

United States General Accounting Office

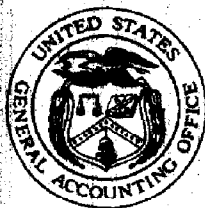
GAO

Report to the Ranking Minority Member,
Committee on Government Operations,
House of Representatives

August 1994

WHITE HOUSE

**Follow-up on
Acquisition of
Automated Resume
Processing**





United States
General Accounting Office
Washington, D.C. 20548

General Government Division

B-256909

August 3, 1994

The Honorable William F. Clinger, Jr.
Ranking Minority Member
Committee on Government Operations
House of Representatives

Dear Mr. Clinger:

This report responds to your request that we follow up on actions taken by the White House regarding its acquisition of an automated resume processing system (Resumix) since our June 1993 report.¹ You asked us to determine if the White House followed applicable procurement regulations. You also asked us to answer specific questions, listed in the appendix, about the acquisition and use of the Resumix system.

On February 2, 1993, the White House issued a sole-source letter contract to lease the Resumix system for at least 3 months. In our June 1993 report, we reported that the White House had not yet completed all federal procurement regulation requirements for the acquisition of Resumix. The White House had not prepared documentation to justify the sole-source acquisition of Resumix under urgent and compelling circumstances, a requirements analysis, or a determination that the price paid was fair and reasonable. In August 1993, the White House executed a negotiated 6-month replacement lease with an option to purchase the system. On the same day, the White House exercised the option to purchase Resumix for \$225,800.

Results in Brief

After the initial letter contract was awarded on February 2, 1993, the White House prepared the documentation required under federal procurement regulations to justify its sole-source acquisition of Resumix under urgent and compelling circumstances. Federal regulations allow this to be done after the initial lease. The documentation indicated that the new administration needed information on a large number of potential candidates quickly and that Resumix was superior to the existing White House system in terms of entering resumes, searching for candidates, and producing lists of candidates. In addition, the documentation indicated that Resumix required fewer staff resources to operate.

While the contract file did contain some detailed price information and a statement that the Contracting Officer had made a determination that the

¹White House: Acquisition of Automated Resume Processing System (GAO/GGD-93-117, June 17, 1993).

Resumix price was fair and reasonable, there was insufficient supporting documentation to demonstrate that the White House obtained a fair and reasonable price for the Resumix system. In addition, the Resumix acquisition did not fully follow federal government procurement regulations in the following respects: certain items were omitted from the requirements analysis, certified cost or pricing data were not obtained from the supplier, and a competition advocate did not approve the justification for the sole-source acquisition.²

Background

About 1 and one-half weeks after the Presidential Inauguration in January 1993, White House officials decided to move into the White House personnel office an automated resume processing system called Resumix that had been used by the Clinton Transition Planning Foundation. Resumix uses optical scanning and other state-of-the-art technology to enter resume and related information into an automated database. The system is also capable of automatically searching and extracting lists of candidates meeting specified qualifications.

As stated in our prior report, White House officials told us that the existing Office of Presidential Personnel (PPO) system was inferior to Resumix because the PPO system (1) was slower in searching for candidates, (2) could not produce lists of candidates in priority order, and (3) was much more labor intensive because it did not use optical scanning technology. In addition, they thought that it would have been more expensive to modify the PPO system than to acquire Resumix. They said that to add optical scanners, the system software would have to be reprogrammed and additional memory and optical character reading capability added to the associated minicomputers. Further, they said this would have been time consuming and would have substantially slowed other Executive Office of the President (EOP) systems operating on the minicomputers. White House officials also said that, with the President's goal of reducing White House staff by 25 percent and the large number of resumes expected to be submitted to the first Democratic administration in 12 years, they thought that they needed a system that used fewer staff resources than the existing PPO system.

As we did the work for our June 1993 report, White House officials and a volunteer technology consultant to the transition team told us that during the transition they did not have time to conduct a complete search of

²A competition advocate is an official reporting to an agency's senior procurement official and is responsible for promoting full and open competition and challenging barriers to competition.

available resume processing systems and relied on the expertise of several consultants to select a system. We were shown descriptive folders from several vendors that had been considered, including Resumix, Restrac, Lotus Notes, Harris, Protech/Optika, and Alosview. The search was narrowed to the two systems that were specifically designed to process resumes—Resumix and Restrac.

