



State of Arizona
Department of Education



Health and Nutrition Services Division

HNS# 37-2018

MEMORANDUM

To: All Local Education Agencies operating the National School Lunch Program

From: Melissa Conner, Associate Superintendent
Arizona Department of Education, Health & Nutrition Services Division

Date: November 26, 2018

RE: Approval Process for Capital Equipment Purchases

Original Signed

This memorandum contains information pertaining to the requirement for school food authorities (SFAs) to obtain prior approval for equipment purchase(s) from the State agency. Federal requirements found in the Office of Management and Budget (OMB) guidance cited at 2 CFR 200.439, Equipment and other capital expenditures, require an 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. The OMB guidance and 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 local level regulations.

Purchasing equipment and other capital assets exposes the program to greater risk than expenditures for routine, recurring items including staff salaries, supplies, etc. The State agency’s prior review and approval provides reasonable assurance that the asset’s acquisition cost is reasonable, necessary, and allocable for program purposes. This approval process also ensures that the nonprofit school food service account can absorb the cost of the capital expenditure or that there is another appropriate funding source and the nonprofit school food service has a plan and the capacity to pay the fund back, if applicable.

Arizona Department of Education (ADE) has received approval to allow SFAs to purchase equipment found on the attached Pre-Approved Capital Equipment List without prior State agency approval. SFAs must purchase those equipment items following Federal, state, or local procurement procedures, as applicable. The Pre-Approved Capital Equipment List is also available on the Health and Nutrition Services (HNS) webpage under the Maintenance of the Nonprofit School Food Service Account header at <http://www.azed.gov/hns/nslp/rm/>.

Diane M. Douglas, Superintendent of Public Instruction

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If an SFA needs to purchase equipment not included on the Pre-Approved Capital Equipment List, a request for approval to the State agency prior to purchasing the item must be submitted using the attached Capital Expenditure Pre-Approval Request Form as required by 2 CFR 200.439. The Capital Expenditure Pre-Approval Request Form is also available on the HNS webpage under the Financial Forms and Instructions header at <http://www.azed.gov/hns/nslp/forms/>. The State agency will review the request and notify the SFA of approval/denial. Once the requested equipment is approved for purchase, the SFA must purchase those equipment items following Federal, state or local procurement procedures, as applicable. The SFA must keep the State agency approval and all supporting documentation of the procurement on file for review during future administrative, financial, and procurement reviews.

During administrative reviews required by 7 CFR Part 210.18 and procurement audits as required by 2 CFR 200.501, the State agency will review equipment purchases to ensure they were made based on either the approved equipment list or the State agency prior approval process. If equipment purchase(s) are deemed unallowable during any audit or review process, ADE may disallow the purchase(s) and require the SFA to replenish the nonprofit school food service account as appropriate.

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