

August 17, 2005

## ACQUISITION ALERT 05-04

This Acquisition Alert notice is being transmitted to all NOAA Heads of Contracting Offices (HCOs). If you have any questions or comments about the Alert, please contact Don Kraus by email ([Don.Kraus@noaa.gov](mailto:Don.Kraus@noaa.gov)) or by telephone on (301) 713-0833 x140. Please share this message with your acquisition staff:

### ACCOUNTING FOR LEASED PROPERTY

A lease is a contract with a vendor (lessor) whereby the vendor retains ownership to the property, but grants possession and use of the property for a specified period of time in exchange for periodic payment.

It is the policy of the Department of Commerce to account for **all** leased personal property. See DoC PPMM, Chapter 4.2:

#### 4.200 ACCOUNTING FOR DIFFERENT TYPES OF PERSONAL PROPERTY

##### 4.201 Accountable Personal Property.

It is the policy of the Department that accountability be maintained for the following types of property:

a. Accountable property, which is:

...

(4) All borrowed or leased personal property;

To clarify the scope of property which must be recorded in the property management system, NOAA will not track leased property if it meets any one of the following conditions:

- Any rentals or leases acquired under the terms of a travel order.
- Any rentals or leases that have no specified end date, that have an indeterminate termination date, or that have no specified number of renewal options.
- Any rentals or leases where the term is six months or less
- Any rentals or leases where the total minimum lease payments over the entire term of the lease including renewal options are less than \$5,000.

Exception: There is an exception to the above policy. That is, even if the leased property would not ordinarily be recorded in the property system because it qualifies under one of the above four provisions, any rentals or leases will be recorded that include a provision whereby upon loss or damage to the item, NOAA would be responsible for reimbursing the lessor 75% or more of the item's replacement value.

This policy only applies to consideration of whether or not a piece of property that is being leased must be recorded and accounted for in the personal property system.