On February 2, 1993, the Assistant to the President for Management and Administration wrote to Resumix, Inc., agreeing to lease the Resumix system for \$22,580 per month for at least 3 months, starting on January 24, 1993. Eighty percent of the lease payments were to be applied to a purchase price of \$225,800 if the White House later decided to purchase the system. The February 2 letter contract stated that the White House would reevaluate the system after 3 months and decide whether to continue to lease or purchase the system. The White House officials said they acquired the Resumix system on a sole-source basis because of the urgent and compelling need for the system and because a competitive acquisition likely would have taken about 1 year to complete.³ Procurement regulations allow an exception to full and open competition when there is an unusual and compelling urgency to procure a needed item and there is insufficient time for full and open competition.

In our June 1993 report, we noted that although federal procurement regulations allow sole-source contracting in urgent and compelling circumstances, they also require that certain justifications and a requirements analysis be made and documented within a reasonable period after contract award. As of June 1993, 4 months after Resumix was leased, the White House still had not met all requirements. We concluded that meeting these requirements before the end of the 3-month lease period would have been a better business practice. We made no recommendations because the White House officials said they expected soon to execute a replacement lease for the system in accordance with federal contracting regulations.

Objectives, Scope, and Methodology

Our objectives for this assignment were to determine whether the EOP complied with federal procurement regulations in the acquisition of Resumix and to obtain information on various specific questions you asked. We grouped your specific questions into the following four areas: (1) the February 2, 1993, letter contract; (2) a 6-month replacement lease;

³A General Services Administration (GSA) contracting officer in the Information Resources Management Service told us that it would not be unusual for a competitive procurement to take 12 months to complete.

(3) a subsequent Resumix purchase; and (4) the numbers of resumes processed and not processed during specific time frames and use of Resumix data.

To meet our objectives, we interviewed White House officials involved with the acquisition and use of Resumix, including the EOP Contracting Officer and the Director of Information Systems of the Office of Presidential Personnel. We also reviewed documents that the White House provided on the Resumix acquisition, including the procurement file, and the Federal Acquisition Regulation (FAR) and the Federal Information Resources Management Regulation (FIRMR). Further, we asked the White House to provide information on the number of resumes processed in the time period you were interested in.

We did our work in accordance with generally accepted government auditing standards from December 1993 to June 1994 in Washington, D.C. Further details on the objectives, scope, and methodology of our work are contained in the appendix. We obtained oral comments from White House officials, which we incorporated in this report as appropriate.

February 2, 1993, Letter Contract

On August 6, 1993, the White House completed a sole-source justification to support the negotiated February 2, 1993, letter contract.⁴ This justification contained a requirements analysis that did not contain all of the elements required by the FIRMR.

The FIRMR requires agencies to prepare a requirements analysis "... commensurate with the size and complexity of the need." According to the FIRMR, the requirements analysis shall include, at a minimum, information in 10 areas: (1) information needs, (2) system life, (3) a description of requirements, (4) compatibility-limited requirements, (5) justification for specific make and model, (6) security requirements, (7) accessibility requirements for individuals with disabilities, (8) space and environmental requirements, (9) workload and related requirements, and (10) records management requirements.

The White House's requirements analysis included data on

- information needs,
- a description of requirements,

⁴This justification also was used to support a subsequent replacement lease and the purchase of the system, which are discussed later in this report.

- compatibility-limited requirements,
- justification for specific make and model, and
- workload requirements.

Areas not specifically addressed were those relating to

- system life,
- security requirements,
- accessibility requirements for individuals with disabilities,
- space and environmental factors, and
- records management requirements.

