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# Report To The Honorable Sam Nunn United States Senate

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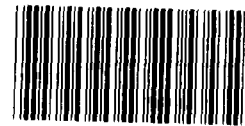
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## How Selected DOD Consolidation Efforts Affected Small Business Opportunities

By law, small businesses are to have the maximum practicable opportunity to participate in the performance of Government contracts.

When the Army consolidated selected requirements at the 7th Signal Command, Fort Ritchie, Maryland, and the Communications Systems Agency, Fort Monmouth, New Jersey, small business firms found it difficult to compete for awards.

Although the commands consolidated requirements on the basis of expected cost savings, GAO did not find that these decisions were supported by adequate economic analyses. GAO recommends that the Secretary of Defense consider a procurement approach permitting bids on one or more installations or functions. Such an approach offers more prime contract opportunities for small firms while allowing the contracting officer to obtain the lowest overall cost to the Government.



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

NATIONAL SECURITY AND  
INTERNATIONAL AFFAIRS DIVISION

B-209001

The Honorable Sam Nunn  
United States Senate

Dear Senator Nunn:

In your letter of March 24, 1982, you expressed concern that recent Department of Defense (DOD) procurement practices may be running contrary to longstanding procurement principles that encourage competition, reliance on the private sector when cost effective, and small business participation. As examples, you mentioned two DOD solicitations that, based on their size and geographic spread, appeared to virtually preclude most qualified small businesses from any real participation in the DOD procurement process. One involved a contract awarded by the Army's 7th Signal Command, Fort Ritchie, Maryland, for the operation and maintenance (O&M) of telephone systems in the southeastern United States. The other involved a Fort Monmouth, New Jersey, procurement for the upgrading of post and base telephone systems for 44 Army bases in the continental United States and 8 bases in Korea. Each solicitation required that all bidders offer goods or services at all locations on an "all-or-none" basis.

You suggested that the Senate Committee on Small Business, the Congress, and the Nation's small business procurement community would benefit from a GAO review of these two procurements as well as DOD procurement policies and practices which might affect the ability of small businesses to compete.

As agreed with your Office, we reviewed the factors influencing the Army's decision to use the all-or-none procurement approach on the telephone O&M contract awarded by the 7th Signal Command, Fort Ritchie, and the upgrading of post and base telephone systems, often referred to as the Base Communications Plan (BASCOP), at Fort Monmouth. BASCOP consists of three separate procurements for switching equipment, telephones, and interconnecting cables. Given DOD's legislative mandate to encourage small business participation in defense procurements, our objectives were to determine (1) how the Army justified consolidating these requirements and (2) how this practice affected competition, prices, and small business opportunities. (See app. I for more details of our objectives, scope, and methodology.)

A detailed analysis of the Fort Ritchie and Fort Monmouth procurements can be found in appendix I. The results of our survey concerning small business participation on the Fort Ritchie procurement can be found in appendix II. Our overall conclusions and recommendations are summarized below.

### CONCLUSIONS

Based on our work at Fort Ritchie and Fort Monmouth, we believe consolidated procurements have the potential for limiting prime contract awards to small business firms and may not always result in the lowest cost to the Government. We are concerned that:

- Decisions to consolidate procurements are made without performing adequate economic analyses. At Fort Monmouth, one of the three contract requirements appeared to have significant potential for small businesses, while at Fort Ritchie the requirement we reviewed appeared to have potential for small businesses at each of the locations included in the package. In both cases, the procurement activities cited "cost savings" as a principal advantage of using the all-or-none approach, but the evidence to support this view was lacking.
- When, during the procurement planning stage, major commands decide on a consolidation or regional approach, a local procurement activity's small and disadvantaged business utilization specialist will find it difficult to carry out his function of identifying requirements for a small business to perform. The small business specialist at Fort Ritchie believed he had no authority to question the U.S. Army Communications Command's (USAAC's) decision to consolidate. At Fort Monmouth, the small business specialist did not have sufficient time to question the consolidation decision because he was not involved in the procurement planning process.
- Procurement activities may be placing an overreliance on subcontracting opportunities for small businesses to compensate for loss of opportunity on prime awards. We found insufficient incentive to ensure that small businesses received substantial subcontracting opportunities on the requirements we reviewed. DOD's Office of Small and Disadvantaged Business Utilization is currently addressing this problem.

