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REPORT TO THE CONGRESS

Opportunities To Improve
The Redistribution Of
The Federal Government's
Excess Automatic Data
Processing Equipment B-115369

*Federal Supply Service
General Services Administration*

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

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JUNE 15, 1971

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D C 20548

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To the President of the Senate and the
Speaker of the House of Representatives

This is our report on the opportunities to improve the redistribution of the Federal Government's excess automatic data processing equipment

Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67)

Copies of this report are being sent to the Director, Office of Management and Budget; the Administrator of General Services; and the heads of Federal departments and agencies

A handwritten signature in cursive script that reads "James B. Axtell".

Comptroller General
of the United States

D I G E S T

WHY THE REVIEW WAS MADE

Public Law 89-306 established a Government-wide program for the efficient and economical use of the automated data processing (ADP) equipment under the General Services Administration (GSA), subject to fiscal and policy control by the Office of Management and Budget. To assist GSA in carrying out its responsibilities, the law provided for the establishment of an ADP revolving fund. In April 1967 a Government-wide ADP management information system was established to provide information needed in meeting the requirements of Public Law 89-306.

The General Accounting Office (GAO) reviewed the redistribution of excess ADP equipment because:

- There was continuing congressional interest.
- At June 30, 1970, the Government owned ADP equipment which cost \$1.9 billion to purchase and rented ADP equipment which would cost \$1.2 billion to purchase.
- Equipment excess to the Government's needs, which originally cost \$212 million, was reported to GSA during fiscal year 1970.
- The amount of equipment becoming excess had been increasing steadily.

FINDINGS AND CONCLUSIONS

No instance was found where there was a need within the Government for excess Government-owned ADP equipment that had been donated or sold as surplus property. For the most part the donated or sold equipment consisted of obsolete components and miscellaneous accessories for which there was no need. (See p. 9.)

There were instances, however, where excess Government-owned equipment was not being used, although, at the same time, similar equipment was being rented. In these instances unnecessary rental costs up to \$920,000 had been incurred. (See p. 10.)

Tear Sheet

The equipment was idle because:

- Agencies had not given GSA sufficient notice as to when the equipment would be released.
- Agencies had not released the equipment to GSA for redistribution even though the equipment had been taken out of service.
- GSA had relied on excess equipment bulletins to identify opportunities to redistribute excess equipment rather than the ADP management information system.

It would be desirable if GSA would attempt to arrange title trade-offs with suppliers--suppliers would transfer titles to rented equipment to the Government in exchange for titles to similar excess Government-owned equipment. This practice would avoid physically moving the rented equipment to suppliers, would avoid interruptions in computer operations, and would reduce transportation costs for moving equipment between agencies. (See p. 13.)

While agencies were returning rented components having purchase credits of \$760,000 to suppliers, other agencies were entering into rental agreements for similar components. Redistributing these components to agencies, rather than returning them to suppliers, would have retained the purchase credits for the Government. These credits then could have been applied toward the purchase of the components if it was later determined to be to the Government's advantage to purchase the equipment. The excess components were not redistributed because the agencies releasing the equipment had not reported them to GSA on a timely basis and because the agencies acquiring components did not require screenings of the excess equipment bulletins while their acquisitions were in process. (See p. 14.)

GSA's excess equipment bulletins did not indicate the purchase credits on rented equipment available for redistribution. This information would be pertinent to the agencies' determinations of whether to use excess rented equipment rather than to acquire equipment directly from suppliers. (See p. 15.)

Reports provided by the ADP management information system did not fully meet the needs of redistribution program managers. Reports on the activities of the Government's redistribution program did not adequately reflect program results. (See p. 15.)

Agency and GSA redistribution programs were providing adequate safeguards to prevent the disposal of needed Government-owned equipment. Because GAO found questionable practices in the redistribution of Government owned and rented excess equipment, however, it concluded that improvements should be made in the redistribution programs operated by GSA and the agencies.

RECOMMENDATIONS OR SUGGESTIONS

GSA should:

- Emphasize the use of the ADP management information system to identify opportunities to redistribute excess equipment rather than rely on agencies' requests for equipment advertised in excess equipment bulletins.
- Attempt to transfer titles to equipment instead of physically transferring Government-owned equipment.
- Show in excess equipment bulletins the purchase credits on rented equipment available for redistribution.
- Improve the management information system reports.
- Refine the methods of measuring the results of the Government's redistribution program.

AGENCY ACTIONS AND UNRESOLVED ISSUES

The Administrator of General Services agreed with the report's findings and conclusions and advised GAO of the specific steps GSA was taking to implement the GAO recommendations. (See p. 19 and app. I.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

This report contains no recommendations requiring legislative action by the Congress. It does contain information on weaknesses in the utilization of the Government's excess ADP equipment and suggestions for correction or improvement. The information should be of assistance to committees and individual members of the Congress in connection with their legislative and oversight responsibilities relating to the utilization of the Government's excess ADP equipment.

