as replacements for the 80 IBM single density disk drives.

Our review showed that the Center had not made a study justifying the need for expansion to a mass storage system nor of the related need to convert from single density disk drives to double density disk drives. We also found that the switching capability--originally available only in the IBM disk equipment--had later been made available by another vendor at substantially less cost under a mandatory requirements contract competitively awarded by General Services. The annual cost of leasing the 80 IBM single density disk drives is about \$1,003,000. The annual cost of leasing 80 single density disk drives under the mandatory requirements contract is about \$664,000.

Under Federal Property Management Regulation 101-32.403-1, agencies are required to use mandatory requirements contracts, awarded by General Services, when the equipment included in the contract will satisfy their data processing needs. Under these contracts, the Government agrees to acquire a minimum number of the equipment items to obtain a discount.

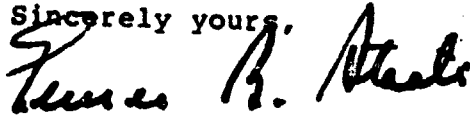
In January 1976 we discussed our findings with Department officials and suggested that the request for proposals for double density disk drives be canceled and that the Department use the existing mandatory requirements contract to replace the 80 IBM single density disk drives. We were told that should the need arise to expand the system at the Center, a detailed study will be made and any subsequent procurement will be made on a fully competitive basis. We were also told that use of the mandatory requirements contract to replace the 80 IBM disk drives would be reviewed.

On February 25, 1976, the Department advised vendors that the request for proposals to lease 44 double density disk drives was being canceled and that it planned to lease single density disk drives under the mandatory requirements contract.

As agreed by your office, we are sending copies of this letter to Congressman John E. Moss because of his expressed interest in the Department's procurement of data processing equipment and to the Chairman of the House Committee on

Government Operations for the reasons stated in his request of January 17, 1976. (See enclosure.) We are also sending copies to the Chairman, Subcommittee on Agriculture, Environmental and Consumer Protection, House Committee on Appropriations; the Secretary of Agriculture; and the Administrator of General Services.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "James B. Steele".

Comptroller General
of the United States

Enclosure