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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-178400 (2)

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November 28, 1973

Descomp, Inc. *DLA-OK*
3 Fairwinds Shopping Center
Bear, Delaware 19701

Attention: Mr. Thomas L. Ruger
Secretary-Treasurer

Gentlemen:

We refer to your letter of June 22, 1973, and prior correspondence, protesting against certain terms of request for proposals (RFP) No. 3FP-75-N-3473-4-12-73, issued by the General Services Administration. One of your objections to the RFP is that since the prospective contractor required to pay a uniform hourly wage to all employees in a given class, the RFP should be amended to provide for payment on the basis of the number of hours of labor expended regardless of product output.

In this regard, a memorandum dated April 23, 1973, included with GSA's report to our Office dated May 29, 1973, states:

"In essence, Descomp is contending that the solicitation should be based on the placement of a labor hour contract, or perhaps a time and materials contract. Under the criteria of FPR 1-3.406-1 and 1-3.406-2, it is indicated that because a time and materials contract or a labor hour contract '...does not encourage effective cost control and requires almost constant surveillance it may be used only after determination that no other type of contract will suitably serve.'

"We do not consider that the situation in question is appropriate for the use of such type of contract, on the other hand, we do consider a contract based upon payment per punched card output is entirely appropriate. In addition, it is to be observed that it is the standard

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commercial practice of the Key punch Industry to invoice on a punched card output basis, either by the 1000 cards or by the number of keystrokes. This method of payment permits automatic output control since the number of cards or the number of keystrokes can be easily confirmed by the Agency contracting for the services. The Dascomp, Inc., proposal would remove this automatic control and leave Agencies with no method of verifying charges on the submitted invoices."

In view of the foregoing, and since the choice of contract type is a matter of administrative discretion, we find no merit in this portion of your protest.

Your other contentions are addressed in our decision of today to the Secretary of Labor, copy enclosed, wherein we conclude that the protest must be denied.

Sincerely yours,

R.P.KELLER

Deputy Comptroller General
of the United States

Enclosure