We believe an "any-or-all" procurement approach, which would allow firms to submit proposals to perform the total

requirement and/or individual components of the total requirement, offers more opportunities for small business participation and yet still allows the contracting officer to obtain the lowest overall cost to the Government. When for reasons of economy and efficiency, consolidation is the preferred approach, we believe more emphasis should be placed on subcontracting opportunities.

RECOMMENDATION TO THE SECRETARY OF DEFENSE

We recommend that the Secretary of Defense task the Director of DOD's Small and Disadvantaged Business Utilization Office to review policies and practices related to consolidated procurements and determine if the factors we identified as inhibiting small business opportunities in these two cases are systemic within DOD.

If so, we recommend that DOD consider adopting the following when economy is the critical factor in determining the most desirable procurement approach:

- Unless a cost analysis demonstrates that the all-or-none approach can be expected to be less costly, the contracting officer should use the any-or-all approach because it allows the contracting officer to rely on the marketplace to determine the most cost-effective award or combination of awards, and provides maximum opportunity for small firms to participate as prime contractors.
- The small and disadvantaged business utilization specialist at an activity should participate during the requirements determination process to ensure that, when proposed, the all-or-none approach is justified by the expected cost savings or, lacking such a basis, that the any-or-all approach is followed instead.
- The Director of DOD's Small and Disadvantaged Business Utilization Office should develop a methodology for encouraging prime contractors to subcontract work to small firms. This methodology should be followed when the contracting office determines that it is cost effective to award an entire package to a large firm.

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As requested, we did not obtain official agency comments on this report. The matters covered in the report, however, were discussed with agency officials, and their comments are incorporated where appropriate.

As agreed with your Office, copies of this report are being sent today to the Secretaries of Defense and the Army. Unless you publicly announce its contents earlier, we plan no further distribution of this report until 5 days from the date of the report. At that time, we will send copies to the Director, Office of Management and Budget; the Administrator, Office of Federal Procurement Policy; and the Chairmen, Senate and House Committees on Appropriations, on Small Business, and on Armed Services, Senate Committee on Governmental Affairs, and House Committee on Government Operations. We will also make copies available to others upon request.

Please let us know if we can be of further assistance.

Sincerely yours,

  
Frank C. Conahan  
Director

HOW SELECTED DOD CONSOLIDATION EFFORTS AFFECT  
SMALL BUSINESS OPPORTUNITIES

OBJECTIVES, SCOPE, AND METHODOLOGY

We were asked to review the Army's rationale for using the all-or-none procurement approach on the telephone O&M contract awarded by the 7th Signal Command, Fort Ritchie, Maryland, and on the upgrading of post and base telephone systems, often referred to as BASCOP, at Fort Monmouth, New Jersey. BASCOP consists of three separate procurements for switching equipment, telephones, and interconnecting cables. Our objectives were to determine:

1. How the Army justified "bundling," or consolidating, these procurements, in view of its legislative mandate to use small businesses.
2. How this practice affected competition and/or prices.
3. To what extent small businesses were precluded from participating.

We interviewed officials at the 7th Signal Command, Fort Ritchie, which had procurement responsibility for the O&M function; the Communications Systems Agency (CSA), Fort Monmouth, which had program responsibility for the base telephone system upgrade; the Communications and Electronic Command (CECOM), Fort Monmouth, which had procurement responsibility for the base telephone system upgrade; and the U.S. Army Communications Command (USACC), Fort Huachuca, Arizona, which had overall responsibility for the decisionmaking on both procurements. Discussions were also held with regional procurement representatives from the Small Business Administration and DOD small and disadvantaged business utilization specialists, procurement personnel, and legal advisers at the command level. In addition, we interviewed DOD and Army officials responsible for the small business and commercial activities programs.