The EOP Contracting Officer said he viewed the latter requirements as guidelines that did not need to be addressed in a relatively small contract. In response to our inquiries about the areas not addressed, EOP officials said that (1) the system would last and be needed for at least 4 years; (2) the system was located in a secure environment because it is located in the Old Executive Office Building, which has controlled access; (3) handicapped individuals actually use the system; and (4) the FIRMR requirements for space and environmental factors and records management were not specific.

In commenting on a draft of this report, EOP officials said that the system life of the equipment and system was from 4 to 6 years and reasonably longer since the Resumix system is an open system that is easily upgraded; thus, system life ultimately is dependent upon the approach taken by each administration—it will be much longer if this or subsequent administrations continue to use the same approach.

You asked us to examine an apparent overlap between the transition team's lease, which ended on February 18, 1993, and the White House's initial 3-month lease of the same Resumix system, which began on January 24, 1993, according to the original letter contract and whether appropriated funds were used for both leases. The EOP Contracting Officer said that he had no contact with the transition team and was not aware that the team had a lease for the same system through February 18. However, he said that the starting date for the White House's replacement lease, which is discussed later in this report, was changed in August 1993 to reflect the date they believed the Resumix system was installed in the White House—February 4, 1993. Although this reduced the overlap in the transition team's and the White House's leases to a 14-day period (February 4 to February 18), it did not completely eliminate the overlap.

White House officials said they viewed the overlap as not relevant because (1) no appropriated funds were used for the transition lease (General Services Administration (GSA) officials who assisted the transition team in acquiring computer equipment provided us documentation showing that appropriated funds were not used for the transition lease) and (2) the White House had a responsibility to pay for the system once it was installed in the White House, which as far as they could determine, was on February 4, 1993,⁵ without regard to whether the transition team was able to obtain a credit for the time the equipment was not used by the transition team.

Six-Month Replacement Lease

On August 13, 1993, the White House executed a negotiated 6-month replacement lease with an option to purchase the Resumix system. The lease period began on February 4, 1993, and ended on August 4, 1993, 9 days before the replacement lease was executed. This lease with purchase option definitized the original letter contract.⁶ Federal procurement regulations allow definitization of a letter contract within 180 days after contract award, but this period can be extended by the Contracting Officer. The White House obligated a total of \$265,965 for the lease under two May 1993 delegations of authority from the Assistant to the President for Management and Administration. The total lease and maintenance cost of the Resumix system for the 6-month period was \$143,536, which included the \$67,740 for the 3-month lease under the letter contract. The White House appropriation account for 1993 was used for this lease.

Resumix Purchase

On August 13, 1993, the White House also exercised the purchase option for the Resumix system for \$225,800. White House officials showed us documentation that the \$225,800 Resumix purchase was paid out of the White House Office appropriation account for fiscal year 1993. The purchase agreement gave the White House a credit of \$108,348 representing 80 percent of the \$135,480 in lease payments made through August 1993.⁷ The buy-out price was \$117,452. The purchase included hardware such as seven workstations, a scanner, and two printers, as well as software licenses and training.

⁵White House officials were not able to provide documentation showing the specific date that Resumix was installed in the White House.

⁶Definitization occurs when a definite contract, with all of the required terms and conditions, is signed subsequent to the issuance of a less specific letter contract.

⁷The \$135,480 in lease payments excludes \$8,056 in maintenance costs for the 6-month period.

Price Determination

For negotiated contracts, the FAR requires contracting officers to determine if the price paid is fair and reasonable and to document the cost or price evaluation. Although the Contracting Officer made a determination, as required by the FAR, that the Resumix price was fair and reasonable, the contract file did not contain sufficient documentation to demonstrate that the price obtained was fair and reasonable. In addition, the Contracting Officer did not obtain required certified cost or pricing data from Resumix.

The EOP Contracting Officer said that he contacted another Resumix user, the University of California Lawrence Berkeley Laboratory, to compare system prices. The Contracting Officer said that verification was made through his conversation with a Berkeley Laboratory official that the White House was paying the same price for individual components of the system as the laboratory. The Berkeley official could not remember all of the details of the discussion with the EOP Contracting Officer, but told us that the costs of the laboratory's Resumix software licenses and some hardware may have been discussed with the EOP Contracting Officer. However, the Berkeley official also said he remembered that because the laboratory already possessed in-house hardware or obtained most of the hardware for the Resumix system directly from the manufacturer, Berkeley did not purchase the same system from Resumix that the White House purchased. While White House officials told us that system price comparisons were performed, the EOP procurement file did not contain a comparison of the total system prices or of the unit prices that the White House and Berkeley paid.

