

	MISSOURI DEPARTMENT OF HEALTH AND SENIOR SERVICES CHILD AND ADULT CARE FOOD PROGRAM	ISSUED	REVISED	CHAPTER	SECTION
	Sponsoring Organizations of Homes POLICY & PROCEDURE MANUAL	12/90	6/12	6	6.5
CHAPTER Chapter 6. Financial Management		SUBJECT Allowable Costs with Approval of MDHSS			

### **Purchase of Equipment**

The MDHSS, in its role as an awarding agency, will review written requests for the purchase of nonexpendable equipment costing more than \$5,000 as a direct cost to the CACFP. Such a request is not required if the proposed equipment purchase has been approved in the sponsoring organization's annual budget. Nonexpendable equipment is defined as items costing more than \$5,000 and having a useful life expectancy of more than one year. The equipment must be purchased in accordance with CACFP procurement regulations. See Chapter 11 for more information on procurement. Specific transfer and disposition instructions apply when the equipment or other property has a fair market value of \$5,000 or more per unit. If the cost of the equipment is more than \$5,000, the federal government will maintain an interest in this property until its final disposition. Property records containing the following information must be maintained for all equipment purchases.

- A description of the equipment including serial numbers.
- Information to calculate the federal share of the equipment.
- Acquisition date and cost.
- Location, use, and condition of the equipment.
- All pertinent information on the ultimate transfer, replacement or disposal of the equipment.
- Every two years, at a minimum, a physical inventory shall be conducted and the results reconciled with the property records to verify existence.
- If the equipment is eventually to be sold, selling procedures shall be established which will provide for competition to the extent practicable and result in the highest possible return to the federal government.

\*Equipment with a unit acquisition cost of less than \$1,000 may be retained, sold, or otherwise disposed of with no further obligation to the federal government. For equipment with a unit acquisition cost of \$1,000 or more, whether retained or sold, the federal government shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the federal share of the equipment. The sponsoring organization shall inform MDHSS-CFNA of its plan to dispose of equipment with a unit acquisition of \$1,000 or more.

\*Refer to 7 CFR Part 3016.31-.33 and 3019.30-.37 as appropriate for additional information on recordkeeping, transfer, and disposition instructions.

### **Automated Data Processing (ADP)**

The cost of data processing equipment for the Program is allowable. This cost may include rental of equipment, or depreciation on equipment not purchased with federal funds. The acquisition of equipment, whether by outright purchase, lease agreement, or other method of purchase is allowable with specific prior written approval.

IF ADP equipment has been purchased from an alternate funding source, CACFP cannot be charged rental. However, an annual use allowance based on 6 2/3% of the total acquisition cost would be allowable.

**Capital Expenditures** – The cost of facilities, equipment, or other capital assets and repairs which materially increase the value or useful life of capital assets is unallowable, but may be eligible for depreciation or allowed as direct expense. When assets acquired with FNS funds are sold, no longer available for use in FNS sponsored programs, or used for purposes not authorized by FNS, then FNS' equity in the asset will be refunded in the same proportion as its participation in the cost. Only the net cost of the newly acquired assets is allowable when any assets are traded on new items.

**Occupancy of Space Under Rental Purchases or a Lease with Option to Purchase Agreement** – The cost of space facilities or land procured under such arrangements is not allowable.

**Rearrangements and Alterations** – Costs incurred for rearrangement and alterations of facilities owned by the organization that are necessary for efficient and effective program operations, but do not result in capital improvements, are allowable with specific prior written approval. Such costs that result in capital improvements are unallowable, except in some cases, these costs may be depreciated

### **Insurance and Indemnification**

Costs of insurance required or approved and maintained are allowable.

Costs of other insurance in connection with the general conduct of activities are allowable with specific prior written approval, subject to the following limitations: type, extent, and cost of coverage will be in accordance with general state or local government policy and sound business practices.

Contributions to a reserve for self insurance are allowable with specific prior written approval, to the extent the reserve meets State insurance requirements and the type of coverage, extent of coverage, and the rates and premiums would have been allowed had insurance been purchased to cover the risks.

Actual losses (which could have been covered by permissible insurance through an approved self insurance program or otherwise) are unallowable unless expressly provided for in the State agency-organization agreement. Losses not covered under nominal deductible insurance coverage, if otherwise in keeping with sound management practice, and minor losses not covered by insurance, such as spoilage, breakage, and disappearance of small hand tools which occur in the ordinary course of operations, are allowable, up to a total of \$100 annually.

### **Management Studies**

The costs of management studies to improve the effectiveness and efficiency of ongoing programs that are performed by entities other than the organization itself are allowable with specific prior written approval. The costs of studies performed by the organization's officers, employees or family members are unallowable.