We reviewed procurement activity files and obtained documents indicating what had transpired and why the all-or-none approach had been followed. We reviewed policies and guidelines in effect at the time of the procurements and the current guidance under which the 7th Signal Command and the Fort Monmouth commands operate.

To assist in determining how the all-or-none approach affected small businesses on the telephone O&M contract, we conducted telephone interviews with small businesses identified by Fort Ritchie personnel as interested in doing the type of work being contracted.

We examined the 7th Signal Command's compliance with the Office of Management and Budget Circular A-76 Cost Comparison Handbook only as it applies to the decision to conduct a regional study versus an individual installation study.

Our review was performed in accordance with generally accepted government audit standards.

#### WHAT IS DOD'S SMALL BUSINESS POLICY?

It is the policy of the United States that small businesses and small businesses owned and controlled by socially and economically disadvantaged individuals have the maximum practicable opportunity to participate in the performance of contracts awarded by any Federal agency. In compliance with this policy, DOD has agreed to place a fair proportion of its total purchases and contracts for supplies, research and development, and services (including contracts for maintenance, repairs, and construction) with small businesses. On large procurements, DOD has implemented this policy through component breakouts (i.e., dividing large contract requirements into smaller portions) and by establishing small business set-asides. At the same time, DOD is also bound by public policy and regulation to obtain maximum economy for the Government through consolidating requirements and other techniques.

#### PROCUREMENT OF O&M SERVICES FOR ADMINISTRATIVE TELEPHONE SYSTEMS BY THE 7TH SIGNAL COMMAND

In February 1979, the 7th Signal Command was assigned the mission of establishing technical requirements and performing commercial activities reviews of O&M services for administrative telephone systems. <sup>1/</sup> Commercial activities reviews are performed to determine if contracting out is more cost effective for the Government than in-house performance.

The 7th Signal Command was to conduct the commercial activities reviews on a regional basis using the all-or-none approach. The consolidated contract we reviewed was for the O&M of administrative telephone systems at nine Army installations located in the southeastern region of the United States. The installations are

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<sup>1/</sup>An administrative telephone system usually consists of a class A telephone system, i.e., a commercial telephone system, and a class B telephone system, i.e., AUTOVON or FTS. Normally, tactical telephone systems are not included in such systems.



- Redstone Arsenal, Alabama;
- Fort McClellan, Alabama;
- Anniston Army Depot, Alabama;
- Hunter Army Airfield, Georgia;
- Fort Gillem, Georgia;
- Fort McPherson, Georgia;
- Fort Benning, Georgia;
- Fort Stewart, Georgia; and
- Fort Jackson, South Carolina.

The southeast region was the first of seven regional administrative telephone service studies to be conducted inside the continental United States (CONUS).

How did the 7th Signal Command justify the all-or-none approach?

The 7th Signal Command did not perform a cost or economic analysis to demonstrate the benefits of acquiring O&M services on an all-or-none basis. However, the command did identify these reasons why the approach was desirable:

- Potential for economies of scale through centralization, which would result from lower personnel and maintenance costs.
- Simplified contract administration by having to administer only one contract as opposed to as many as nine.
- Potential for adequate competition and assured coverage at the small less profitable installations. Consolidating all nine installations would ensure coverage (i.e., offers on all locations, even if some were not desirable).
- Improved management control because communications are centrally managed and regionalization would help maintain system integrity and attain economies of scale. Also, regionalization would attract larger firms with proven capabilities that are likely to be better managed and more responsive than small firms.
- A simplified proposal evaluation and cost comparison process. Using the any-or-all approach would require that a complex matrix be developed showing all possible offers and combinations of offers by various companies for one or more of the nine installations.

- Facilitation of the commercial activities process because it is less expensive and more timely to develop one total cost estimate for a group of activities rather than to develop a separate estimate for each.

Since the command did not identify the savings associated with each reason, we could not determine how the all-or-none approach was expected to be less costly than other possible procurement approaches. From information gathered in our survey of small businesses, however, we question the command's assertion that it might not have obtained adequate coverage of all nine locations unless the approach was used. (See pp. 11-12.)