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ABBREVIATIONS

ADP	automatic data processing
GAO	General Accounting Office
GSA	General Services Administration
OMB	Office of Management and Budget

D I G E S T

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- The amount of equipment becoming excess had been increasing steadily.

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The equipment was idle because:

- Agencies had not given GSA sufficient notice as to when the equipment would be released.
- Agencies had not released the equipment to GSA for redistribution even though the equipment had been taken out of service.
- GSA had relied on excess equipment bulletins to identify opportunities to redistribute excess equipment rather than the ADP management information system.

It would be desirable if GSA would attempt to arrange title trade-offs with suppliers--suppliers would transfer titles to rented equipment to the Government in exchange for titles to similar excess Government-owned equipment. This practice would avoid physically moving the rented equipment to suppliers, would avoid interruptions in computer operations, and would reduce transportation costs for moving equipment between agencies. (See p. 13.)

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GSA's excess equipment bulletins did not indicate the purchase credits on rented equipment available for redistribution. This information would be pertinent to the agencies' determinations of whether to use excess rented equipment rather than to acquire equipment directly from suppliers. (See p. 15.)

Reports provided by the ADP management information system did not fully meet the needs of redistribution program managers. Reports on the activities of the Government's redistribution program did not adequately reflect program results. (See p. 15.)

Agency and GSA redistribution programs were providing adequate safeguards to prevent the disposal of needed Government-owned equipment. Because GAO found questionable practices in the redistribution of Government owned and rented excess equipment, however, it concluded that improvements should be made in the redistribution programs operated by GSA and the agencies.

RECOMMENDATIONS OR SUGGESTIONS

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- Show in excess equipment bulletins the purchase credits on rented equipment available for redistribution.
- Improve the management information system reports.
- Refine the methods of measuring the results of the Government's redistribution program.

AGENCY ACTIONS AND UNRESOLVED ISSUES

The Administrator of General Services agreed with the report's findings and conclusions and advised GAO of the specific steps GSA was taking to implement the GAO recommendations. (See p. 19 and app. I.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

This report contains no recommendations requiring legislative action by the Congress. It does contain information on weaknesses in the utilization of the Government's excess ADP equipment and suggestions for correction or improvement. The information should be of assistance to committees and individual members of the Congress in connection with their legislative and oversight responsibilities relating to the utilization of the Government's excess ADP equipment.

CHAPTER 1

INTRODUCTION

UPWARD TREND IN ADP EQUIPMENT AVAILABLE FOR REDISTRIBUTION

As of June 30, 1970, the Government owned ADP equipment which had cost \$1.9 billion to purchase and rented ADP equipment which would cost \$1.2 billion to purchase. During recent years there has been an increase in the amount of excess ADP equipment reported by agencies to GSA and the amount of surplus ADP equipment disposed of by GSA,¹ as shown in the following table.

<u>Fiscal year</u>	<u>Excess ADP equipment reported to GSA</u>			<u>Excess ADP equipment released as surplus by GSA</u>		
	<u>Government owned (cost)</u>	<u>Government rented (cost to purchase)</u>	<u>Total</u>	<u>Government owned (cost)</u>	<u>Government rented (cost to purchase)</u>	<u>Total</u>
	(000,000 omitted)					
1967	\$ 90	\$74	\$164	\$ 26	\$66	\$ 92
1968	105	90	195	44	43	87
1969	129	81	210	44	44	88
1970	212	89	301	130	46	176

Surplus Government-owned equipment is donated to approved recipients, such as State and local governments and educational institutions, or is sold. Surplus Government-rented equipment is returned to suppliers.

GSA RESPONSIBILITIES

The Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471) made GSA responsible for providing an efficient and economical system for utilization and disposal of Government property. In April 1964 GSA issued

¹ Excess equipment is equipment which is under the control of an agency and which is not required by the agency. Surplus equipment is excess equipment which is not required by any agency of the Government.

instructions requiring agencies to report Government-owned and Government-rented excess ADP equipment. These instructions were incorporated into the Federal Property Management Regulations in December 1964.

In October 1965 the Federal Property and Administrative Services Act of 1949 was amended by Public Law 89-306 to make GSA specifically responsible for the efficient and economical utilization of the Government's ADP equipment. The law stated that the authority conferred upon GSA should not be construed so as to interfere with determinations by agencies of their equipment requirements and the use made of the equipment. Cases of disagreements between GSA and agencies are subject to review and decision by the Office of Management and Budget (OMB).

