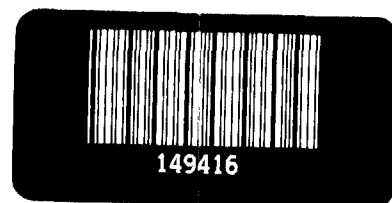
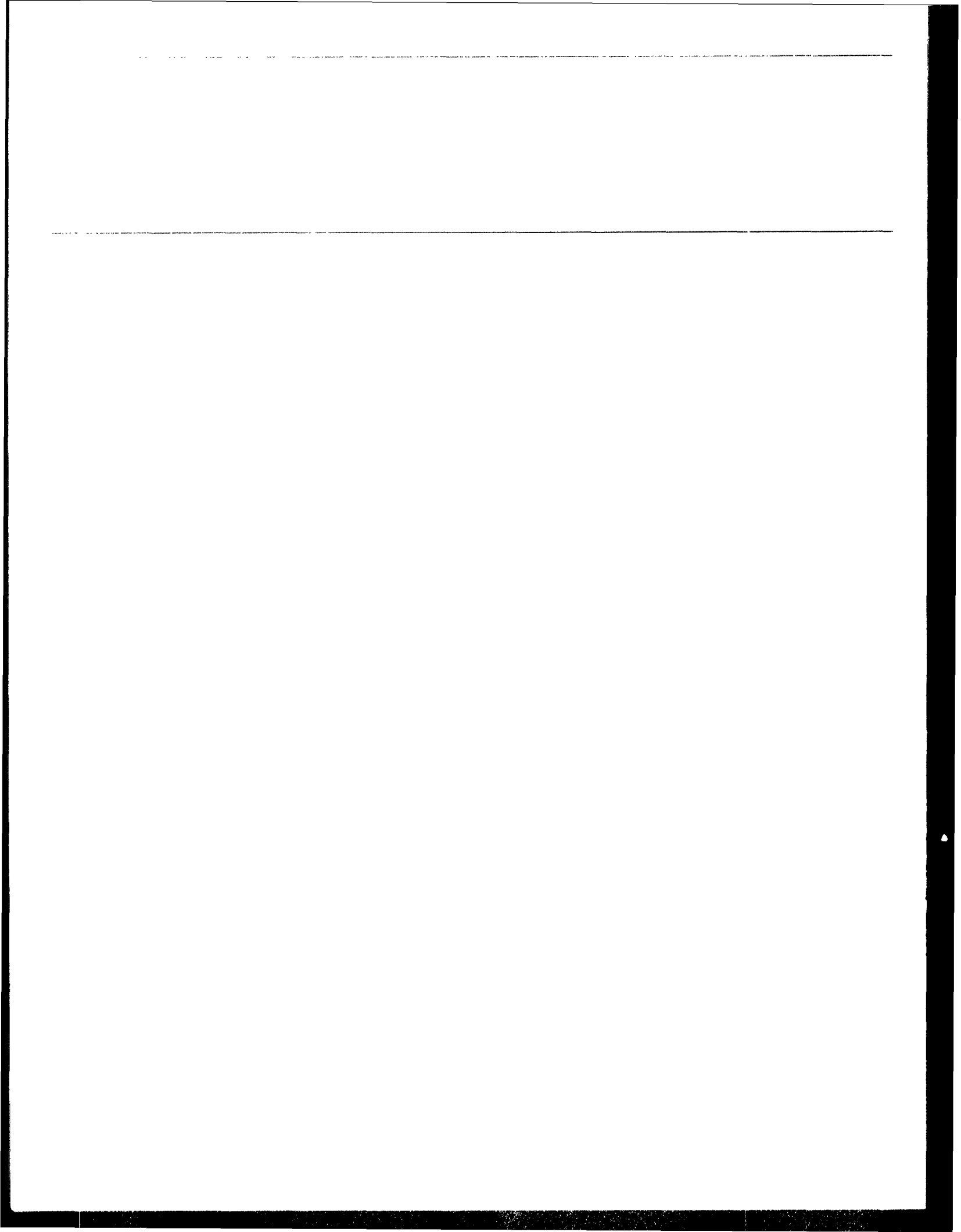


