

GAO

United States General Accounting Office **133227**
Report to the Chairman, Subcommittee
on Defense, Committee on Appropriations,
House of Representatives

June 1987

ARMY ADP SYSTEM

Request for Proposals Did Not Unduly Restrict Competition



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**Information Management and
Technology Division****B-227291**

June 1, 1987

The Honorable Bill Chappell, Jr.
Chairman, Subcommittee on Defense
Committee on Appropriations
House of Representatives

Dear Mr. Chairman:

This report responds to your April 27, 1987, letter regarding Phase II of the U.S. Army's Project 80X system. In that letter, you requested that we review the specifications in the June 1986 amended Request for Proposals and the criteria used by the Army to evaluate offerors' bids.

As agreed with your office, we analyzed the June 1986 Request for Proposals to determine whether the technical specifications unduly restrict competition. We also evaluated the Army's responsiveness to questions raised by potential offerors, a bid protester, and the Assistant Secretary of Defense (Comptroller) regarding the original Request for Proposals issued in May 1985.

Our analysis of technical specifications in the June 1986 Request for Proposals showed that they were not unduly restrictive of competition. For all but one of the specifications we reviewed, offerors were allowed to use any vendor's products that could perform the work described in the Request for Proposals and the functional description of the system. One technical specification limited offerors to a specific vendor's telecommunications protocol—a formal set of transmission rules that permit computers to communicate with each other. This protocol, however, is widely used in the computer industry and was necessary to meet the requirements for interchanging data with another system.

The Army was responsive to concerns expressed by potential offerors, a bid protester, and the Assistant Secretary of Defense (Comptroller) regarding the original Request for Proposals issued in May 1985. The Army responded to all potential offerors' questions and provided its responses to all interested potential offerors. The May 1985 Request for Proposals was also amended 16 times to reflect the concerns of potential offerors, a bid protester, and the Assistant Secretary of Defense (Comptroller). These amendments were incorporated in the June 1986 Request for Proposals.

Scope and Methodology

To determine whether the technical specifications in the amended Request for Proposals issued in June 1986 would unduly restrict competition, we reviewed the technical specifications and the functional description for the system. We identified those specifications that seemed to call for vendor-specific hardware or software and analyzed them to determine whether they were unduly restrictive of competition. For the one specification that appeared to limit competition to a specific vendor's telecommunications protocol, we assessed whether the limitation was justified to meet the Army's minimum needs.

We discussed the above specifications and the bases for them with the Army's project officials and held limited discussions with two vendors—one who submitted a proposal and one who did not submit a proposal. We also evaluated the Army's responses to questions, comments, and concerns regarding the original Request for Proposals issued in May 1985. These inquiries were sent to the Army by potential offerors, a bid protester, and the Assistant Secretary of Defense (Comptroller).

Because of time constraints, the scope of our audit work was limited primarily to those technical specifications in the Request for Proposals that called for vendor-specific hardware, software, or the functional equivalent, or which otherwise appeared potentially restrictive of competition. We did not perform audit work on the other specifications or other sections of the Request for Proposals. In accordance with the requestor's wishes, we did not obtain official agency comments on a draft of this report. However, we discussed the information obtained during our review with officials of the U.S. Army Personnel Information Systems Command and Assistant Secretary of Defense (Comptroller) and obtained their informal oral comments. We conducted our review in accordance with generally accepted government auditing standards.

Background

The U.S. Army is developing Phase II of Project 80X to provide an integrated automated information management system to support its personnel management activities in peacetime and during mobilization and war. Phase I of Project 80X consisted of an upgrade of computer hardware at the Army's Military Personnel Center. It was an interim measure to allow time to develop requirements and totally replace the computer equipment at the Center.

Phase II is composed of the acquisition of hardware, telecommunications, systems software, support services, and the conversion of application software. Life-cycle costs for Phase II are estimated to be

\$408 million over a 14-year period. One Phase II objective is to provide automation support for the Army Military Personnel Center headquarters in Alexandria, Virginia, including a classified processing facility, and a remote processing facility in St. Louis, Missouri.

