

leased should be made from the standpoint of advantage to the Government as a whole and not from the standpoint of the individual using agencies.

2. Because of the substantial savings that may be available, all decisions to acquire the use of data-processing equipment should be supported by specific computations showing the comparative costs of acquiring by lease and by purchase.

3. Where purchasing is financially advantageous, the realizable savings increase in proportion with the increase in utilization of the machines.

4. The savings possible through purchasing are more pronounced for the larger and more complex machine systems.

5. While significant savings may be realizable in many instances through purchasing rather than leasing, for some types of electromechanical equipment, it is more advantageous financially to lease rather than to purchase.

NEED FOR MORE EFFECTIVE MANAGEMENT OF THE PROCUREMENT AND UTILIZATION OF DATA-PROCESSING EQUIPMENT IN THE FEDERAL GOVERNMENT

In our report to the Congress on review of automatic data-processing developments in the Federal Government (B-115369, Dec. 30, 1960), 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."

We are aware of no significant progress toward an effective coordinating mechanism in the Federal Government for achieving the interrelated objectives cited.

Our current study of the financial advantages of purchasing data-processing equipment over leasing it further emphasizes the great need in the Federal Government for a better coordinated and integrated management system for achieving the fullest degree of economy and efficiency in acquiring and utilizing this kind of equipment.

Under the present system of decentralized management, each agency makes its own decision as to the method of acquiring this equipment. There is no effective coordinating machinery at work to give proper consideration to lease-purchase decisions from the standpoint of advantage to the Government as a whole. Unless adequate measures are taken to provide a stronger management system, millions of dollars of unnecessary expenditures will continue to be made. We are convinced that the establishment of a strong central management office in the executive branch of the Federal Government is essential to bring about the kind of management improvement that is needed to minimize such wasteful expenditures.

RECOMMENDATION TO THE PRESIDENT OF THE UNITED STATES

In view of the need for more effective and coordinated management of the procurement and utilization of data-processing equipment in the Federal Government and the substantial financial savings that can be realized through improved management of this function, we recommend that the President of the United States establish in his organization a central management office suitably