June 1993

WHITE HOUSE

Acquisition of
Automated Resume
Processing System





General Government Division

B-253665

June 17, 1993

The Honorable Jim Lightfoot
Ranking Minority Member
Subcommittee on Treasury, Postal Service
and General Government
Committee on Appropriations
House of Representatives

The Honorable Frank Wolf
House of Representatives

The Honorable Ernest J. Istook, Jr.
House of Representatives

This report responds to your inquiry regarding the White House's acquisition and use of the Resumix computer system, which is used to process the resumes of individuals being considered for presidential appointments. Your inquiry focused on whether (1) applicable federal acquisition regulations were followed in acquiring Resumix, (2) Resumix is an appropriate system when compared to other systems that might accomplish the same purpose, (3) the White House's Resumix project manager has financial interests with Resumix suppliers, and (4) recent White House computer acquisitions could perform the tasks being done on Resumix. You also expressed interest in issues raised in several April 1993 newspaper articles that reported the Resumix system was not operating properly.

Results in Brief

Resumix appeared to be an improvement over the existing White House Office of Presidential Personnel system in the demonstration that we observed. Because it uses more modern technology and is less labor-intensive, Resumix has the capability of reducing White House staff costs. Also, with the large number of resumes expected, it seems unlikely that the existing system could have been upgraded to meet the President's needs within the time required. Further, it does not appear that Resumix duplicates capabilities that have been obtained from recent White House computer acquisitions.

While federal contracting regulations allow sole-source contracting in urgent and compelling circumstances, they also provide that certain requirements and determinations be met and documented within a reasonable time period after contract award. Efforts to meet these

requirements were underway but had not been completed as of early June 1993—4 months since Resumix was leased. While it is understandable that these were not met before Resumix was leased in February 1993, it would have been a better business practice to meet them before the end of the 3-month lease period.

Finally, our work disclosed no evidence to support the newspaper accounts of problems with the operation of Resumix or the possibility of financial ties of key White House personnel with the system's suppliers.

Since the White House expects to soon issue a replacement lease for the system in accordance with federal contracting regulations, we are making no recommendations.

Scope and Methodology

To obtain information relating to your inquiry, we interviewed White House officials involved with the acquisition and use of Resumix, a Resumix, Inc., official, and a consultant to the Clinton Transition team who provided advice on the selection of the Resumix system. We also reviewed documents that the White House provided on the Resumix acquisition, the Federal Acquisition Regulation, and the Federal Information Resources Management Regulation. The Resumix project manager voluntarily provided a copy of his 1992 tax return and a statement concerning his investments, both of which we reviewed. We also reviewed the public financial disclosure statement of the White House official who contracted for the Resumix system. Further, the White House provided information on the number of processed and unprocessed resumes as of May 7, 1993. We also observed the operation of the Resumix system, including a sample extraction of a list of candidates for a hypothetical position.

We relied on White House officials to provide all available documentation that they had on the acquisition and did not verify the accuracy of the information that was provided to us. We were told that two internal deliberative documents regarding personnel operations, including Resumix, were sensitive because they discussed internal White House procedures, and these documents were not made available for our review. We did our work in accordance with generally accepted government auditing standards during May 1993.

Background

According to White House officials, the Clinton Transition Planning Foundation first looked at Resumix in the fall of 1992 in Little Rock, Arkansas, as one option to help process an expected large volume of resumes for individuals seeking presidential appointments. The Transition team was interested in a system that used optical scanning and other state-of-the-art technology to enter resume information into an automated database and also had the capability to search and extract lists of candidates meeting desired characteristics. Initially, the Transition team hired a computer programmer to develop a customized system. However, after this customized system was developed, it would not work as planned and the Transition team began looking at off-the-shelf systems, such as Resumix.

According to White House officials and a volunteer technology consultant to the Transition team, they did not have the time to conduct a complete search of available systems.¹ Instead, they relied on the expertise of several consultants to conduct the search and select a system.² We were shown descriptive folders from several vendors that were considered, including Resumix, Restrac, Lotus Notes, Harris, Protech/Optika, and Alosview. Handwritten notes on the folders indicated that the search was narrowed to Resumix and Restrac—the two systems that were specifically designed to process resumes.