The command considered other approaches, particularly after complaints were received from firms objecting to the all-or-none approach. One alternative considered would have permitted firms to submit proposals to operate and maintain all the systems as a package or to operate and maintain one or more on an individual basis--an any-or-all approach. Fort Ritchie personnel said that permitting offers on fewer than nine installations would:

- Reduce the potential number of bid protests from Government unions and some contractors.
- Take advantage of the opportunity to make the southeastern region a test case for future solicitations. Since this was the first of seven regions considered for consolidation, an any-or-all approach would have helped the command determine if there was sufficient interest in fewer than nine installations and whether these offers would result in a lower cost to the Government than offers received from firms only interested in doing all nine as a package. Even though Fort Ritchie's legal adviser had found the all-or-none approach "legally unobjectionable," he suggested that an any-or-all approach be considered instead. Fort Ritchie officials anticipated that such a test would reaffirm their belief that the all-or-none approach would result in the lowest cost.
- Satisfy the Fort Ritchie solicitation review board that had recommended against an all-or-none approach. The board believed that the approach would restrict competition and would eliminate the possibility of direct participation by small businesses.

Despite these concerns, the 7th Signal Command decided to use the all-or-none approach because it believed its initial rationale was still valid and because USACC, headquartered at Fort Huachuca, Arizona, had directed the 7th Signal Command to use this approach. USACC's overriding concern was that the regional concept for administrative telephone systems be preserved and that the command conform to commercial activities program guidance. As for small business, USACC's Associate Director for Small and Disadvantaged Business Utilization recognized that small firms might not be able to participate because of the all-or-none approach, but suggested that such firms explore the subcontracting opportunities recommended by the contracting officer or consider "teaming" with one or more other firms.

The 7th Signal Command's small and disadvantaged business utilization specialist serving at that time stated that since the decision to consolidate the procurement was made at USACC and not locally, he had no authority to question the decision. Both the 7th Signal Command and the specialist said that there was little they could do once the decision was made.

#### How were competition and prices affected?

The command received six offers. None of the offerors were small firms, although efforts were made to solicit offers from such firms through a preinvitation notice to firms on the bidders mailing list, an announcement in the Commerce Business Daily, and an advance planning conference held to discuss the upcoming solicitation.

Although the command cannot determine how the all-or-none approach affected contractors' offers, substantial savings were achieved over the Army's estimated cost of in-house performance. The Army's estimate amounted to \$17,518,424 as opposed to the successful low offer of \$12,488,833, adjusted to \$14,852,962. The adjustments were made in accordance with Office of Management and Budget Circular A-76, which the Government uses in deciding whether to perform a commercial activity in-house or by contract. When the successful offeror's price was broken down by installation, <sup>2/</sup> it was the lowest contractor price at each of the nine installations, although in-house performance cost was estimated to be less

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<sup>2/</sup>The following installations were combined for this analysis: McClellan and Anniston, McPherson and Gillem, and Stewart and Hunter.

costly at three installations. Overall, the substantial savings achieved over the estimated cost of in-house performance lends credence to the command's assertion that the all-or-none approach resulted in a cost benefit to the Government. However, it cannot be demonstrated that the all-or-none approach was more favorable than an alternative approach permitting offers on fewer than nine installations because bids were not solicited on that basis.

How were small businesses affected?

The all-or-none approach apparently discouraged small firms from competing as prime contractors. Although the command tried to solicit offers from small businesses, no small firm submitted an offer.

To determine why small business did not participate, we contacted 16 of the 19 small firms identified by the 7th Signal Command as interested in doing this type of work. A majority of the firms capable of performing O&M work told us that they did not submit offers because of (1) insufficient workforce and/or (2) the large geographic work area.

Procurement officials at Fort Ritchie stated that the small businesses would not have provided enough competition and that this may have resulted in a lack of coverage for some installations. The responses of eight firms that reported they were both qualified small businesses and capable of performing O&M work indicate that each installation in the package would have received at least three offers from small businesses alone. (See app. II.) We do not know, of course, if the firms would have actually offered to do these installations if given the opportunity or if others might have bid.

