



DEPARTMENT OF THE NAVY
NAVAL FACILITIES ENGINEERING COMMAND
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IN REPLY REFER TO
ACQ 021
19 Apr 99

MEMORANDUM FOR DISTRIBUTION

Subj: EQUIPMENT LEASE OR PURCHASE UNDER CONTRACT (99-17)

Encl: (1) OASN (RD&A)/ABM memo of 9 Apr 99

1. Enclosure (1) advises that a recent Department of Defense Inspector General audit found several organizations either did not perform, or did not properly perform the analysis required by FAR Subpart 7.4 for acquiring equipment by lease or purchase. The audit identified instances where failure to complete the required lease-purchase analysis resulted in improper funding of capital leases, a potential violation of the Antideficiency Act. The audit also found that many organizations did not screen for excess government property as required by FAR 8.001.

2. Please ensure enclosure (1) is disseminated to all contracting personnel.

A handwritten signature in black ink, appearing to read "M. F. Howard".

MICHAEL F. HOWARD
Director, Strategic Programs/
Community Management Section



DEPARTMENT OF THE NAVY
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April 9, 1999

MEMORANDUM FOR HEADS OF THE CONTRACTING ACTIVITIES
PROGRAM EXECUTIVE OFFICERS
DIRECT REPORTING PROGRAM MANAGERS

Subj: EQUIPMENT LEASE OR PURCHASE UNDER CONTRACT

The Federal Acquisition Regulation (FAR), Subpart 7.4 "Equipment Lease or Purchase" provides policy, procedures and acquisition considerations for acquiring equipment by lease or purchase. FAR 7.4 applies to the initial acquisition of equipment and the renewal or extension of existing equipment leases. Agencies are required to perform a case-by-case evaluation of comparative costs and other factors when determining whether to lease or purchase equipment. Completing the case-by-case evaluation assures good business investment decisions and may help avoid other contractual issues.

FAR subpart 8.001 "Priorities for Use of Government Supply Sources," requires agencies to satisfy requirements for supplies and services from designated sources in order of priority. If supplies are not available from within the agency, the first source of supply is excess Government-owned property from other agencies.

A recent Department of Defense Inspector General audit found that several organizations either did not perform, or did not properly perform the lease-purchase analysis required by FAR 7.4. The audit identified instances where failure to complete the lease-purchase analysis resulted in improper funding of capital leases, a potential violation of the Antideficiency Act.

In addition, the audit found that many organizations did not screen for excess Government property as required by FAR 8.001. The Department of Defense Inspector General indicates failure to screen caused unnecessary costs to be incurred for leasing equipment that was available within the Government. Contracting officers rely on the requiring activities to perform screening but have not required certification that screening was completed.

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Please reemphasize the requirements of FAR 7.4 and 8.001 to your acquisition personnel. Before any new contract for leased equipment is awarded or before any existing contract is extended, the contracting officer must review the required lease purchase analysis. In addition, the contracting officer should receive a written certification that applicable screening was completed before awarding new contracts or extending existing contracts that require leased equipment.



Elliott B. Branch
Executive Director
Acquisition and Business Management

Copy to:
ASN (FM)
CNO
CMC