The White House Resumix project manager and the primary consultant for the Transition team told us that further investigation of Resumix and Restrac included obtaining verbal price quotes on both systems, contacting several users to inquire about their degree of satisfaction with the systems, and observing demonstrations of the two systems in operation. They said that there was no documentation retained of these activities.

The Resumix system was selected in November 1992 by the Transition team. The project manager and the consultant said that Resumix was selected because (1) prices quoted on both systems were similar, but the Restrac quote did not include hardware costs; (2) some of the Restrac references gave mixed reviews, while all of the Resumix reviews were positive; (3) a Restrac salesperson said the system might not be able to

¹On October 27, 1992, the General Counsel of the General Services Administration (GSA) informed the Chairman, GSA Transition Support Team, that transition foundations are not subject to federal contracting rules and procedures regardless of whether they use appropriated or private funds.

²The primary consultant said he had extensive experience in designing optical scanning systems and had provided technical assistance for the last two Democratic presidential conventions, but he had no experience with automated resume processing systems.

handle the expected large number of resumes; and (4) Restrac's optical scanning capabilities were not as accurate as Resumix's. They also said they compared the price quote from Resumix, which was \$30,000 for a 9-week lease for hardware, software, and support, to the prices charged by hardware vendors and concluded the Resumix quote was fair.

Resumix was installed at the Transition team headquarters at 1120 Vermont Avenue in Washington in November 1992 and was to remain there until the Presidential Inauguration. On January 29, 1993, the Clinton Transition Planning Foundation paid Resumix, Inc., \$30,000. The Resumix invoice showed this covered rental of the system from mid-November 1992 through February 18, 1993, which was almost 4 weeks longer than the original 9-week period.

White House officials said that after the Inauguration, about 32,000 resumes that had been processed using Resumix during the transition were downloaded into the existing White House Office of Presidential Personnel (referred to as PPO) resume processing system. Officials said the minicomputers supporting the PPO system were installed during the Carter Administration, and the software for resume processing was developed during the Reagan Administration.

White House officials said the PPO system was inferior to the Resumix system they had become accustomed to during the transition, primarily because (1) candidate searches were much slower, (2) it could not produce lists of candidates in priority order, and (3) it was much more labor-intensive because it did not have optical scanners or the other special features of Resumix. White House officials demonstrated the operation of the system to us and showed that PPO users have to type in basic information from applicants' resumes, such as names and education, and research and enter codes for other information, such as the desired agencies and the capabilities of the candidates. Much of this work was done automatically with the Resumix system. White House officials said that 1 week after the Inauguration, they decided to keep the Resumix system and move it from the Transition headquarters to the White House personnel office.

Resumix System Moved to the White House

On February 2, 1993, the Assistant to the President for Management and Administration wrote to Resumix, Inc., and agreed 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 decided to purchase the system. The February 2, 1993, letter stated that the White House would reevaluate the system after 3 months and decide whether to continue to lease or purchase the system. The letter contract requested that Resumix move the system by February 4, 1993. Although the White House lease was for the same basic system that the Transition team had been using since November 1992, the White House lease covered less equipment. According to White House officials, the White House lease had one less optical scanner, one less printer, and five fewer workstations because the bulk of expected resumes had been entered into the system by the Transition team.

White House officials said they used a sole-source contract to lease Resumix because of the urgent need for the system and that a competitive contract award would have taken about 1 year to complete. Under the Federal Acquisition Regulation (FAR), the Assistant to the President for Management and Administration was authorized to sign the letter contract because he was the senior procurement official.

Resumix and White House officials said that the \$10,000 monthly lease rate for the Transition team was more favorable than the \$22,580 monthly rate for the White House because Resumix was able to publicize that the Clinton Transition was using the system, and such publicity would not be allowed after it was installed in the White House. They said the Wall Street Journal and Cable News Network, for example, did stories on the Transition team's use of Resumix. White House officials also said they understood their rental rate was the same that other users paid, although they had no documentation of what users were contacted or the specific amounts the users paid for a similar Resumix system.