In May 1966 OMB issued policy guidelines to establish the direction of GSA's efforts under Public Law 89-306. GSA was to extend and intensify its program of distributing excess equipment and to

- review and improve the processes of obtaining and circularizing information regarding equipment availability,
- seek and evaluate reasons why excess equipment was not claimed by agencies, and
- assist agencies in arranging for the use of excess equipment.

In May 1968 OMB authorized GSA to acquire excess Government-owned equipment and rent the equipment to agencies through the ADP fund at rates which would ensure the continued solvency of the fund but which would be lower than the rates charged by suppliers.

Procedures established

The Federal Property Management Regulations require agencies to report excess ADP equipment to GSA 120 days prior to the anticipated release date and to indicate whether the equipment was purchased, leased, or leased with an option

to purchase. If equipment is leased with an option to purchase, agencies are to report the cost to purchase the equipment at the release date.

Upon receipt of a report of excess Government-owned ADP equipment having a fair market value of \$2,500 or more, GSA reviews its files to determine whether any agency has indicated a need for the equipment. Excess equipment for which no use is found is advertised in excess equipment bulletins which are printed about once every 2 weeks and distributed throughout the Government. When a potential user is found, GSA attempts to rent the excess equipment to the user through the fund. When excess Government-owned equipment having a fair market value of less than \$2,500 is reported, a notice is placed in the excess equipment bulletin and agencies may acquire the equipment at no cost.

Excess Government-rented equipment is advertised in the excess equipment bulletins and when agencies request the use of equipment, consideration is given to purchasing the equipment and renting it through the ADP fund or redistributing it to retain the purchase credits.

When no user is found, excess Government-owned equipment is disposed of as surplus property and excess Government-rented equipment is returned to the supplier.

Prior to acquiring (purchasing or renting) ADP equipment, agencies are to determine whether their needs can be met either by sharing installed equipment or by utilizing excess equipment. Agencies may acquire ADP equipment through Federal Supply Schedule contracts negotiated by GSA or, if authorized by GSA, by contracting directly with suppliers.

To acquire ADP equipment through Schedule contracts, agencies place their orders directly with the suppliers. All Schedule contracts provide for purchase options on rented equipment. The Government may, under such options, purchase equipment at the suppliers' prices in effect at the time the equipment was initially rented or at the prices in effect at the time of purchase, whichever is lower, less purchase credits based on the amount of rentals paid. The Government retains the purchase credits on equipment which

is rented by one agency and transferred to another agency if the equipment is continuously rented by the Government. The Schedule contracts provide also that rented components may be returned to suppliers on a 30-day written notice.

Agencies not acquiring equipment through Schedule contracts are required to submit to GSA Agency Procurement Requests with information about the equipment specifications and performance requirements. GSA reviews the requests and (1) delegates to the agencies the authority to acquire the equipment, or (2) delegates to the agencies the authority to acquire the equipment with GSA participating in the contract negotiations, or (3) acquires the equipment for the agencies.

OFFICE OF MANAGEMENT AND BUDGET CIRCULARS

OMB Circular No. A-54, issued in October 1961, set forth broad policies and guidelines for selecting ADP equipment. The circular prescribes the policies for acquiring ADP equipment and for determining whether the equipment will be leased or purchased.

OMB Circular No. A-83, issued in April 1967, prescribed the establishment of a Government-wide ADP management information system to be administered by GSA to facilitate and to improve the management of the Government's ADP resources. The circular prescribed the data that agencies were to submit to GSA, including (1) an annual inventory report of equipment, (2) a semiannual report of planned acquisitions and releases of equipment, and (3) reports showing actual installations and releases of equipment. One of the planned uses of the information system was to produce specific data for application in the redistribution of excess equipment.

AGENCIES' REDISTRIBUTION PROGRAMS

The largest intra-agency ADP equipment redistribution programs in the Government are operated in the Department of Defense by the Defense Supply Agency and by the Departments of the Air Force, Army, and Navy. The Air Force and Defense Supply Agency redistribution programs are described in appendix II.

Generally the ADP equipment redistribution programs operated by civilian agencies are not as formalized as those of the Department of Defense.

CHAPTER 2

OPPORTUNITIES TO IMPROVE PROGRAM FOR

REDISTRIBUTION OF ADP EQUIPMENT

GOVERNMENT-OWNED EQUIPMENT DONATED OR SOLD

To determine whether the Government should have redistributed equipment that it had donated or sold as surplus property, we reviewed the equipment acquisitions for certain agencies and the records for (1) 53 computers and related equipment, which had cost \$22 million, that were taken out of service between July 1, 1967, and December 31, 1968, and (2) ADP components,¹ which had cost \$14 million, that were taken out of service during fiscal year 1969.

