

GAO

Report to the Chairman, Committee on  
Governmental Affairs, U.S. Senate

August 1987

# INFORMATION MANAGEMENT

## Status of GSA's FTS 2000 Procurement



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Information Management and  
Technology Division

B-219799

August 24, 1987

The Honorable John Glenn, Chairman  
Committee on Governmental Affairs  
United States Senate

Dear Mr. Chairman:

In your letter of July 28, 1987, you requested that we evaluate the current applicability of a recommendation made in our May 6, 1987, report.<sup>1</sup> This recommendation called for the delay of the FTS 2000 long-distance telecommunications award until the General Services Administration (GSA) and Office of Management and Budget (OMB) clarify which telecommunications services should be provided centrally and which should be provided by the agencies themselves.

Our May 1987 report addressed the question of whether the central management agencies were providing the necessary leadership and making sound decisions for managing the government's telecommunications. In that report we noted that GSA and OMB should have determined the government's end-to-end<sup>2</sup> telecommunications requirements and developed an overall strategy for meeting those requirements.

In recent discussions, GSA provided us with information on the progress it has made in resolving the concerns that led to our recommendations. We have determined that our specific concerns regarding the division of responsibilities between GSA and the agencies have been substantively addressed by recent actions taken by GSA. We believe, however, that (1) the lack of detailed support for GSA's telecommunications acquisition strategy and (2) GSA's lack of detailed analysis of other approaches, such as multiple partial awards and mandatory subcontracting, make any long-term reliance on this strategy undesirable. Nevertheless, sufficient short-term advantages exist in transitioning from the current FTS system to make the FTS 2000 a viable interim solution.

In summary, we believe that GSA should continue with its planned FTS 2000 procurement, contingent upon (1) certain changes being made in the solicitation prior to the receipt of proposals clarifying the government's right to acquire services from other sources without liability

<sup>1</sup>Information Management: Leadership Needed in Managing Federal Telecommunications (GAO IMTEC-87-9, May 6, 1987)

<sup>2</sup>Includes the entire communications system between end users.

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after 4 years and (2) a GSA commitment to immediately undertake a program to identify and implement an overall strategy for meeting the end-to-end telecommunications needs of the government beginning in 1992. In addition, we believe the GSA Administrator should submit to the Senate Committee on Governmental Affairs and the House Committee on Government Operations by November 2, 1987, the specific plans, schedules, and organizational changes needed to accomplish this strategy.

This evaluation is largely based on information provided through a series of six briefings that GSA conducted to explain its past telecommunications planning and management activities and present the results of its recent actions in those areas. The briefings were completed on July 28, 1987. Our analysis of the material presented by GSA and related discussions with GSA officials, however, continued through August 14, 1987.

GSA has reviewed a draft of this report and its comments are included as an appendix. In brief, GSA has agreed with the principal conclusions of the report and has accepted all of its recommendations.

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## Basis of Original Recommendation for Delay Substantively Addressed

Our May 1987 report made specific recommendations regarding needed improvements in governmentwide policy and planning by both GSA and OMB. In particular, it called for the identification of which telecommunications service support areas are to be the responsibility of the agencies and which of GSA. Until this telecommunications responsibility issue was resolved, we recommended that, among other things, the "GSA Administrator . . . should not award a contract for the FTS 2000."

Our recent discussions with GSA officials indicate that they have made substantive progress in this area. GSA has, in conjunction with the staff of key agencies, developed a proposed formal interagency agreement for the provision of FTS 2000 services. The proposed agreement describes items such as the services offered, periods of agreement, agency termination provisions, and agency responsibilities. GSA intends to issue this agreement as part of its formal Federal Information Resources Management Regulations (FIRMR).

GSA further clarified its policy regarding agency procurement of services from alternative sources provided under FTS 2000. GSA officials indicated that, once the FTS 2000 contract commenced, GSA would permit agencies to use an alternative source only if they could demonstrate to

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GSA that it was economically beneficial or otherwise in the best interests of the government.

GSA has developed and submitted to OMB for review its proposed final rule amending several parts of the FIRMR regarding the management of telecommunications systems and services by government agencies. This proposed final rule, among other things, revises the requirements for agencies to submit information to GSA for obtaining major telecommunications facilities or services and clarifies GSA's responsibilities in meeting agency requirements. In addition, GSA distributed in May 1987 a Handbook For Life Cycle Management Of Telecommunications Systems providing guidance to agencies in the identification of their telecommunications requirements and in the analysis of alternatives in meeting these requirements.

