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26 August 1988

MEMORANDUM FOR: Director of Central Intelligence  
Deputy Director of Central Intelligence

FROM: Leo Hazlewood  
Comptroller

SUBJECT: Congressionally Directed Study of Computer Procurements

1. I recommend that you sign the attached letters to our four congressional committees. The letters forward the summary of a special study, undertaken at the request of the House Appropriations Committee, by the Agency's Inspector General on how we procure computer equipment. Both the letters and the study have been coordinated with the Deputy Director for Administration and the Inspector General, and were reviewed by the Executive Director before he departed on leave.

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2. Since 1984, we have arm-wrestled with the House Appropriations Committee over the most appropriate method for acquiring computer equipment. The House Committee, alone among the four committees with which we deal on funding issues, has repeatedly insisted that all computer equipment be purchased outright. Agency management has argued strongly that for both financial and non-financial reasons we must preserve our flexibility to use the various lease-to-purchase arrangements offered by manufacturers such as IBM.

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3. The IG's report supports the Agency's traditional position on the advantages of lease-to-purchase acquisitions, but notes the need for improved management review of the use of "installment plans" to acquire computer equipment. I understand that the DDA is already well along in implementing those recommendations, and the letter to the congressional committees endorses that course of action.

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4. From a budgetary standpoint, it is very important that we retain--where justified on financial and non-financial grounds--our ability to employ a range of options for procuring computer equipment.

-- Without continuing recourse to acquisitions on the installment plan, the Agency could not afford to make investments in computer power needed to handle continually increasing amounts of intelligence data. The lease-to-purchase arrangements allow us to spread the cost of a large capital acquisition over five years--at a cost (adjusted for inflation) that is less than 1 percent above the straight purchase price.

-- Loss of the ability to make lease-to-purchase acquisitions will present us with a serious problem in FY 1989: an unfunded requirement for [redacted] to buy out lease-to-purchase agreements on presently installed equipment. This [redacted] would have to come from other parts of the Agency's budget, further straining resources in what already promises to be a tight year. [redacted]

5. Please let me know if you need any additional information on this subject. [redacted]

[redacted]

Leo Hazlewood

Attachments:

- A. House Appropriations Report Language Requesting IG Study
- B. House Appropriations Report Language for FY 1989
- C. Letters Forwarding ADP Procurement Study

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