Potential for redistributing 37 of the 53 computers was limited because this equipment was special-purpose equipment and/or was technologically obsolete. At least 21 of the 53 computers were built before 1960. Our review did not indicate any instance where there was a need for these computers within the Government.

Of the 53 computers, 16 were general-purpose computers. To determine whether there was a need for the equipment, we reviewed records of equipment acquisitions by the Air Force, Army, Navy, and National Aeronautics and Space Administration. These agencies operate about 72 percent of the Government's ADP systems. We did not find any instance where these agencies could have used the excess computers.

To determine whether the ADP components taken out of service during fiscal year 1969 could have been used by agencies renting similar equipment, we reviewed data from the Government-wide management information system and other records. Our review did not indicate any instance where

¹ADP components are equipment--such as central processing units, storage and related controls, input-output devices, and communications terminals--which, together, make up an ADP system.

there was need for the excess equipment within the Government.

REDISTRIBUTION OF GOVERNMENT-OWNED EQUIPMENT

Our review showed instances where, excess Government-owned ADP equipment was not being used, although, at the same time, similar equipment was being rented. Between August 1967 and June 1970, unnecessary rental costs up to \$920,000 were incurred.

Equipment available for redistribution

As of June 1, 1970, GSA had under its control 45 excess components, which had cost \$6.6 million, that had been taken out of service and reported to GSA prior to December 31, 1969. Also on June 1, 1970, an agency had in storage an excess ADP system comprising eight components, which had cost \$2.3 million.

Our comparison of these 53 components with rented components shown in the Government-wide management information system reports indicated that 38 of the components could have been used to replace rented equipment. Our analysis showed that, if the rented components had been replaced by the 38 components, rental costs up to \$770,000 would have been avoided between March 1969 and June 1970.¹ (See app. III.)

The equipment was idle for excessive periods because agencies did not follow regulations and give GSA sufficient notice of equipment release dates--120 days prior to the release dates--and did not release to GSA for redistribution equipment that had been taken out of service. Also GSA relied on the excess equipment bulletins to identify opportunities to redistribute excess equipment rather than the ADP management information system.

¹In estimating the unnecessary costs, we allowed a 30-day transfer period after the equipment was taken out of service, because we were informed by GSA that transfers of components generally can be made within 30 days after the components are taken out of service.

For example, an agency did not notify GSA until March 26, 1969--115 days later than required by regulations--that it would take two Government-owned components out of service on March 31, 1969. We obtained data from the management information system that showed that 24 components similar to the two excess components were being rented by other agencies. Instead of using the excess components to replace rented components, GSA advertised the excess components in its excess equipment bulletin on May 2, 1969, and attempted to rent them through the ADP fund.

As of June 1, 1970, the two excess components were still out of service. GSA, however, had arranged to rent them to an agency that had agreed to pay a rental fee to the ADP fund. If the excess components had been transferred to replace rented components within 30 days after they were taken out of service, rental costs of \$95,000 would have been avoided.

In another instance an agency reported to GSA on April 21, 1969--50 days later than required by regulations--that an ADP system, which had cost \$2.3 million, would be taken out of service on June 30, 1969. GSA advertised the excess equipment in its excess equipment bulletin on May 2, 1969, and inquiries were received from 10 agencies.

As of June 1, 1970, the equipment was still out of service. Our review showed that the agency had not released the system to GSA for redistribution, because it was awaiting the outcome of a feasibility study regarding the possible use of the system by one of its contractors.

We obtained data from the management information system that showed that components similar to each of those in the excess system were being rented by agencies. If these components had been transferred within 30 days after they were taken out of service to replace rented components, the Government would have avoided rental costs up to \$240,000.

Equipment rented through ADP fund

As of June 1, 1970, the ADP fund had six leases in effect for equipment it had acquired as excess

Government-owned property. This equipment cost \$5.2 million.

For five of the leases, from 4 to 19 months elapsed between the time the equipment was taken out of service and the time it was placed in use. The delays in redistributing the equipment resulted because agencies had not followed regulations giving GSA sufficient notice of equipment release dates and because GSA had relied on excess equipment bulletins to identify opportunities to redistribute excess equipment rather than the ADP management information system.

During the periods that the equipment was not in use, agencies were renting similar equipment. Had the excess equipment been placed in service within 30 days after it became available, between August 1967 and May 1970, rental costs up to \$150,000 would have been avoided, as indicated in the following table.