According to White House officials, the Resumix system was installed in the White House's Office of Presidential Personnel during the second week of February 1993, probably on February 11, 1993.³ On April 30, 1993, Resumix, Inc., sent the White House an invoice for \$67,740, covering the 3-month lease from January 24, 1993, to April 24, 1993. On May 18, 1993, Resumix wrote to the White House requesting payment again and offering to extend the lease for an additional 3 months for \$22,580 per month, plus \$2,685 per month for maintenance and support. Resumix also offered to lease the system on a month-to-month basis for a longer period and to quote a 3-year lease rate after August 4, 1993. On June 10, 1993, White

³On June 10, 1993, other White House officials said that the system had been installed on February 4, 1993, not February 11, 1993.

House officials provided documentation showing that Resumix was paid \$67,740 on June 4, 1993. They said that while they had not marked the date of receipt of Resumix's April 30, 1993, invoice, they thought it probably was not received until May 5 or May 6, 1993.

Compliance With Federal Acquisition Regulations

The Federal Acquisition Regulation (FAR) and the Federal Information Resources Management Regulation (FIRMR) require, with certain exceptions, that contracting officers provide for full and open competition in government contracts for information processing resources. One exception is when the agency's needs are of such unusual and compelling urgency that the government would be seriously injured unless the agency is permitted to limit the number of sources from which it solicits bids or proposals.

Contracting officers are generally not to begin negotiations for a sole-source contract unless the contracting officer justifies the use of such actions in writing. However, justifications for contracts awarded under urgent and compelling circumstances may be prepared within a reasonable time after contract award when preparation before award would unreasonably delay the acquisition. The regulations also require that contracts for information processing resources be supported by a requirements analysis evaluating, among other things, whether purchase, lease, or lease/purchase is the lowest cost method of acquisition over the system's life.

When the Assistant to the President for Management and Administration sent the letter contract to Resumix on February 2, 1993, a sole-source justification and requirements analysis evaluating whether lease, purchase, or lease/purchase was the lowest cost alternative had not yet been prepared. Also, the White House had not yet determined whether Resumix would be less costly than modifying the existing PPO system in the White House.

On March 3, 1993, the Executive Office of the President procurement office wrote the personnel office and stated that a sole-source justification and a requirements analysis would be needed for the February 2, 1993, letter contract. On May 6, 1993, the Assistant to the President for Management and Administration delegated to the Executive Office of the President procurement office the authority to expend \$135,580 of fiscal

year 1993 funds for Resumix.⁴ On May 7, 1993, the Associate Director of Presidential Personnel recommended ratification of what she termed the "unauthorized commitment" to Resumix. Procurement officials determined that the February 2, 1993, commitment was authorized and that definitization was required.⁵ In late May 1993, procurement office officials told us the sole-source justification and requirements analysis had not yet been completed but were being prepared.

On May 25, 1993, we also discussed with procurement officials the status of a contract to replace the 3-month lease that had been agreed to using the February 2, 1993, letter contract, as well as the price for leasing the system after April 24.⁶ Procurement officials said they expected to reach agreement with Resumix by mid-June for a replacement 6-month lease. Procurement officials said they were considering a 6-month straight lease starting in February 1993 and at the end of the lease would determine whether to execute a longer term lease with annual options or whether to purchase Resumix. On June 11, 1993, we contacted a Resumix official who indicated that he was still working with the White House on the replacement lease and at this time there was no lease for the Resumix system at the White House. In commenting on a draft of this report on June 15, 1993, senior White House officials said that the lease is in force under the terms of the February 2, 1993, letter contract. White House officials also said they had included \$258,025 in the fiscal year 1993 Supplemental Request for the Executive Office of the President to cover the possible purchase of the Resumix system.

Procurement officials also said they would document whether the price on the replacement lease with Resumix was fair and reasonable, which was not done for the February 1993 lease. Procurement officials said they would evaluate the prices paid by comparable Resumix users in other organizations to make this determination.

⁴This delegation was apparently for a 6-month lease of the Resumix system. At the \$22,580 monthly lease rate in the February 2, 1993, letter contract with Resumix for the 3-month lease, a 6-month lease would compute to \$135,480. Also, the Executive Office of the President procurement office Director said this office does not handle White House procurements unless specifically authorized by the White House.