Phase II will also provide automation support for the Center's subordinate agencies, which are the Army Enlisted Records and Evaluation Center at Fort Benjamin Harrison, Indiana; the Army Central Personnel Security Clearance Facility at Fort Meade, Maryland; and the Army Civilian Personnel Center in Alexandria, Virginia. In addition, the system is to provide automated linkages with the Army Reserve Component Personnel Administration Center in St. Louis, Missouri; the National Guard Bureau in Falls Church, Virginia; and the Army Information Systems Command-Pentagon in Arlington, Virginia.

On February 22, 1984, the Army released a draft functional description to potential offerors who responded to an advertised public notice. Copies of the revised functional description were given to potential offerors at a pre-solicitation conference held on March 30, 1984. The purposes of the conference were to discuss the Army's requirements, solicit comments on the requirements, and solicit alternate solutions to the conceptual system configuration in the functional description. On April 10, 1984, copies of the revised functional description were mailed to potential offerors who did not attend the pre-solicitation conference.

On May 28, 1985, the Project 80X Request for Proposals was released for competition. Between May 1985 and February 1986, the Request for Proposals was amended 15 times in response to potential offerors' comments, questions, concerns, and the Army's own efforts to clarify its requirements. A bid protest was filed on February 25, 1986. The protester's charges included claims that the Request for Proposals contained unduly restrictive (competition-limiting) requirements and that the Army was inhibiting full and open competition.

On March 11, 1986, the protester and the Army signed a Stipulation and Agreement agreeing to dismissal of the protest to allow the Army to address the protester's concerns and amend the Request for Proposals. On March 14, 1986, the General Services Administration's Board of Contract Appeals dismissed the protest citing the Stipulation and Agreement. The amended Request for Proposals was released on June 13, 1986.

The June 1986 Request for Proposals was amended three times and closed on September 15, 1986. No bid protests were filed on the June 1986 Request for Proposals. Army project officials said they plan to award a contract for Phase II within the next couple of months.

Technical Specifications in the June 1986 Request for Proposals Did Not Unduly Restrict Competition

The Federal Acquisition Regulation [48 C.F.R. Part 10 (1986)], implementing the Competition in Contracting Act [41 U.S.C. 253(a) and 10 U.S.C. 2305(a)(1)(Supp. III 1985)], generally requires federal agencies to use specifications in Requests for Proposals that will permit full and open competition. Agencies may include restrictive provisions only to the extent necessary to satisfy their minimum needs. Therefore, for specifications to be unduly restrictive of competition, the specifications must include a restriction that is not reasonably necessary to meet the agency's minimum needs.

In our review of the June 1986 Request for Proposals, we found six technical specifications for various components of the Project 80X system that called for vendor-specific hardware or software or the functional equivalent, or that otherwise appeared potentially restrictive of competition. The following is a description of those technical specifications:

1. A processing capability functionally equivalent to an IBM 4361 computer for the classified system component.
2. The same range and precision for various arithmetic functions as an IBM 370 computer for the classified system component.
3. A processing capability functionally equivalent to IBM software products used in the existing Enlisted Records and Evaluation Center system component.
4. A processing capability functionally equivalent to an IBM 4331 computer used in the existing Enlisted Records and Evaluation Center system component.
5. The capability for the Central Personnel Security Clearance Facility system component to interface with the Defense Central Index of Investigation Computer System employing the widely used IBM 3270 telecommunications protocol.

6. A systems architecture which appeared to follow an Army standard that required vendor-specific system software.

The first four specifications did not unduly restrict competition because offerors could propose any products they believed were functionally equivalent. The products proposed would have to be able to perform the work cited in the Request for Proposals and functional description and pass the benchmark test. These specifications were never amended or challenged from the time they were first issued in the original May 1985 Request for Proposals. In fact, one offeror told us that it proposed different hardware and software than the vendor-specific products cited in the Request for Proposals.

The fifth specification was more restrictive, but was justified because it was required to exchange data with the Defense Central Index of Investigation Computer System, a non-Project 80X system. For compatibility reasons, this requirement was applicable to all systems—including Project 80X—that interface with it. The IBM 3270 telecommunications protocol, however, is widely used in the computer industry and other vendors have implemented it in their systems. This specification was never amended or challenged from the time it was first issued in the original May 1985 Request for Proposals.