Despite the apparent impact on small business, the estimated dollar value of this procurement was within a range small business firms could be expected to handle, based on the Small Business Administration's size standards. If the size standards are meaningful, the magnitude of dollar sales on this contract should not have discouraged small businesses from competing. Yet our survey results seem to indicate otherwise.

As for subcontracting opportunities, the successful offeror has submitted a plan that provides that 14 percent of the total contract value be subcontracted. Of the subcontracted value, 45 percent is planned for small business and 1 percent is planned for small disadvantaged business. As a result, small business firms are expected to receive only 6.5 percent of the total contract value.

## CONCLUSIONS

While the all-or-none approach appears to have merit from the standpoint of economy and efficiency, other approaches might have resulted in greater small business participation. If the 7th Signal Command had used the southeastern region as a test case for later procurements of administrative telephone services, more insight would have been gained as to the savings that could be achieved through the all-or-none approach, the amount of competition that could be achieved, and the amount of participation that could be expected from small business. Without this test, these issues remain open to question. From available evidence, we believe there was some adverse impact on small businesses. As for cost savings, the all-or-none approach was estimated to be less costly than in-house performance, but the command cannot demonstrate savings over other possible procurement approaches. Although procurement activities often cite the availability of subcontracting opportunities as a factor compensating for the loss of prime contract awards to small business, small business is expected to receive only a 6.5-percent share of the total contract value of this award.

## THE BASE COMMUNICATIONS PLAN PROCUREMENT BY CSA

The purpose of BASCOP is to improve the capability and efficiency of the many telephone systems in the Army. It includes three elements: switching equipment, telephones, and the interconnecting cables. USACC assigned BASCOP program responsibility to CSA and procurement responsibility to CECOM, both at Fort Monmouth. The Army initially intended to buy the switches first, then the cables, and finally the telephones. Each was to be procured on an all-or-none basis, for the entire Nation plus Korea. Only the switching system and cable requirements proceeded to the solicitation stage and are discussed in this report. The entire BASCOP approach is being reconsidered and both solicitations, as originally proposed, were suspended.

### How did CSA justify the all-or-none approach?

CSA's principal justification for consolidating all locations by function stems from USAAC's experience in upgrading and modernizing the administrative telephone system at Fort Hood, Texas. At Fort Hood, USAAC discovered that it would have paid less for each item if it had procured each separately than if it had procured all items in a consolidated package. From that experience, it was decided that contracts for switching systems, cable, and telephones for the entire

Nation and Korea should each be advertised separately. It was believed that this approach would be millions of dollars less costly than repeating the approach taken at Fort Hood. Other justifications cited by CSA included a desire for standardized equipment, easier contract preparation and administration, and a desire to have only two contractors (one for switching systems and one for cable) coordinating their efforts.

Another factor limited the command's flexibility in determining a procurement approach for the switches. The Army had neither the type nor the amount of funds necessary to buy all the required switches. The Army was planning to use Operation & Maintenance, Army (OMA) funds that expired at the end of the year. Only \$36 million of OMA money was available, yet the switching systems alone were to cost about \$200 million of the BASCOP total estimate of \$400 million. The Army, therefore, decided to lease the switches rather than purchase them and to award a consolidated requirements-type contract to one contractor with outyear options so it could provide needed quantities when funds became available.

We believe the Fort Hood upgrade experience demonstrated the benefits of contracting for each requirement separately at one location, but not necessarily the benefits of contracting separately for each requirement for the entire Nation and Korea. CSA's market research indicated that only a few manufacturers, all large, could supply equipment that accounted for most of the cost of the switching systems. Only about 5 to 25 percent of the switching systems' cost (depending on the configuration and existing housing facilities) would be for installation. The Army viewed the cable area as much more likely to provide small business opportunities than the switch area. For the cable procurement, the cost of the cable is split equally between cable cost and installation cost. Further, many firms, large and small, can install cable. The cable contract, in particular, being more labor intensive and not as technically demanding, seems to lend itself to some type of procurement breakout, either geographically or by location. The deputy project manager told us that it is not clear whether the award of one contract versus several would be necessarily less costly in this instance.