The FAR requires that agencies obtain certified cost or pricing data.⁸ The White House's procurement file did not contain any documentation of this data or the White House's request for it. According to a White House official, Resumix was not willing to provide a unit price breakdown for the hardware and software covered by the contract when the White House orally requested this information from Resumix.

The contract file showed that, in an attempt to demonstrate that the Resumix price was fair and reasonable, the EOP Contracting Officer calculated the cost of buying the system hardware from GSA Federal

⁸The FAR requires that certified cost or pricing data be obtained from the supplier before the award of any negotiated contract that is expected to exceed \$100,000, except for undefinitized actions such as a letter contract. Although cost or pricing data were not required for the February 2, 1993, letter contract, they were required for the definitized contract with Resumix. According to the FAR, cost or pricing data "means all facts as of the date of price agreement that prudent buyers and sellers would reasonably expect to affect price negotiations significantly."

Supply Schedules to be \$86,546. Because the Resumix system, including the software used in the system, was not on the GSA schedules, the EOP Contracting Officer estimated the software portion of the contract to be \$122,250 by calculating the difference between the \$225,800 contract price less the \$86,546 estimated hardware cost and \$17,950 for training.⁹ White House officials said they did not ask Resumix if they could acquire just the software from Resumix and the hardware from a different vendor because of the disruption and added costs that would be associated with reinstalling new hardware and ensuring its compatibility with the existing software. Another White House official also expressed concern that the White House would not receive adequate support from Resumix if it acquired the hardware from a different vendor.

A White House official also said that the Resumix contract was compared with other computer systems in the EOP of similar complexity, including the Quorum correspondence system and the Office of Administration Library's inventory system and determined that the Resumix system was less expensive than these systems. However, these systems are used for different purposes and use different hardware and software than the Resumix system.

Needs Determination

An EOP Contract Administrator prepared a price negotiation memorandum on August 3, 1993, recommending that the White House purchase the system rather than lease it. The memorandum indicated that leasing the system for 42 months would have cost \$438,276, compared with the \$225,800 purchase price. A White House official told us that the demands on the placement mission of the White House Office of Presidential Personnel will require the use of the Resumix system throughout the present administration, whether for one term or two, and that the system would greatly assist any succeeding administration in fulfilling its placement mission.

According to a former Bush administration official, who also worked for the White House during the first 3 months of the Clinton administration, the White House also received a comparable number of resumes when President Bush succeeded President Reagan. To process this large number of resumes during the first 3 months of the administration, the Bush White House hired additional temporary data entry personnel. This former official said that the Clinton administration also could have hired

⁹We calculated the software cost estimate, on the basis of the EOP Contracting Officer's methodology and figures, to be \$121,304, rather than \$122,250.

additional temporary data entry personnel and used the existing PPO system, eliminating the need to acquire Resumix.

In commenting on a draft of this report, Clinton administration officials said that this course of action was not available for several reasons. First, the minicomputer on which the PPO system operated, which also carried other EOP systems (i.e., the electronic mail system), was operating at full capacity; existing minicomputer resources could not support the other active EOP systems and a significant increase in PPO activity. Second, the existing PPO system was outdated; the system was created in 1982 using then-current technology and was excessively labor dependent. Third, the method used by the former Bush administration official to address the large influx of resumes during transitions was to bring detailees for data entry from other agencies to the White House—an option that Congress eliminated through an amendment to the White House appropriations budget in 1989 (the year after the Bush administration official's last transition). Clinton administration officials also said that updating the technology of the existing PPO system to take advantage of current technology and reduce reliance on paper files would have been considerably more expensive than purchasing a commercial package designed to handle the White House's needs in an economical and efficient manner.¹⁰

Clinton administration officials said they did not consider using the PPO system with additional personnel because of the President's goal of reducing the White House staff by 25 percent. In addition, the sole-source justification of the acquisition of the Resumix system concluded that the PPO system "long ago became outdated" and that it was "insufficient to deliver the level of performance required." White House officials said that modifying the PPO system would have necessitated adding optical character reading capability to the system, reprogramming system software, and adding additional memory.

