



093272

UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D C 20548

RESOURCES AND ECONOMIC  
DEVELOPMENT DIVISION

OCT 6 1972

Dear Mr Morley

We have completed a limited review of the Department of Housing and Urban Development's (HUD) acquisitions of (1) a Univac computer system and (2) services for preparation of programs (software) for the new computer, other than the programs to be prepared in-house

The computer system procurement process began in September 1969 and culminated in February 1970 when contract H-1230 in the amount of \$2.8 million was awarded to the Sperry Rand Corporation. Acceptance of the computer system and final payment was made in January 1971. The software procurement process which we reviewed began in January 1969 and culminated in the award of two contracts totalling \$1.4 million to Informatics Incorporated in April 1969 and June 1970.

In connection with the procurement of the computer system and software services, we reviewed the requests for proposals (RFP), vendors' proposals, Proposal Evaluation Board's minutes, memorandums exchanged by HUD and vendors, and evaluation reports. We also interviewed individual board members.

In procuring the computer system, HUD did not require the selected vendor to comply with one of the specifications in the RFP. This specification is stated in two sections of the RFP as follows:

"Benchmark demonstrations will be performed on the configuration proposed by the vendor and at a time and place mutually agreeable to HUD and the vendor."

\* \* \* \* \*

"As indicated earlier, vendors will be required to demonstrate the system performance of their proposed computer systems by presenting a live test demonstration to a HUD evaluation team."

The importance that HUD attached to the foregoing specification is evidenced by HUD's refusal to permit one prospective proposer to demonstrate the operation of his computer system on one equipment configuration and list another configuration in his proposal.

~~713859~~

**093272**

~~093272~~

HUD, however, permitted the selected vendor to conduct a number of demonstrations on configurations of equipment that were similar in certain respects to his proposed configuration, but not one demonstration was conducted by this vendor on his proposed configuration. Apparently, HUD assumed that the operating results obtained in the demonstrations would also be obtained by the proposed configuration.

Thus, HUD, in addition to violating its own specification, denied itself the opportunity of determining, prior to purchase, whether the proposed system--which according to the vendor had not been installed anywhere previously--had the capability of providing the performance that HUD required.

Subsequent to the installation of the Univac computer, correspondence between HUD and the vendor indicates that HUD experienced numerous equipment problems and a lack of consistent quality performance. These problems contributed to the delay in the conversion of computer operations to the Univac system. The correspondence indicates also that problems continued to exist in the peripheral equipment included in the system configuration as long as 15 months after installation. We believe that some of the problems could have been detected if HUD had required the vendor to use the proposed configuration of equipment in the demonstrations.

In regard to the contracts for the preparation of the computer software, we believe that HUD had not properly evaluated the contractor's capability to produce the required software. The contractor's personnel assigned to the HUD contracts, on the basis of information given in their qualification resumes, seemed to possess the ability to prepare computer software, but had very limited experience with software such as that required by HUD. This deficiency became evident when, after much effort by the contractor, usable software was not developed and HUD terminated the contracts. HUD estimated that 189 man-months of in-house work will be required to make the software developed by the contractor usable.

Because of the computer system and software problems, the conversion of the Federal Housing Administration's insurance-in-force system to the Univac computer has been delayed at least 17 months, and the automation of the HUD staff expense accounting system has been delayed by at least 27 months.

We realize that our criticism of HUD's actions in the procurement of the computer system and computer software service is academic because the purchases have been completed. However, over the next 4 years, HUD plans to purchase computer equipment which will cost about \$8.7 million, and will also award contracts for the preparation of software in the amount of about \$300,000 annually. Accordingly, we recommend that in making the computer equipment purchases HUD require all prospective vendors to demonstrate the capability of their equipment in the exact configuration they propose to supply. Also, we recommend that the qualifications of prospective software vendors be properly evaluated to determine whether they possess the ability and experience to develop the complex programs required by HUD.

We appreciate the courtesies and cooperation extended to our representatives during the review. Your comments as to any action taken or planned to be taken on the matters discussed in this report will be appreciated.

We are also sending copies of this report to the Secretary, the Inspector General, and the Assistant Inspector General for Audit, Department of Housing and Urban Development

Sincerely yours,

B. E. Birkle

B. E. Birkle  
Associate Director

The Honorable Harry T. Morley  
Assistant Secretary for Administration  
Department of Housing and Urban Development