



Food and
Nutrition
Service

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Center

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DATE: June 02, 2016

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SUBJECT: State Agency Prior Approval Process for School Food
Authority (SFA) Equipment Purchases

TO: Regional Directors
Special Nutrition Programs
All Regions

State Directors
Child Nutrition Programs
All States

This memorandum updates SP 31 – 2014, *State Agency Prior Approval Process for School Food Authority (SFA) Equipment Purchases*, dated March 28, 2014, to include new regulation citations for the cost principles related to the purchase of equipment. Government-wide requirements found in the Office of Management and Budget (OMB) guidance cited at 2 CFR 200 (Subpart E Cost Principles), 2 CFR 200.439, Equipment and other capital expenditures, require a State agency or SFA to obtain the prior written approval of its awarding agency before incurring the cost of a capital expenditure. Both the OMB guidance and Generally Accepted Accounting Principles identify equipment as a capital asset. For purposes of this Federal prior approval requirement, the OMB guidance and Department of Agriculture (USDA) regulations at 2 CFR 200.33 define “equipment” as tangible personal property (including information technology systems) having a useful life of one year or longer and a per-unit acquisition cost that equals or exceeds the lesser capitalization level established for financial statement purposes, \$5,000, or a lower threshold set by State or local level regulations.

Purchasing equipment and other capital assets expose the Program to greater risk than do expenditures for such routine, recurring items as staff salaries, supplies, etc. By approving the purchase of a capital asset, the awarding agency agrees to pay for it in advance. This is tantamount to paying a Program cost before the Program has received any benefit from the asset’s use. The State agency’s prior review and approval provides reasonable assurance that the asset’s acquisition cost is necessary for Program purposes and that the nonprofit food service account can absorb the cost.

As an agency we recognize the requirement that State agencies approve a purchase that meets the definition of equipment as described above can be administratively burdensome. Therefore, this memorandum continues the flexibility for State agencies to implement an option that would alleviate some administrative burden associated with the prior approval process without departing from Federal government-wide grants management rules.

This option allows State agencies, with Food and Nutrition Service Regional office (RO) approval, to develop a list and criteria for capital assets typically purchased by SFAs (e.g., convection ovens, steamers, reach-in or walk-in refrigeration equipment, etc.). Any equipment established on the RO-approved equipment list will receive automatic State agency approval, and therefore, the SFA may purchase those equipment items, following competitive Federal, State, or local procurement procedures, as applicable, without submitting a request to the State agency for approval.

If an SFA chooses to select equipment not included on the RO-approved list, it must submit a request for approval to the State agency prior to purchasing the item as required by 2 CFR 200.439.

During local administrative reviews required by 7 CFR Part 210.18 and audits as required by 2 CFR 200.501, State agencies must ensure appropriate equipment purchases were made based on either the RO-approved equipment list or the State agency prior approval process. If any equipment purchases are identified as unallowable, State agencies would disallow these purchases and implement their debt collection procedures.

State agencies are reminded to distribute this memorandum to Program operators. Program operators should direct any questions concerning this guidance to their State agency. State agencies with questions should contact the appropriate Food and Nutrition Service Regional office.

Sincerely,

A handwritten signature in blue ink, appearing to read "Sarah E. Smith-Holmes". The signature is fluid and cursive, with a large initial "S" and "H".

Sarah E. Smith-Holmes
Director
Program Monitoring and Operational Support Division
Child Nutrition Programs