On August 6, 1993, the White House justified using other than full and open competition on an unusual and compelling urgency basis. The justification stated, among other things, that

- the operational needs were urgent and compelling;
- the acquisition of Resumix was essential to preserve the effectiveness of the White House Office of Presidential Personnel;

¹⁰The White House had not formally compared the costs of upgrading the PPO system to the costs of acquiring Resumix and therefore could not quantify the savings, if any, of acquiring Resumix.

- unless automation could be used effectively, the work flow plan for the Office of Presidential Personnel would have to be reorganized and would require a larger staff;
- reliance on the PPO system had already carried a cost in lost time and slowed performance, and
- since the Resumix system was already in place and the only other system found to be a serious competitor was eliminated during system evaluation, it was determined that advertising in the Commerce Business Daily would not produce any unknown source.

The justification concluded that it was in the government's best interest to acquire Resumix on a sole-source basis to support the White House Office of Presidential Personnel.

Competition Review

The FAR requires the head of each agency to designate a competition advocate for the agency and for each procuring activity of the agency. According to the FAR, the competition advocate is to report to the agency's senior procurement executive and be responsible for challenging barriers to competition and promoting full and open competition. Federal procurement regulations also require that justifications for sole-source procurements between \$100,000 and \$1 million be approved by the procuring activity's competition advocate.

White House officials said that the White House did not have a competition advocate from at least 1990 until September 1993, when a competition advocate was appointed. Therefore, the White House did not have a competition advocate when the Resumix award was signed. White House officials also said that it was unnecessary for a competition advocate to approve this procurement because the Director of the Office of Management and Administration, to whom a competition advocate would report, signed the delegation of procurement authority for the original letter contract and the subsequent definitized contract.

Number of Resumes Processed and Use of the Resumix Data

A White House Office of Management and Administration official furnished us with data generated from the Resumix system showing that 53,963 resumes had been processed as of September 15, 1993. White House data also showed that 887 resumes were processed from August 15, 1993, through September 15, 1993. This official said the White House was unable to respond to our specific request that they determine the number of resumes that were not processed during the 30-day period ending

September 30, 1993. The official said that as of November 16, 1993, all submitted resumes had been processed.

According to a White House Office of Management and Administration official, neither the Resumix system, nor any of its subsystems, is accessed by any organizational entity of the White House Office other than the Presidential Personnel Office; although information obtained from the system—i.e., lists of candidates, resumes, letters of recommendation—may be provided to other EOP offices. White House officials also said the data stored in the Resumix system is not used for any purpose other than the presidential appointment process. The White House Director of Information Systems told us that the system data on individuals stored in Resumix has not been transferred to any government, political, or nongovernment entity.

Conclusions

While the contract file did contain some detailed price information and a statement that the Contracting Officer had made a determination that the Resumix price was fair and reasonable, there was insufficient supporting documentation to demonstrate that the White House obtained a fair and reasonable price for the Resumix system. In addition, the Resumix acquisition did not fully follow federal procurement regulations in the following respects: certain items were omitted from the requirements analysis, certified cost or pricing data were not obtained from the supplier, and the White House did not have a competition advocate to review the justification for the sole-source acquisition.

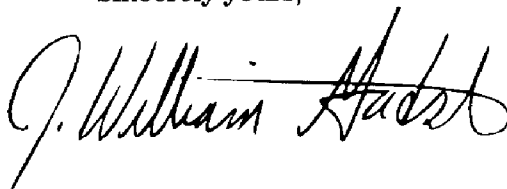
White House Comments

We provided White House officials, including the Special Assistant to the President and Director, Office of Administration, and an Associate Counsel to the President, an opportunity to review and comment on a draft of this report in late June 1994. We incorporated their oral comments in this report as appropriate.