⁵Where the parties have utilized a letter contract to begin performance, definitization occurs when the parties subsequently agree to all the essential terms and conditions under the contract.

⁶The February 2, 1993, letter contract with Resumix stated the 3-month lease would start on January 24, 1993. We discussed this with the procurement office officials, noting that the Transition team's lease for the same system went through February 18, 1993, and that the system was installed in the White House in February 1993. The officials said that the replacement lease they are negotiating with Resumix would correct this discrepancy.

Appropriateness of the Resumix System

Absent a competition of interested vendors and a comparison of the cost to update the existing PPO system with the cost of installing a new system, it is not possible to determine whether Resumix is the most cost-effective system to meet the White House's resume processing needs.

White House officials said that with the President's goal of reducing White House staff by 25 percent and the expected large increase in resumes for the first Democratic administration in 12 years, they thought they needed a system that used fewer staff resources than the existing PPO system did. Although White House officials said they had not prepared cost analyses to quantify savings, they thought that it would have been more expensive to modify the existing White House PPO system than to acquire Resumix. They said that to add optical scanners to the PPO system, the system software would also have to be reprogrammed and additional memory and optical character reading capability would have to be 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 systems operating on the minicomputers. In view of the need to make thousands of presidential appointments early in the Clinton Administration, White House officials said updating the existing PPO system was not a viable option.

We asked White House officials if Resumix was working effectively and how many presidential appointments have been made using it. They said the system was working effectively, but they have no way of determining whether appointed individuals were hired as a result of information supplied through the Resumix system.

Some newspaper articles had reported that the Resumix system had not been operating properly and that some resumes had been sent to storage without being processed. White House officials denied these assertions. They said that the existing PPO system is still being used to prepare correspondence regarding applicants and that appointments are being tracked on an existing personal computer using an off-the-shelf spreadsheet software that cost less than \$500. They said these activities could be done on Resumix, but this would slow down the processing of resumes and they made a management decision to do these activities on other systems.

White House officials said that as of May 7, 1993, 40,272 resumes have been fully processed on Resumix, with an additional 1,200 resumes

awaiting verification.⁷ They said 12,000 resumes have been manually screened but not entered because of higher priorities to use the system to make applicant searches. They said some of these resumes are duplicates, and they estimated that 8,000 applicants have submitted these resumes. They also said these resumes are for lower level assignments for which the selection process has not begun. White House officials said that contrary to press reports that 25,000 resumes were boxed and relocated to hide them from a high-level official making an inspection of the system, what really happened was that some resumes were moved to make space in the work area. They said that no more than 15,000 to 16,000 resumes had been unprocessed at any time.

White House officials believe they will continue to need Resumix after the initial thousands of presidential appointments are made because of the traditional high turnover in such positions.

Alleged Conflict of Interest

A press article had also reported that it could not be determined whether the White House project manager for Resumix, Mr. Mark Bilsky, had a financial interest in Resumix. Mr. Bilsky, the Director of Management Systems in the Presidential Personnel Office, told us he has no financial interest in Resumix, Inc., or Sun Microsystems, Inc., the producer of the computer workstations used with the Resumix system.⁸ White House officials said Mr. Bilsky was not required to file a financial disclosure statement in his position. He voluntarily provided a statement and last year's tax return that did not show financial interests in either organization. His statements showed investments in two mutual funds, and we reviewed documentation from both mutual funds. One of the funds showed no investments in Resumix or Sun Microsystems. The documentation of the other fund listed only its top 10 holdings, which did not include either company.

We also asked the White House for the financial disclosure statement of the Assistant to the President for Management and Administration, who signed the February 1993 letter contract with Resumix, to determine if he

⁷Verification is a manual process in which the actual resume and the information extracted from the resume and reference letters are compared to ensure the information was not lost during the optical scanning process. White House officials said Resumix's optical scanning process is 80- to 90-percent accurate.