Regarding agency participation in the FTS 2000, GSA advised us that they had received commitments from all the major civilian agencies, the Office of the Secretary of Defense, and the Defense Communications Agency to subscribe to the basic FTS 2000 services for the initial 4 years of the contract.

The changes recently initiated in GSA policies and procedures offer substantive improvement in better defining agency/GSA responsibilities in the area of FTS 2000, as called for in our original recommendation.

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## Long-Term Reliance on the FTS 2000 Contract Is Undesirable

Regarding GSA's overall strategy for identifying and meeting the governmentwide requirements for end-to-end telecommunications support, we specifically cited factors such as inadequate knowledge of the range of government requirements, an insufficient consideration of potentially attractive alternative technical strategies, and the lack of an integrated approach to the end-to-end provision of services across the FTS Washington Interagency Telecommunications System, Aggregated Switch Procurement programs. Our discussions with GSA, subsequent to the issuance of our report, provided no basis to alter our opinion of GSA's overall strategy of identifying and meeting the governmentwide requirements for end-to-end telecommunications support. On the contrary, these discussions have strengthened our belief that the development of GSA's overall strategy was flawed and should be re-examined.

The FTS 2000 acquisition program shares these faults. No serious consideration was given to any design alternative other than the one initially proposed—the purchasing of a range of commercially available

services under a vendor-guaranteed rate structure covering a period of 10 years. Detailed analysis of other feasible and potentially attractive alternatives (for example, a core of dedicated government controlled facilities supplemented by commercial services) was inhibited by GSA's planning assumptions that (1) a large capital investment would be required but could not be obtained for government controlled facilities, (2) systems engineering and integration support could not be obtained to supplement inadequate GSA staff capabilities to manage such facilities, (3) by 1988 there would exist robust competition among a number of major long-distance service vendors capable of meeting the government's requirements without substantial capital investment dedicated to this purpose, and (4) the threat of agencies' acquiring similar services from alternative sources would furnish sufficient incentive to a winning vendor to assure the long-term technical and economic attractiveness of its offered services. These assumptions were accepted without sufficient validation.

As a result, we have serious reservations regarding a long-term commitment to the current FTS 2000 acquisition strategy. Even more importantly, the lack of serious consideration of the range of feasible alternatives has left unexplored the possibility of significantly more advantageous long-term strategies.

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## Current FTS 2000 Approach Is Reasonable as an Interim Solution

There are some short-term advantages to allowing FTS 2000 to proceed, at least as an interim solution, while a long-term strategy is worked out. The most significant advantage is that it will likely produce substantial savings in the short term. Providing voice and related services under the current FTS costs the government approximately \$450 million per year. Were FTS to remain fully operational, this cost would be expected to remain reasonably stable over the next few years, with planned cost-saving modifications to the current FTS approximately balancing expected cost increases. Providing the corresponding services under a fully operational FTS 2000 is expected to save, based on a GSA-sponsored contractor study,<sup>3</sup> something in excess of \$100 million annually when compared to the current FTS and its planned improvements.

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<sup>3</sup>"Cost Benefit Analysis of Alternatives for the Replacement of the Federal Telecommunications System Intercity Network," prepared by Kalba Bowen Associates, Inc., and Economics and Technology, Inc., May 30, 1986.

The need to overlap during the planned 3-year transition from the current FTS does diminish, to some extent at least, the ability to fully realize the projected savings until the transition is completed. GSA estimates, however, that the realized savings will more than compensate for the added costs of transition during the initial 3-year transition period. We recognize these estimates are necessarily imprecise because of certain unknown factors (for example, the transition sequence negotiated with the winning vendor). However, we believe it is plausible that aggregate net savings well in excess of \$100 million are possible by 1992.

There are some additional, secondary, short-term advantages. FTS 2000 will permit agencies access to the more advanced telecommunications services in the interim, without the necessity of individual procurement actions. Holding the management of governmentwide services together under GSA control is also likely to make a future transition to a revised end-to-end telecommunications strategy more feasible. In this regard, we believe the tendency of individual agencies to seek independent and potentially incompatible solutions to their telecommunications requirements would be much greater in the short term under the current FTS system.

The attractiveness of FTS 2000 as an interim solution is further increased by the lack of any long-term government capital investment required by this approach.

