



Georgia Department of Early Care and Learning

2 Martin Luther King Jr. Drive, SE, Suite 754, East Tower, Atlanta, GA 30334
(404) 656-5957

Nathan Deal
Governor

Amy M. Jacobs
Commissioner

MEMORANDUM

To: School Food Authorities (SFAs) Participating in the Child and Adult Care Food Program (CACFP) and the Summer Food Service Program (SFSP)

From: Falita S. Flowers, Nutrition Services Director (*Original Signed*)

Date: July 1, 2016

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

Legal Authority: 2 CFR 200, SFSP 13-2016; CACFP 11-2016

This memorandum provides 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 School Food Authority (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.

At this time, DECAL allows CACFP institutions and SFSP sponsors to purchase equipment based on DECAL's current prior approval process. During compliance reviews required by 7 CFR Part 210.18 and audits as required by 2 CFR 200.501, DECAL will ensure appropriate equipment purchases were made based on this process. If any equipment purchases are identified as unallowable, DECAL shall disallow those purchases and implement debt collection procedures.

For questions concerning this memorandum, please contact Sonja Adams, Policy Administrator at 404-651-8193.