Although contract preparation and administration may be easier using the command's approach, the validity of the standardized equipment argument is somewhat unclear since it is contemplated that the procurement could be made over a period of 25 years.

How were competition and prices affected?

Some companies believed that the Army's approach to BASCOP restricted the field of competitors. Bid protests from firms that were excluded attest to that. For example, three wholly-owned subsidiaries of a large communications company formally protested the Army's consolidated procurement approach to BASCOP. They argued that a base-by-base approach would have been better because it would have increased competition by opening up the work to more firms. However, the command believed that, based on the Fort Hood study, the consolidation would result in a price benefit that would more than offset any reduction in competition. We are not similarly convinced that the Fort Hood study demonstrated this.

By June 1982, the Assistant Secretary of the Army for Research, Development and Acquisitions (SARDA) concluded that the original BASCOP program was neither adequately funded nor sufficiently cost effective and stated that a decision had been reached to proceed with only the Korean upgrade effort. The SARDA also said that a master plan for upgrading all CONUS telephone systems by individual base was being prepared so that local telephone companies would be afforded a chance to bid.

The Under Secretary of the Army issued a memorandum on June 23, 1982, stating that the BASCOP procurement effort was fundamentally flawed because there was not available funding for anything remotely like the originally planned procurement. He rejected the switch acquisition plan as it lacked "good business sense." Instead, he called for a unified and comprehensive plan that would incorporate a newly approved Defense requirement for integrating the telephone systems for all the armed services.

How was small business affected?

We found no indications that small businesses were interested in the switching system requirement. However, the cable work might have provided some opportunity for small business participation. In fact, prior to suspending the solicitation for the cable, CSA agreed to an amendment changing the all-or-none basis for all of the installations to an all-or-none basis for the Korean portion and an any-or-all basis for the CONUS portion. In addition, before the cable procurement was suspended, the CECOM small and disadvantaged business utilization specialist was about to search out and identify small cable companies for possible set-asides of some CONUS installations. The CECOM specialist did not take action

earlier since he was not involved in the procurement planning stage. Thus, the CECOM specialist did not learn that the decision to consolidate was made until he received the procurement work description. Usually this is the first time the CECOM specialist is made aware of a procurement action, and according to local procurement policy, he has only 5 days to approve or disapprove the action.

Although Army officials believed that small businesses would be afforded subcontracting opportunities, the Army's experience at Fort Hood does not indicate that significant subcontracting opportunities were likely to result. The prime contractor for the Fort Hood upgrade submitted a subcontracting plan providing that 4 percent of the total contract price be subcontracted to small businesses. This would amount to \$360,000 out of a \$9 million award.

### CONCLUSIONS

Although the original solicitation was suspended, CSA contends that the all-or-none procurement approach, consolidating the switching requirements for the Nation and Korea, was the most efficient and economical way to proceed. Even though this approach may have discouraged some firms that wished to compete for a portion of this requirement, no complaints were received from small firms and few if any small firms were considered capable of doing this work. Even if adequate funding had been available to proceed with the procurement, the Small Business Administration small business representative and the CECOM small and disadvantaged business utilization specialist saw little opportunity for a small business to participate as a prime contractor.

On the cable procurement, the all-or-none approach probably excluded many small firms that might have been willing to compete for individual installations and the economic justification for this approach appears much weaker. The approach used in the amended solicitation (before suspension) or the small and disadvantaged business utilization specialist's proposal to use small business set-asides at some CONUS installations would help ensure adequate opportunity for small business participation and yet still be reasonable from a procurement standpoint.



GAO SURVEY OF SMALL TELEPHONE COMPANIESINTERESTED IN DOING O&M WORKWITHIN THE SOUTHEAST REGION

We developed a survey to determine if the all-or-none provision of the proposal had any impact on small businesses. Our principal objectives were to determine:

- Whether small businesses had been informed of Fort Ritchie's intent to contract on an all-or-none basis.
- Why small firms had decided not to participate.
- How much technical experience small firms had in doing this type of work.
- What small businesses believe the 7th Signal Command should have done, if anything, to encourage participation by small businesses.