The last specification, the description of the Project 80X system architecture, appeared to follow an Army information systems equipment standard that was implemented in June 1986. The standard was established by the Army Information Systems Command and called for all the Army's strategic, sustaining base, and theater/tactical computer systems to use specifically named systems software products. On April 22, 1987, the Deputy Secretary of Defense directed the Secretary of the Army to withdraw the standard because it was competition limiting.

We compared the Project 80X architecture requirements in the Request for Proposals with the recently withdrawn Army standard. The Request for Proposals did not include in its technical specifications the mandatory vendor-specific system software required by the Army standard. This specification was never amended or challenged from the time it was first issued in the original May 1985 Request for Proposals. In addition, the Army's project manager told us that Project 80X was not required to follow the Army standard.

The Army Was Responsive to Competitiveness Questions Raised About the May 1985 and June 1986 Requests for Proposals

From May 1985 when the original Request for Proposals was issued until September 1986 when the amended Request for Proposals was closed, the Army received and responded to 526 questions from potential offerors requesting clarifications or raising concerns over the specifications in the Requests for Proposals. Our analysis showed that 317, or 60 percent, of the questions requested the Army to clarify or explain technical specifications, or raised concerns over or commented on the technical specifications. Thirteen of the inquiries expressed concern over potentially restrictive provisions.

Table 1: Analysis of Potential Offerors' Questions

Section	Questions regarding restrictiveness of specifications	Total questions
Technical specifications:		
Hardware	1	81
Communications	4	77
System	6	69
Software	1	65
Project support	1	9
Training	0	8
Maintenance	0	8
Other specifications	0	209
Total	13	526

Of the 13 questions that raised concerns over the restrictiveness of competition, 8 resulted in modifications, clarifications, or deletion of the questioned specification. For example, one question asked that the method for evaluating equivalent processing capability be changed because it was restrictive. The Army changed the evaluation method.

Three questions resulted in no change to the specifications. (However, one specification was later changed during resolution of the bid protest.) For example, one question asked that the requirement for electronic mail be dropped. The Army said the requirement was needed and did not change it.

The remaining two questions asked that the Army provide the work load and functions of the classified processing system. The Army did not provide the requested information because of disclosure limitations. The

Army responded in writing to all questions and sent copies to all interested potential offerors.

On February 25, 1986, one potential offeror filed a bid protest. The protester charged that two provisions of the May 1985 Request for Proposals were unduly restrictive of competition. The protester said that these provisions would require the use of a specific data base management system and specific operating system architecture to achieve the desired results.

On March 14, 1986, the Board of Contract Appeals dismissed, without prejudice, the bid protest when the protester agreed to allow the Army time to address and resolve the issues in the bid protest. In May 1986, the Assistant Secretary of Defense (Comptroller) reviewed the Request for Proposals and found that the two provisions that were the subject of the bid protest appeared to be restrictive of competition and directed the Army, on June 6, 1986, to revise the Request for Proposals.

Our review of the June 13, 1986, amended Request for Proposals showed that the Army had modified the two specifications by changing the data base and other requirements that would limit competition on the data base management system and operating system architecture. The June 1986 Request for Proposals was closed on September 15, 1986, without further protest.

Conclusions

On the basis of our limited analyses, we believe that the technical specifications in the June 1986 Request for Proposals were not unduly restrictive of competition. In addition, the Army was responsive to questions raised by potential offerors regarding the restrictiveness of the May 1985 and June 1986 Requests for Proposals. The Army resolved, to the satisfaction of a bid protester, all issues raised in the bid protest regarding the restrictiveness of the May 1985 Request for Proposals. Also, the Requests for Proposals for Project 80X did not adhere to the Army's recently withdrawn standard for Army information systems equipment.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its issue date. At that time, we will send copies to the Chairmen, House and Senate Committees on Appropriations, House Committee on Government Operations, and Senate Committee on Governmental Affairs; the Secretary of Defense; the Secretary of the Army; and other interested parties.

Sincerely yours,

A handwritten signature in cursive script that reads "Ralph V. Carlone".

Ralph V. Carlone
Director

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