

work in the agencies, we have issued a number of audit reports to the Congress and to agency officials covering specific aspects of ADP operations.

In our December 1960 report to the Congress, we stated that:

Generally, the practice of each Government agency is to procure equipment for its own needs (on either a purchase or a rental basis) and to trade in purchased equipment or exchange older rented equipment for newer models in accordance with its own particular needs. Possible needs of other agencies for the traded-in or exchanged equipment are generally not considered. However, it is possible that such equipment can be used to serve the needs of other Government agencies.

At least one major equipment supplier offers terms under which used equipment can be purchased at a reduced price depending on the period of time the equipment has been in use. However, we believe that a Government-wide approach is needed to determine which machines should be purchased at the reduced prices and retained for Government use in lieu of new procurement. Likewise, before trading in purchased equipment which is no longer suitable for the original using organization, efforts should be made to determine the possibility of transferring the purchased equipment to other Government organizations requiring such equipment in lieu of new procurement.

We believe that a mechanism should be established in the Government to provide the necessary arrangements whereby the procurement and transfer of data processing equipment between Government activities would be fully coordinated so as to keep costs as low as possible, consistent with obtaining needed processing facilities.

Because of lack of executive branch action on this suggestion, congressional interest in the subject, and the increase in costs associated with the use of ADP equipment in Federal operations, we made a comprehensive study of the relative merits of purchasing versus leasing of data processing equipment. Our report of this study, entitled "Financial Advantages of Purching Over Leasing of Electronic Data Processing Equipment in the Federal Government," was submitted to the Congress on March 6, 1963. A copy of this report was sent at that time to the chairman of this subcommittee.

In this report we pointed out that the cost comparisons made in our study demonstrated that very substantial amounts of money could be saved by the Government in the years to come if, in acquiring the use of needed data processing equipment, proper cost comparisons were made in advance, action were taken to purchase equipment when such comparisons indicated the financial advantages of such actions, and effective procedures were established to obtain the fullest practicable utilization of such equipment by Government agencies.

The cost comparisons with respect to the 16 machine models studied during our review indicate potential savings of approximately \$148 million over a 5-year period. The 16 models used for our study represent 523 of the approximately 1,000 electronic data processing systems installed or planned for installation on a lease basis by June 30, 1963. For additional use of the 523 machines after 5 years, there would be further savings at the rate of over \$100 million annually.

We further pointed out that with the present system of decentralized management in the Federal Government under which each agency makes its own decisions as to whether data processing equipment should be acquired by lease or purchase, there is no effective coordinating machinery to work to give consideration to these alternatives from the standpoint of benefit to the Government as a whole. Because of the very substantial financial savings that can be realized through