The 7th Signal Command gave us lists citing 15 small businesses that either had submitted a Standard Form 129 (bidders mailing list application) or had appeared on a mailing list of previous procurements. Also included were four additional firms that had responded to the notice in the Commerce Business Daily stating Fort Ritchie's intent to contract on an all-or-none basis. Only 3 of the 19 firms could not be contacted.

All the firms we contacted had seen the Commerce Business Daily notice.

The firms gave the following major reasons for not submitting offers:

- Insufficient workforce (five firms).
- Large geographic spread (five firms).

Other reasons were:

- A lack of technical expertise in O&M.
- Unfamiliarity with the type of equipment in use.
- Inability to perform all the maintenance functions.
- Late notification by the procurement activity.

If these firms had been awarded the contract for all nine installations, how much work would they have had to subcontract? More than one-half said that they would have to subcontract between 5 to 30 percent of the work; however, two firms said they would not subcontract any of the work. One of these firms said it had received the Request for Proposal too late to prepare an offer, and the other firm was not satisfied with portions of the maintenance specifications and also declined to submit an offer.

Of the 11 firms that do telecommunications O&M work, 10 said they had previous experience contracting with the Federal Government. All the firms claimed they had been in the communications business for 5 to 30 years.

Of the 16 firms contacted, 10 were qualified small businesses under the Small Business Administration's criterion (i.e., they had average annual incomes of \$2 million or less for the last 3 prior fiscal years), although only 8 of the 10 were qualified to do O&M work.

Of the 11 firms that could do O&M work, small or otherwise, 10 said that they would be willing to act as subcontractors.

Procurement officials at Fort Ritchie stated that the small firms would not have provided enough competition and that this may have resulted in a lack of coverage for some installations in the southeast region. When queried by us, each small firm expressed interest in submitting an offer on two or more installations in the package. Based on these responses, each installation would have received at least three offers from small businesses. The following chart is based on the responses of eight firms that reported they were both qualified small businesses and capable of doing O&M work.

Potential Offers From Small Businesses for  
Installations in the Southeast Region

<u>Contractors</u>	<u>Fort Jackson</u>	<u>Redstone Arsenal</u>	<u>Fort McClellan</u>	<u>Anniston Army Depot</u>	<u>Fort McPherson</u>	<u>Fort Gillem</u>	<u>Fort Stewart</u>	<u>Hunter Army Air-field</u>	<u>Fort Benning</u>
Company A (note a)	X	X	X	X	X	X	X	X	X
Company B		*	*	*	*	*	*	*	
Company C						X		X	
Company D		X	X	X	*	*	*	*	*
Company E				X	X			X	
Company F		X	X	X				X	X
Company G (note a)	X	X	X	X	X	X	X	X	X
Company H (note a)	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
Total	<u>3</u>	<u>5</u>	<u>5</u>	<u>6</u>	<u>4</u>	<u>4</u>	<u>3</u>	<u>6</u>	<u>4</u>

X--Installation that the contractor would have submitted an offer on.

\*--Contractor interested in only one of the installations identified--not included in count.

a/Companies A, G, and H indicated that they would have submitted offers on all nine installations. Two of these firms stated that they did not have enough time to respond to the solicitation, and one firm said that it could not obtain enough technical data about the equipment currently in use.

We do not know if the firms would have actually submitted offers on these installations if given the opportunity.

The survey participants revealed the following when asked how Fort Ritchie procurement officials could have improved the procurement:

- Six rendered no opinion; however, five of these firms were either large or unqualified to do the type of work required.
- One stated that procurement officials had failed to provide enough technical data about the procurement.
- Three believed that the procurement was packaged appropriately.
- One believed that the procurement should have been a small business set-aside.
- Five stated that the procurement should have been broken out or procured on an any-or-all basis.

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