<u>Lease</u>	<u>Date reported to GSA</u>	<u>Date taken out of service</u>	<u>Date placed in use</u>	<u>Months out of service</u>	<u>Avoidable rental costs</u>
1	May 1969	May 1969	May 1970	12	\$ 29,000
2	Apr. and Aug. 1969	Oct. and Dec. 1969	Apr. 1970	4 to 5	21,000
3	Apr. 1968	Apr. 1968	Nov. 1969	19	28,000
4	Aug. 1967	Aug. 1967	Mar. to June 1968	6 to 9	64,000
5	Apr. 1969	Apr. 1969	Nov. 1969	7	<u>8,000</u>
TOTAL					<u>\$150,000</u>

For example, on April 26, 1968--116 days later than required by regulations--an agency notified GSA that four tape units, which had cost \$88,000, had been taken out of service on April 30, 1968. GSA advertised the tape units in its excess equipment bulletin on June 12, 1968. The tape units were placed back in service on November 29, 1969.

The management information system showed that during the period the tape units were not in use at least 80 similar

tape units were being rented by agencies. Had the excess tape units been transferred within 30 days after they were taken out of service and used to replace similar rented units, the Government would have avoided rental costs up to \$28,000.

In another instance GSA made plans in January 1967 to release four components in August 1967 which had cost \$679,000. On August 11, 1967--113 days later than required by regulations--GSA reported to its ADP equipment redistribution office that the components would be taken out of service on August 18, 1967. GSA informed us that the redistribution office had not been notified previously because attempts were being made to redistribute the equipment within GSA. GSA advertised the excess equipment on August 23, 1967, and received seven inquiries.

The excess components were placed in use 6 to 9 months after they were taken out of service. Had adequate notice of the release of the components been made and had the transfer been made within 30 days after the equipment was taken out of service, rental costs up to \$64,000 would have been avoided.

Title transfers

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During our review we noted two instances where Defense agencies had arranged a trade-off with suppliers whereby titles to rented equipment were transferred to the Government in exchange for transfers to the suppliers of titles to similar excess Government-owned equipment. This procedure avoided physically moving the rented equipment to suppliers, avoided interruptions in computer operations that would have resulted from equipment exchanges, and reduced the transportation costs for moving equipment between agencies.

We discussed the concept of such transfers with GSA officials and were informed that GSA had not made, nor attempted to make, such transfers.

REDISTRIBUTION OF RENTED EQUIPMENT

We compared the records of 87 rented systems that were taken out of service between July 1, 1967, and December 31, 1968, and returned to the suppliers with the records of systems acquired by the Air Force, Army, Navy, and National Aeronautics and Space Administration to determine whether these agencies had acquired similar systems about the times that the excess systems were taken out of service.

Our comparison revealed that, for seven of the rented systems, the agencies had returned to suppliers 41 rented components having purchase credits of \$760,000 (see app. IV), while other agencies had entered into rental agreements for similar components. Redistributing the components to agencies rather than returning the components to the suppliers would have resulted in the Government's retaining the purchase credits. The purchase credits then could have been applied toward the purchase of the components if, at a later date, it was determined to be to the Government's advantage to purchase such equipment.

We believe that the potential for redistribution of components in four of the systems was not maximized, because the agencies releasing the equipment had not reported them to GSA 120 days prior to the anticipated release date, contrary to regulations. Reports of the release of the four systems were made to GSA from 30 to 55 days prior to the release dates.

Also potential for redistribution was not maximized, because agencies acquiring equipment did not screen the excess equipment bulletins throughout the period that their acquisitions were in process.

For example, in May 1967 an agency approved the rental of components to augment an ADP system. The last review required by the agency to determine whether excess equipment could have been used was made at that time. On August 9, 1967, an excess rented ADP system, that was to be available on November 4, 1967, was reported to GSA. The excess system, which included six of the same model components approved for rental, was advertised in the excess equipment bulletin on October 4, 1967.

The newly rented components became operational in December 1967. Had the agency screened the excess equipment bulletins after the equipment rental was approved and had it claimed the six excess components, purchase credits of \$290,000 would have been retained by the Government.

Excess equipment bulletins

We noted during our review that GSA's excess equipment bulletins did not show the amount of purchase credits on excess rented equipment available for redistribution. This information would be pertinent to the agencies' determinations of the desirability of using excess rented equipment rather than acquiring equipment directly from suppliers.

ADP MANAGEMENT INFORMATION SYSTEM

We found the management information system to be of value in making our review. For example, we used the management information system to determine whether there was rented equipment similar to Government-owned equipment available for redistribution. (See pp. 10 to 13.) The data in the ADP management information system reports available at the time of our review, however, was over 8 months old, and the reports did not provide sufficient information for use by program managers in identifying the agencies that were renting ADP equipment similar to Government-owned equipment available for redistribution.

Although information concerning the locations of rented equipment was included in the management information system data bank, such information could be obtained only by special request. It therefore was necessary for us to request GSA to prepare a special report from the management information system that showed where rented components were located.