The viability of FTS 2000 as an interim solution, however, depends on the government's ability, after satisfaction of the government's minimum obligations, to acquire services from other sources without liability under the contract. Although GSA claims this was its intent in drafting the solicitation, the present document is unclear on this point. Although the solicitation would impose a minimum obligation on the government for switched voice services of \$450 million over 4 years, it also provides for a 10-year contract, and specifically states that the using agencies identified in the solicitation, including all the major civilian agencies, will buy switched voice services under the contract if a requirement exists. It is essential that the contract clearly permit the government to acquire switched voice and other services from alternative sources without liability anytime after the first 4 years.

Absent any detailed analysis by GSA of the alternatives, including multiple partial awards, the current FTS 2000 approach seems to offer the best short-term solution.

## Conclusions and Recommendations

Because GSA did not conduct a comprehensive analysis of a range of alternatives for satisfying federal telecommunications requirements, it is questionable whether FTS 2000 is optimal technically, economically, or contractually. Given the billions of dollars that could be expended under this program over the next 10 years, we believe that no long-term commitment to this program should be made without further study.

Regardless of past deficiencies, however, any decision regarding the future course of FTS 2000 should be based on the present situation. We recognize that a well-founded, long-term, end-to-end telecommunications strategy will take 2 to 3 years to develop. In the short term, however, we believe that the FTS 2000 contract will offer advantages as an interim solution. In this regard, we note that recent steps taken by GSA have substantively removed the basis of our original recommendation for delay of award of the contract.

Consequently, we recommend that the Administrator, GSA, proceed to award the FTS 2000 contract as an interim means of meeting the government's long-distance telecommunications requirements. We also recommend that GSA, before receiving proposals, amend the solicitation to provide explicitly that the government may acquire switched voice and other services from alternative sources, without liability, anytime after the first 4 years of the contract. Because of the potential impact such changes could have on offerors' proposals, we suggest GSA consider postponing the receipt of proposals to allow offerors to assess this impact.

It is important that GSA, by 1992 at the latest, determine the best strategy for the end-to-end provision of telecommunications support to meet the needs of the federal government and to be in position to implement that strategy. We recognize the risk that, without skillful and determined GSA leadership over the next few years, proceeding with the planned FTS 2000 as an interim solution could easily lapse into a de facto long-term commitment. We believe that the current Administrator could sufficiently reduce the risk of future GSA inaction by immediately initiating the needed long-term planning effort and by instituting the organizational and budgetary changes required to sustain it in future years. It is our belief that the lessons learned from the present situation, coupled with continued congressional oversight, could furnish sufficient momentum to result in the development of a well-founded telecommunications strategy ready for implementation by 1992.



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Accordingly, we recommend that GSA immediately establish and commit itself to a long-term program to:

- identify and analyze a range of plausible alternatives concerning the economics and technical capabilities of the telecommunications equipment and service markets in the post-1992 period.
- identify and analyze a range of plausible alternatives concerning agency and governmentwide, end-to-end telecommunications requirements in the post-1992 period.
- identify and analyze a range of plausible technical alternatives and associated implementation, operational, transition, acquisition, and funding strategies for addressing these requirements. In doing this, GSA should solicit the wide participation of potential systems integration contractors "free to propose their own technical approach, main design features, subsystems, and alternatives to schedule, cost and capability goals."<sup>4</sup>
- evaluate these alternatives and strategies in terms of their ability to meet the total telecommunications needs of the entire government, life-cycle costs, difficulty of execution, need for technical and managerial skills by agencies as well as GSA, congressional support for required funding, and market availability.
- complete the above planning process and prepare the necessary procurement actions for the transition to a new end-to-end system to begin in 1992.

In order to give the assumptions, analyses, and decisions reached in this process the maximum visibility, we recommend that the relevant documents identifying and analyzing the plausible alternatives be published as soon as available in conjunction with the annual five year ADP/telecommunications plan already required by the Paperwork Reduction Act (44 U.S.C. 3505(3)(E), as amended by Section 815, Public Law 99-591.)

Adequate technical and management resources will be needed by GSA to execute this process. To assure that adequate technical support is available, we recommend that GSA strongly consider acquiring the assistance of a systems engineering support contractor. To assure that adequate management support is available, we recommend that the Administrator create a long-range planning group reporting directly to the Commissioner for Information Resources Management, with authority and responsibility over all the necessary activities and resources.

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<sup>4</sup>"Major System Acquisitions. A Discussion of the Application of OMB Circular No. A-109." OFFPP Pamphlet No. 1, August 1976.

