

What is a lease?

A lease is one type of procurement action allowable with federal grant funds. While leases are a less used method, they can be a more economical way of obtaining items necessary for your work on federal grants. This is especially so if the item is not needed after the grant period is over. There are many types of leases an organization may need to secure including:

- ◆ Equipment
- ◆ Machinery
- ◆ Real property (buildings and land)
- ◆ Sub-leases
- ◆ Vehicles

Can you purchase property or construct a new building with Department of Justice (DOJ) grant funds?

In general, the purchase of property or construction of a new structure is **not allowable** with DOJ funds. If you have a need to purchase property or construct a new structure, it is recommended you send a request, including a justification of need, to your OVC Grant Manager for review and approval prior to taking any action.

What is included in lease agreements?

- ◆ Identification of all parties included in the transaction
- ◆ Description of the item being leased
- ◆ Terms of the lease including:
 - ◆ Length of the lease
 - ◆ Amount and options for payment
 - ◆ Responsible party for maintenance and repair
 - ◆ Provisions for default or other termination clauses
 - ◆ Laws governing the agreement

NOTE: Because a lease is a legally binding document, it is advisable to consult an attorney or other source who is knowledgeable in lease agreements.

What are procurement requirements?

- ◆ The [DOJ Grants Financial Guide](#) requires any item your entity plans to purchase with a value of \$10,000 or more to have prior approval before the purchase is completed. This also applies to any items over \$10,000 you plan to lease.
- ◆ If you plan to lease an item with a value over \$10,000, you must send a request to your OVC Grant Manager, before you begin the lease, for review and approval along with your lease versus purchase analysis process. Use [TFMC's Lease Versus Purchase Analysis Job Aid](#) to conduct your analysis. If you have questions or want a preliminary review of your analysis before you send it to your OVC Grant Manager, you can send it to OVC TFMC at TFMC@OVCTFMC.org and one of our team members can provide suggestions to aid in your analysis and submission.

Steps for a Lease versus Purchase Analysis

Step 1:

Document lease information

- ◆ Length of lease
- ◆ Benefits of leasing the item versus purchasing

Step 2:

Obtain quotes to both purchase and lease the item

Unless you are required by your entity's policy to go through a specific vendor, it is suggested you receive at least three written quotes to lease and three written quotes to purchase.

- ◆ *NOTE: Because you are completing an analysis, it is best practice to let vendors know you are collecting this information for an analysis to determine whether leasing or purchasing is the most economical option for your needs.*

Step 3:

Complete an analysis of the actual cost to lease versus the actual cost to purchase

The analysis includes the following:

Lease:

- ◆ Cost to lease the item = the average cost of the quotes received
- ◆ Cost of maintenance of the item
- ◆ Total lease cost = lease price + maintenance costs

Purchase:

- ◆ Cost to purchase the item = the average cost of the quotes received
- ◆ Cost of maintenance of the item
- ◆ Depreciation value over the use of the item
- ◆ Calculation of resale value* (purchase price - estimated depreciation)
- ◆ Total purchase cost = purchase price + maintenance costs - resale value

Steps for OVC Grant Manager approval

Once you have analyzed your options for leasing versus purchasing an item and have decided which option to pursue, send the following documents to your OVC Grant Manager for review and approval:

- ◆ Completed lease versus purchase analysis
- ◆ Copies of the quotes you received
- ◆ Justification for your preferred option

Steps after receiving OVC Grant Manager approval

Once you have approval to proceed, upload both the lease versus purchase analysis and the written approval from your OVC Grant Manager into JustGrants. Visit the [JustGrants Training Overview](#) for a collection of resources available for JustGrant users.

When you are ready to purchase or lease the item, follow your entity's procurement policy and abide by all procurement requirements as identified in [2 CFR 200.317-326](#) during the process to complete the lease agreement. See the [TFMC Procurement Guide Sheet](#).

References

- ◆ [DOJ Grants Financial Guide](#)
- ◆ [2 CFR 200.317-326](#)

Resources

- ◆ [TFMC's Lease Versus Purchase Analysis Job Aid](#)
- ◆ [TFMC Procurement Guide Sheet](#)
- ◆ [JustGrants Training Overview](#)



The **OVC Tribal Financial Management Center (OVC TFMC)** provides **training, technical assistance, and resources** to support American Indian and Alaska Native communities as they successfully manage the financial aspects of their federal awards. TFMC also offers support via our Virtual Support Center (VSC) to Office for Victims of Crime (OVC) grantees and those seeking federal funding from OVC for the first time. **Email questions or requests for grant financial management technical assistance to TFMC@OVCTFMC.org** or call **703.462.6900**. Visit OJP.gov/TFMC for additional resources and information.

Feedback Requested

TFMC continually works to provide resources to support grantees as they successfully manage their OJP financial awards. Your feedback assists us in creating these resources to meet your needs. To help us provide the most useful resources, we would appreciate your feedback on this guide sheet. Please send any comments or suggestions to Evaluation@OVCTFMC.org.

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