

(iii) The capabilities of the ADP equipment will continue to be needed and will be sufficient to satisfy the system requirements, current and projected, for a period beyond the point in time at which the purchase method begins to provide a cost advantage. The possibility that future technological advances will render the selected equipment comparatively obsolete before the cost advantage point is reached should not rule out purchase if the selected equipment is expected to be able to satisfy the system requirements.

(2) The lease-with-option-to-purchase method is indicated when it is necessary or advantageous to proceed with the acquisition of the equipment that meets system specifications, but it is desirable to defer temporarily a decision on purchase because circumstances do not fully satisfy the conditions which would indicate purchase. This situation might arise when it is determined that a short period of operational experience is desirable to prove the validity of a system design on which there is no previous experience, or where decisions which might substantially alter the system specifications are imminent.

(3) The lease method, without option to purchase, is indicated only when it is necessary or advantageous to proceed with the acquisition of equipment that meets system specifications and it has been established conclusively that any one of the conditions under which purchase is indicated is not attainable.

(b) Negotiations or renegotiations of equipment delivery dates will be conducted in a manner which insures that firm and final commitments by the Government to accept delivery of ADP equipment on a specific date will not be made until it has been determined through a readiness review that the using agency will be prepared to use the equipment productively as soon as it becomes operational.

6. *Review of current or pending lease transactions.*—(a) Lease or lease-with-purchase-option transactions in effect at the time this circular is issued, and which are expected to remain in effect until fiscal year 1964, will be reviewed in the light of the provisions of paragraph 5. If it is found to be to the advantage of the Government to purchase leased ADP equipment in this category, steps will be taken to make such purchases during the earliest fiscal year in which funds for this purpose are available to the Agency. Reviews of current lease transactions should be undertaken as soon as practicable and completed by June 30, 1962.

(b) The method of acquisition of ADP equipment selected but not yet accepted for delivery at the time this circular is issued will be reviewed for adherence to the policies herein stated, and, when indicated, the basis of acquisition will be changed to conform if permitted by the terms of the contract or agreement.

7. *Documentation.*—System studies (sometimes referred to as applications studies, feasibility studies, and by other terms), system specifications, and readiness reviews will be fully documented. Decisions on the selection of ADP equipment, on the method of acquisition, and on the review of the current status of the method of acquisition also will be documented to reflect adequately the considerations taken into account and the basis for the decisions.

8. *Administration of policies.*—The head of each executive department and establishment will establish the necessary framework of procedures, including appropriate reviews and controls, that will assure compliance with the policies herein stated.

By direction of the President:

DAVID E. BELL, *Director.*

Attachments.