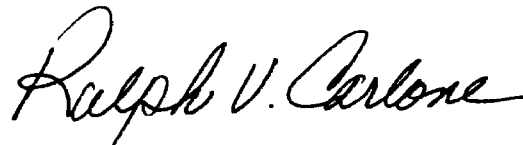
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Since the commitment of GSA to pursue alternative strategies for implementation by 1992 is critical, we recommend that the Administrator of GSA submit to the Senate Committee on Governmental Affairs and the House Committee on Government Operations by November 2, 1987, both the specific plans and schedules to accomplish the needed tasks and the organizational changes made to manage this effort.

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As arranged with your office, we are providing a copy of this report to the Chairman of the House Committee on Government Operations. Unless you publicly announce this report's contents earlier, we plan no further distribution of the report until 30 days from its issue date. At that time we will send copies to the Administrator of GSA and the Director of OMB. We will also send copies to interested parties and make copies available to others upon request.

Sincerely,



Ralph V. Carlone  
Director



# Agency Comments



Administrator  
General Services Administration  
Washington, DC 20405

August 21, 1987

Dear Mr. Bowsher:

I am writing in response to your request for the General Services Administration's (GSA's) comments regarding the General Accounting Office's (GAO's) draft report on its review of the FTS 2000 procurement. We appreciate the work you have done, particularly given the time constraints involved.

I also appreciate your recognition of the work GSA has done over the past few years which addresses the concerns raised in GAO's report, Information Management: Leadership Needed in Managing Federal Telecommunications. Throughout the development of FTS 2000, GSA has sought to bring together the best thinking of other Federal agencies, industry, and private sector consultants.

Federal users were represented through a senior executive steering committee representing all agencies. Industry helped develop and refine the specifications through major efforts to refine initial "straw man" specifications into the RFP. Further, GSA itself conducted internal studies of alternatives, costs and benefits, policy considerations and industry direction.

In 1985, a panel of nationally renowned experts was drawn together to examine alternatives prior to recommending the final course of action to the Administrator of General Services. This panel heard arguments supporting a variety of alternatives, heard expert input as to the direction of the industry, and heard input concerning the proposed FTS 2000 strategy. As part of this process (which included participation by users and OMB) an expert company (Kalba-Bowen) was solicited competitively to reexamine the alternatives and validate GSA's analyses. Based on the panel's advice and GSA's own review, we determined the approach as defined in the FTS 2000 RFP was the most desirable one.

GSA also has worked to produce a telecommunications plan to address needs up to 1990. This plan, first released in 1984 and finalized in 1985 has been reviewed and amended based on comments from a private sector advisory board and agencies. It described 59 key tasks covering Governmentwide management and highlighted technical standards, policies, regulations, planning, and budgeting.

**Appendix  
Agency Comments**

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A significant action that flowed from this plan was a review of GSA's telecommunications regulations. This review enabled us to clarify the division of responsibility between agencies and GSA, and to provide stronger policies for the life cycle management of telecommunications systems noted by the GAO report.

In addition to the long-range telecommunications plan, we have conducted 15 other specific planning studies since 1982 in the telecommunications area.

We recognize, however, that this industry is a rapidly changing one and that there is a clear and unmistakable need for GSA to improve its planning. Accordingly, we accept the recommendations contained in the report and will begin immediately to implement them.

GSA will:

(1) Clarify the RFP as recommended and proceed with the FTS 2000 procurement. This clarification will remove any ambiguity about the Government's right after fulfillment of the minimum obligation to purchase similar services from other sources without incurring liability, and to discontinue purchasing services from the vendor. Also, consistent with your suggestion, GSA will postpone the receipt of proposals until September 30, 1987, to allow potential vendors to assess the effect of this clarification.

(2) Undertake the program you suggest to identify and implement an overall strategy for meeting the end-to-end telecommunications needs of the Government for the period beginning in 1992. GSA also will submit to the relevant Committees, by November 2, 1987, plans and schedules to accomplish this task. We look forward to working closely with GAO over this period in developing these documents.

(3) Create a planning group reporting to the Commissioner for Information Resources Management and acquire the assistance of a systems engineering support contractor to provide the technical and management resources needed to carry out this program.

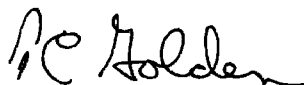
**Appendix  
Agency Comments**

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We recognize the extraordinary hard work and effort required to produce this report. We look forward to working closely with Chairman Brooks, Chairman Glenn and you as we develop and define better the actions required to achieve our objective--the most economical and effective telecommunications system for the Government.

With best wishes.

Sincerely,



Terence C. Golden

The Honorable  
Charles A. Bowsher  
Comptroller General  
of the United States  
General Accounting Office  
Washington, DC 20548

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