REPORTS OF PROGRAM RESULTS

To fulfill their respective responsibilities, the Congress, OMB, and GSA need adequate information on the Government's redistribution program. GSA reports annually to the Congress and OMB the results of the redistribution program. For example, GSA reported that Government-owned ADP

equipment, which had cost \$68 million, was redistributed during fiscal year 1969. We analyzed the data supporting the reports and found that the reports had not provided an adequate description of program results because they:

- Had not included the purchase credits that had been retained by the Government through the redistribution of rented equipment.
- Had not included intra-agency transfers by agencies outside the Department of Defense.
- Had not provided a breakdown between interagency and intra-agency transfers.
- Had included equipment which agencies had reported to GSA as excess but which was subsequently withdrawn by the agencies. Information was not available showing the use that had been made of the withdrawn equipment.

CHAPTER 3

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

Programs for the redistribution of ADP equipment are operated at several levels within the Government. Redistribution efforts begin in the agencies and, when no use for excess equipment is found, notice is given to GSA so that Government-wide screenings can be made. Thus the GSA redistribution program provides the last opportunity for the Government to redistribute its excess equipment before disposal action is taken.

Because we did not find any instance where there was a need for excess Government-owned ADP equipment that had been donated or sold as surplus property, we concluded that the redistribution programs operated by the agencies and GSA were providing adequate safeguards against the disposal of Government-owned ADP equipment for which there was a need. Because we found certain questionable practices relating to the redistribution of excess equipment, however, we believe that certain improvements should be made in the redistribution programs operated by GSA and the agencies.

Our review revealed that GSA had made efforts to identify opportunities to redistribute excess Government-owned equipment by advertising the excess equipment in excess equipment bulletins. Comparatively little effort had been made to use the ADP management information system to identify opportunities to redistribute the excess equipment.

We believe that the excess equipment bulletins should be used in those instances where sufficient notice of equipment releases have been given to GSA. We believe also that, when a user for excess equipment is not found within a reasonable period prior to the equipment's being taken out of service, or when sufficient notice of equipment releases have not been given to GSA, GSA should use the ADP management information system to identify opportunities for using the excess equipment to replace rented equipment.

The reports provided by the ADP management information system were not fully responsive to the needs of redistribution program managers. Although information concerning the locations of rented equipment was included in the management information system data bank, such information could be obtained only by special request. GSA could assist redistribution program managers by preparing reports showing the locations of rented equipment.

Also, because the reports on the activities of the Government's redistribution program did not adequately show program results, GSA should refine the methods of measuring the results of the Government's redistribution program.

We believe that GSA should attempt to arrange for trade-offs with suppliers whereby titles to rented equipment are transferred to the Government in exchange for transfers to suppliers of similar excess Government-owned equipment and thereby avoid physically moving the rented equipment to suppliers, avoid interruptions in computer operations, and reduce transportation costs. We recognize that the opportunities for such trade-offs are limited to those instances where agreements can be reached with suppliers.

GSA's excess equipment bulletins did not show the purchase credits on excess rented equipment available for redistribution and therefore did not provide information pertinent to agencies' determinations of the desirability of using excess rented equipment rather than acquiring equipment directly from suppliers.

RECOMMENDATIONS TO THE ADMINISTRATOR OF GENERAL SERVICES

We recommend that the Administrator of General Services:

- Emphasize the use of the ADP management information system to identify opportunities to redistribute excess equipment rather than rely on agencies' requests for equipment advertised in excess equipment bulletins.

- Attempt to transfer titles to equipment instead of physically transferring Government-owned equipment.
- Show in excess equipment bulletins the purchase credits on rented equipment available for redistribution.
- Improve the management information system reports.
- Refine the methods of measuring the results of the Government's redistribution program.

GSA COMMENTS

The Administrator of General Services, in commenting on a draft of this report by letter dated March 17, 1971 (see app. I), advised us that GSA:

- Would place more emphasis on using the ADP management information system to identify opportunities to redistribute excess equipment.
- Would attempt to transfer titles to equipment where possible.
- Would study methods for showing in the excess equipment bulletins the purchase credits on excess rented equipment available for redistribution.
- Had developed reports from the ADP management information system for use in identifying opportunities to redistribute excess equipment.
- Had proposed a Federal Property Management Regulation regarding the methods of measuring the results of the Government's redistribution program.

CHAPTER 4

SCOPE OF REVIEW

We reviewed OMB circulars and guidelines, GSA regulations and procedures, and selected agencies' procedures relating to the utilization of excess ADP equipment. We interviewed officials of the Air Force, Army, Navy, Defense Supply Agency, and GSA. We reviewed also records in these departments and agencies relating to the acquisition and redistribution of ADP equipment and the results of internal redistribution efforts.