⁸Mr. Bilsky said he had not worked for Resumix or Sun Microsystems and had no plans to work for either company in the future. He was employed as an evaluator with GAO from July 1984 to October 1986 and April through June 1990.

had financial interests in either company. His financial statement did not reflect interests in either Resumix or Sun Microsystems.

Recent White House Computer Acquisitions

White House officials said that recent computer acquisitions in the Executive Office of the President do not duplicate what can be done on Resumix. They said that the personnel office has spent \$148,854 during the last 3 years to upgrade the memory on the minicomputers associated with the PPO and other Executive Office of the President systems and to acquire printers. They said that the only recent large computer acquisition was made in fiscal year 1991 by the Executive Office of the President Data Center. Officials said this \$4.5 million procurement was primarily to acquire a mainframe computer that serves the White House, the Office of Management and Budget, and other Executive Office of the President components.

Conclusions

Resumix appeared to be an improvement over the existing PPO system in the demonstration of the system that we observed. Because it uses more modern technology and is less labor-intensive, Resumix has the capability of reducing White House staff costs. Also, with the large number of resumes expected, it seems unlikely that the PPO system could have been upgraded to meet the President's needs within the time required.

While federal contracting regulations allow sole-source contracting in urgent and compelling circumstances, they also require (1) a written determination that there were urgent and compelling circumstances, (2) a justification for sole-source contracting, (3) a requirements analysis to show whether leasing or purchasing is less costly, and (4) a determination that the price paid was fair and reasonable, within a reasonable time period after contract award. Efforts to meet these requirements were underway but had not been completed as of early June 1993—4 months since Resumix was leased.

While it is understandable that these requirements were not met before Resumix was leased in February 1993, it would have been a better business practice to meet these requirements before the end of the 3-month lease period. Such action would have facilitated the White House determining whether a sole-source procurement of this system was still needed and, if so, formally determining whether it should be leased or purchased. White House officials expect to complete this process by

mid-June 1993. We agree that they should complete this process as quickly as possible.

Finally, our work disclosed no evidence to support the newspaper accounts of (1) problems with the operation of Resumix or (2) the possibility of financial ties of key White House personnel with the system's suppliers. Also, it does not appear that Resumix duplicates capabilities that have been obtained from recent White House computer acquisitions.

Since the White House expects to soon issue a replacement lease for the system in accordance with federal contracting regulations, we are making no recommendations.

White House Comments

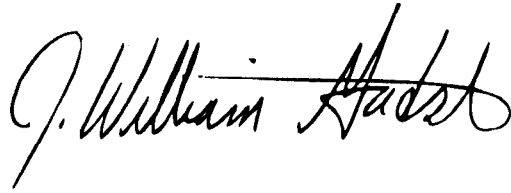
We discussed the issues in this report with senior White House officials on June 15, 1993. The officials disagreed with our view that the sole-source justification should have been completed during the first 3 months of the lease. Officials provided two main reasons for this view. First, they said the February 2, 1993, letter contract states that the White House will reevaluate the status of Resumix after the 3-month lease period. Second, they said that before passage of the supplemental appropriation request the White House had requested, it was not possible to make a final decision on whether to lease or buy the system.

We still believe that before the end of the 3-month lease period in the February 2, 1993, letter contract, the White House should have complied with the federal contracting regulations. First, the regulations require compliance within a reasonable time after award of the initial contract in February 1993, and the fact that the White House would reevaluate the status of the contract after 3 months does not obviate the need to justify the sole-source selection, which took place in February 1993. Second, while we recognize that the White House was awaiting final action on its request for supplemental appropriations, and such action might determine whether the White House has funds available to purchase this system in the future, it is still true that the White House has not justified its need to initially lease this system under a sole-source procurement or to continue this arrangement.

We are sending copies of this report to the White House Chief of Staff; other interested congressional committees; the presidents of Resumix, Inc., and Sun Microsystems, Inc.; the Assistant to the President for

Management and Administration; Mr. Mark Bilsky; and other interested parties upon request.

If you have any questions on this report, please call me on (202) 512-8387. Other major contributors were John S. Baldwin, Robert G. Homan, Mark E. Heatwole, and V. Bruce Goddard.



J. William Gadsby
Director, Government Business
Operations Issues

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