We are sending copies of this letter to interested congressional committees; the Assistant to the President for Management and Administration; the President of Resumix, Inc.; and other interested parties. We will also make copies available to others upon request.

If you have any questions about this report, please call me on (202) 512-8387. Other major contributors to this report were John S. Baldwin, Sr., Assistant Director; Robert Homan, Evaluator-in-Charge; and V. Bruce Goddard, Senior Attorney.

Sincerely yours,

A handwritten signature in black ink, reading "J. William Gadsby". The signature is written in a cursive style with a large, sweeping initial "J" and a long, horizontal stroke across the middle.

J. William Gadsby
Director, Government Business
Operations Issues

Objectives, Scope, and Methodology

Our objectives were to evaluate whether the EOP complied with federal procurement regulations in acquiring Resumix and to obtain information on various questions you asked that we grouped into four areas: (1) the February 2, 1993, letter contract; (2) a 6-month replacement lease; (3) a subsequent Resumix purchase; and (4) the number of resumes processed and use of Resumix data.

With respect to the White House's February 2, 1993, letter contract with Resumix, you asked us to determine (1) whether, and if so when, the White House completed a sole-source justification and requirements analysis to support the letter contract; (2) the total dollar amount expended under the terms of the letter contract; (3) which EOP agency or agencies paid for the lease; and (4) whether the White House complied with federal procurement regulations.

You asked whether the White House executed a planned 6-month replacement lease with Resumix, and if so, (1) the beginning and ending dates of the replacement lease and when it was signed; (2) which EOP agency or agencies paid for the lease; (3) whether the White House evaluated prices paid by comparable Resumix users; (4) whether the replacement lease corrected a discrepancy regarding the beginning date of the February 2, 1993, lease; (5) whether the lease included a purchase option; (6) the total dollar amount of the lease; and (7) whether the White House complied with federal procurement regulations.

You also asked whether the White House later purchased the Resumix system, and if so, (1) what equipment was purchased, (2) what EOP agency or agencies paid for the purchase, (3) whether the purchase was negotiated or advertised, and (4) whether the White House complied with federal procurement regulations.