We also obtained information relating to the acquisition and redistribution of ADP equipment from the Atomic Energy Commission, National Aeronautics and Space Administration, Veterans Administration, and the Departments of Commerce and Transportation. We did not review the use made of excess ADP equipment acquired by agencies.

Our review was made primarily at the GSA Central Office, and the headquarters offices of the Air Force, Army, Navy, Defense Supply Agency, and National Aeronautics and Space Administration.

APPENDIXES

UNITED STATES OF AMERICA
GENERAL SERVICES ADMINISTRATION
WASHINGTON, D C 20405



MAR 17 1971

Honorable Elmer B. Staats
Comptroller General of the United States
General Accounting Office
Washington, D.C. 20548

Dear Mr. Staats:

We have reviewed the draft report "Opportunities to Improve the Program for the Redistribution of the Federal Government's Automatic Data Processing Equipment," as requested in your letter of February 16, 1971. We agree with the draft report and attached are our comments pertaining to the recommendations of this report.

Sincerely,

A handwritten signature in dark ink, appearing to read "Robert L. Kunzig".

Robert L. Kunzig
Administrator

Enclosure

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Comments on Recommendations

"--Place more emphasis on using the ADP management information system to identify opportunities to redistribute excess equipment rather than relying on agencies requesting use of equipment that had been advertised in excess equipment bulletins."

Comment As indicated in the draft report, the ADP management information system has been used to identify opportunities to redistribute excess equipment. We will place more emphasis on using this system when no user is found within a reasonable period prior to the equipment being taken out of service, and when agencies have not given sufficient notice of equipment releases.

"--Attempt to transfer equipment title in lieu of physically transferring excess Government-owned equipment."

Comment As indicated by the draft report, timely reporting of excess by the agencies, the similarity of equipment, and agreement of the supplier are necessary conditions in order to successfully transfer equipment title. However, we will be continually alert to and attempt to transfer title in those situations where possible.

"--Show in excess equipment bulletins the purchase credits on rented equipment available for redistribution."

Comment Present regulation (FPMR 101-43.313-5) requires agencies to obtain from the supplier the acquisition cost of leased equipment at the time it will be released and to include the cost on reports of excess. This cost, however, is rarely reported to GSA. We will study this problem and, where indicated, develop alternate solutions which will accomplish the objective of this recommendation.

"--Improve the management information system reports."

Comment Improved reports have been developed and provided from the ADP management information system which are proving helpful in identifying opportunities to redistribute excess equipment. These reports not only indicate the specific component or peripheral equipment but also the different systems they are used with, the planned release dates, and the location of the equipment. Since the Office of Management and Budget is revising the ADP management information system, we plan to accomplish a complete review of the revised system in order to provide timely and meaningful reports for use in our reutilization efforts.

"--Refine the methods of measuring the results of the Government's redistribution program."

Comment A proposed FPMP has been developed which will refine the methods of measuring the results of the Government's redistribution program. This proposed FPMP is currently being reviewed by the agencies.

APPENDIX II

DESCRIPTION OF AIR FORCE AND DEFENSE SUPPLY AGENCY PROGRAMS FOR REDISTRIBUTION OF ADP EQUIPMENT

During fiscal year 1970, ADP equipment having an acquisition cost¹ of \$166 million was declared excess within the Air Force. Of this amount, ADP equipment having an acquisition cost of \$13 million was transferred for use within the Air Force. In addition, the Air Force acquired from other agencies excess ADP equipment having an acquisition cost of \$9 million.

The Air Force maintains a Department-wide ADP management information system for managing its ADP redistribution program and for other purposes. Monthly reports are prepared showing the equipment in inventory along with data regarding the installation dates, rental rates, purchase credits earned on rented equipment, locations, utilization data, and whether the equipment is owned or rented.

Coordination of the Air Force ADP redistribution program is centered at Air Force headquarters. Units are required to report excess equipment 8 months prior to the anticipated release date. Upon receipt of reports of excess Government-owned equipment, a search of the management information system data bank is made to determine whether there is similar rented equipment. If so, an analysis is made to determine which rented components can be replaced by the excess equipment at the greatest advantage to the Air Force. If the search discloses no similar rented equipment, efforts are made to identify potential users by distributing information regarding the excess equipment throughout the Air Force.

The Air Force also attempts to redistribute rented equipment. If no need is found, a search of the information system data bank is made to determine whether similar

¹The cost of Government-owned equipment and the cost to purchase Government-rented equipment.

equipment is being rented, and, if so, a comparison is made of the purchase credits on the excess equipment and rented equipment. If the rented equipment has less purchase credits than the excess equipment, consideration is given to transferring the excess equipment to replace the rented equipment. The Government thereby retains the equipment with the higher amount of purchase credits in case the equipment is purchased at a later date.

If no use is found for the excess equipment in the Air Force within 180 days of the anticipated release date, it is reported to the Defense Supply Agency for screening by other Defense organizations. About once a week the Defense Supply Agency publishes a bulletin showing the excess equipment available for transfer. Defense organizations are to screen the bulletins to determine whether excess equipment can be used instead of purchasing or renting new equipment and whether rented equipment can be replaced by excess Government-owned equipment. Excess equipment which has not been redistributed within 120 days prior to the planned release date is reported to GSA.

During fiscal year 1970 equipment having an acquisition cost of \$308 million was declared excess by Defense agencies and contractors. Of this amount, ADP equipment having an acquisition cost of \$86 million was redistributed within Defense organizations.

APPENDIX III

EXCESS GOVERNMENT-OWNED ADP COMPONENTS OUT OF
 SERVICE BETWEEN DECEMBER 31, 1969, AND JUNE 1, 1970,
 THAT COULD HAVE REPLACED RENTED COMPONENTS

<u>Component description</u>	<u>Quantity</u>	<u>Date taken out of service</u>	<u>Number of rented components (note a)</u>	<u>Avoidable rental costs</u>
Processing unit	1	Mar. 1969	1	\$ 91,910
Console	1	do.	23	3,042
Instruction processing unit	1	do.	1	63,236
Core storage	1	do.	2	67,940
Arithmetic sequence unit	1	do.	3	107,536
Console control unit	1	do.	3	14,250
Multiplexor	1	do.	2	41,470
Power converter	1	do.	2	7,642
Data channel consoles	2	do.	4	2,107
Power control	1	do.	2	9,735
Tape control	1	Apr. 1969	39	4,461
Communication module	1	June "	2	12,400
Storage modules	2	do.	3	126,880
Computation module	1	do.	2	77,840
Bi-directional data channels	4	do.	7	22,400
On-line printer control	1	July 1969	25	1,251
Hi-data tape group control	1	do.	15	3,132
Card reader-punch control	1	do.	36	4,824
Simultaneous mode "	1	do.	28	4,932
Disk storage	2	Aug. 1969	48	50,512
Printers	2	do.	186	9,568
Input-output synchronizers	2	do.	42	17,560
" synchronizer	1	do.	5	4,634
File control	1	do.	20	6,456
Hi-data tape group control	1	Sept. 1969	12	3,570
Simultaneous mode control	1	do.	28	3,836
On-line printer control	1	do.	25	973
Hi-data tape group control	1	do.	15	2,436
Card reader-punch control	1	do.	36	3,752
Paper tape reader	<u>1</u>	Nov. 1969	4	<u>2,220</u>
Total	<u>38</u>			<u>\$772,505</u>

^aAs of June 30, 1969.

EXCESS GOVERNMENT-RENTED ADP COMPONENTS

TAKEN OUT OF SERVICE

BETWEEN JULY 1, 1967, AND DECEMBER 31, 1968,

THAT COULD HAVE BEEN REDISTRIBUTED

<u>Component description</u>	<u>Quantity</u>	<u>Purchase credits not retained</u>
Central processors	4	\$247,389
Memory modules	6	54,183
Tape controls	2	14,339
Magnetic tape units	7	70,907
Printers and controls	2	17,400
Processing units	2	159,995
Disk storage drive	1	6,940
Control units	2	17,676
Card read punches	2	16,567
Printers	3	27,374
Input-output synchronizer	1	22,294
Console	1	5,050
File control	1	14,778
Disk storage	1	64,925
Printer-keyboards	2	1,158
Storage control	1	4,555
Card readers and control	2	7,063
On-line adapter	<u>1</u>	<u>6,650</u>
Total	<u>41</u>	<u>\$759,243</u>

APPENDIX V

PRINCIPAL OFFICIALS OF
THE GENERAL SERVICES ADMINISTRATION
RESPONSIBLE FOR THE ADMINISTRATION OF ACTIVITIES
DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
ADMINISTRATOR OF GENERAL SERVICES:		
Robert L. Kunzig	Mar. 1969	Present
Lawson B. Knott, Jr.	Nov. 1964	Feb. 1969
COMMISSIONER, FEDERAL SUPPLY SER-		
VICE:		
H. A. Abersfeller	Mar. 1970	Present
Lewis E. Spangler (acting)	Dec. 1969	Mar. 1970
Arthur F. Sampson	June 1969	Dec. 1969
Lewis E. Spangler (acting)	May 1969	June 1969
H. A. Abersfeller	May 1964	May 1969