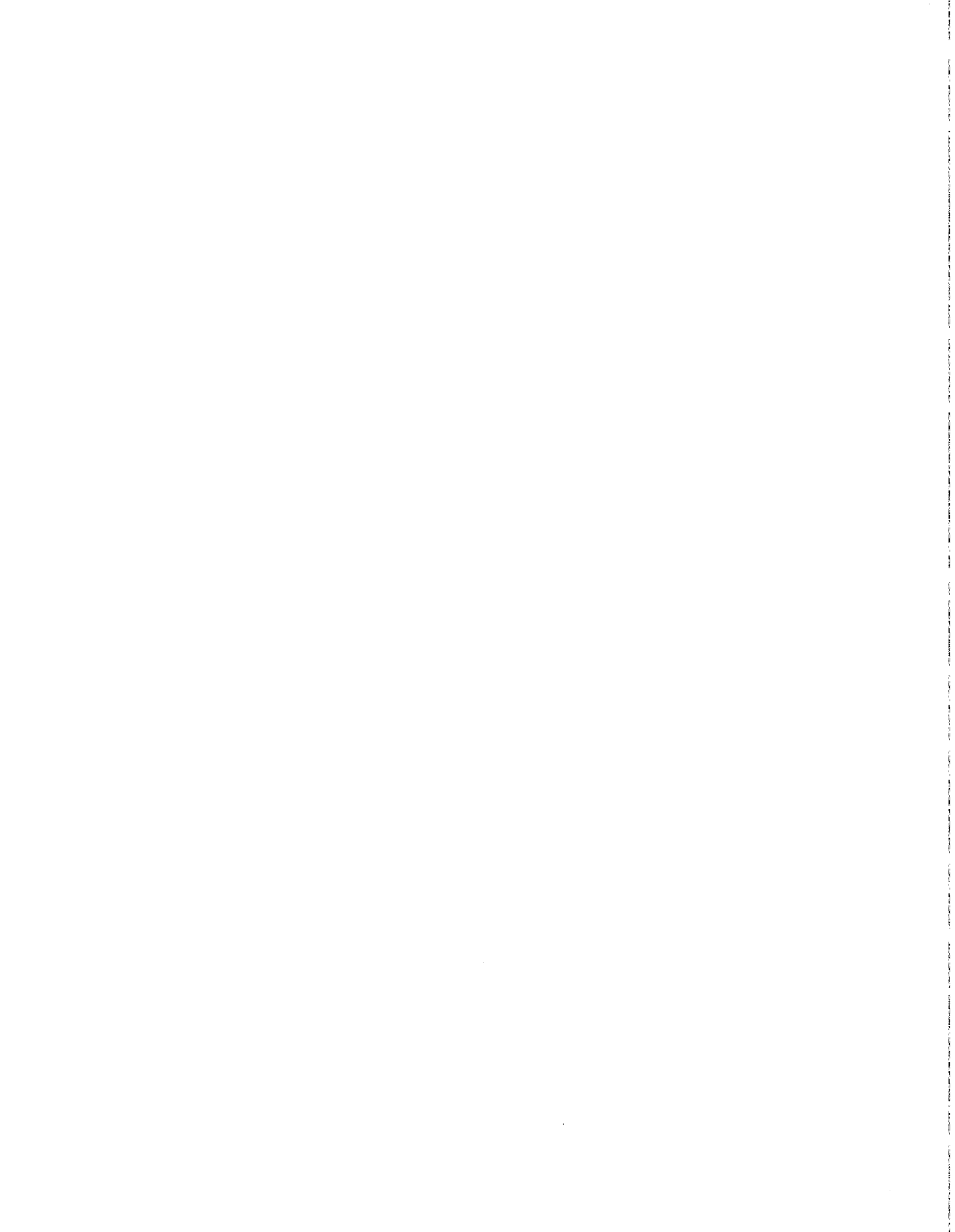
Further, you asked us to obtain information regarding (1) the number of resumes processed by Resumix as of September 15, 1993; (2) the number of resumes processed during the period August 15, 1993, to September 15, 1993; and (3) the number of resumes that were unprocessed during the 30-day period ending September 30, 1993.

You also asked us to determine whether the Resumix system, or any of its subsystems, is used by any organizational entity of the White House other than the Office of Presidential Personnel and, if so, to identify the user and why the system was used. In addition, you asked us to determine whether the data on individuals stored in Resumix are used for any purpose other

than the presidential appointment process. Finally, you asked us to determine whether any of the data on individuals stored in the Resumix system have been transferred to any government or nongovernment entity and, if so, to identify that entity.

When we briefed you on the status of our work on March 14, 1994, you asked us to determine (1) whether the Clinton transition team used appropriated funds for its lease of the Resumix system, (2) whether the sole-source acquisition of the Resumix system was adequately justified, and (3) which appropriation account was used for the Resumix purchase.

To meet our objectives, we interviewed White House officials involved with the acquisition and use of Resumix, including the EOP Contracting Officer and the Director of Information Systems of the Office of Presidential Personnel. We also interviewed an official involved in procuring a Resumix system at the University of California Lawrence Berkeley Laboratory, whom the EOP procurement office had identified as providing cost information, and former Bush administration officials who were familiar with the PPO system. We also reviewed documents that the White House provided on the Resumix acquisition, including the procurement file, and the FAR and the FIRMR. Further, at our request, the White House provided information on the number of resumes processed as of September 15, 1993, and from August 15, 1993, to September 15, 1993.



Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

**U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015**

or visit:

**Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC**

**Orders may also be placed by calling (202) 512-6000
or by using fax number (301) 258-4066.**

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (301) 258-4097 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

**United States
General Accounting Office
Washington, D.C. 20548-0001**

**Bulk Mail
Postage & Fees Paid
GAO
Permit No. G100**

**Official Business
Penalty for Private Use \$300**

Address Correction Requested

