ited States
partment of
Agriculture

Food and
Consumer
Service

3101 Park
Center Drive

Alexandria, VA
22302-1500

JAN - 6 1998

SUBJECT: WIC Final Policy Memorandum 98-3
Non-Computer Equipment Purchases Less Than $25,000

TO: Regional Directors
Supplemental Food Programs
All Regions

Regional Directors
Financial Management
All Regions

Federal awarding agencies may waive the requirement to obtain the awarding agency's prior approval of capital expenditures for equipment, other assets, and improvements which materially increase the value or useful life of equipment or other capital assets (7 CFR 3016.22). Therefore, this policy memorandum authorizes WIC State agencies to purchase or allow their local agencies to purchase non-computer equipment with a unit cost less than $25,000 without prior approval from FNS. The exception is that regional offices maintain the authority, with written notice, to continue to apply a lower cost threshold for a State agency and its local agencies, if the region determines that an equipment purchase having a unit cost of $5000 to $24,999 would represent a significant amount or percentage of that State agency's Nutrition Services and Administration (NSA) grant or if the State agency is high-risk for financial or program management deficiencies based on its current or historical performance.

The objective of this policy is to relieve WIC State agencies of the requirement to submit requests to FNS for prior approval of relatively small State and local level non-computer equipment purchases which have traditionally been accepted to be reasonable and necessary to conduct WIC Program operations such as copiers and vehicles. This policy memorandum is applicable only to non-computer equipment. Computer equipment purchases are governed by FNS Handbook 901, Advanced Planning Document and require the State to either obtain written prior approval from FNS or notify FNS of the purchase according to the guidance provided there. Computer equipment purchases include hardware such as personal computers, monitors for individual work stations, printers, modems, keyboards, etc., whether used alone or as part of a distributed system or a centralized system. Therefore, all equipment purchases are governed either by this policy memorandum or FNS Handbook 901, Advanced Planning Document.

This policy simply raises the cost threshold for non-computer equipment purchases which require prior approval from FNS. Equipment costs determined, by audit or otherwise, not to meet other requirements or tests for allowability, provided in Program regulations and policy and OMB Circulars, such as reasonableness and necessity, may still be disallowed. Therefore, regardless of cost, if a State agency has any question concerning the allowability of an item of equipment, the FNS Regional office should be contacted for assistance in making this determination. Further, equipment acquired with Federal WIC grant funds must still be used, managed (property records maintained, inventories conducted, etc.) and disposed of in accordance with guidance provided in 7 CFR 3016.32. Finally, WIC State and local agencies must continue to follow State and local agency procurement policies and procedures. As such, WIC State agency procurements, which no longer require prior approval from FNS, may continue to require prior approval from State agency officials. WIC local agency procurements, which no longer require approval from FNS, may continue to require prior approval from local and/or State officials.

Purchases of other capital assets such as buildings, land and improvements to buildings or land that materially increase their value or useful life, costing more than $5000, continue to require prior approval from FNS. Regional offices will use the guidance provided in FNS Instruction 813-1, dated May 5, 1993, to assess these requests.

BARBARA HALLMAN
Acting Director
Supplemental Food Programs
Division

LOU PASTURA
Director
Grants Management Division

cc: Patty O'Kelley
Maeve Myers
Debbie Whitford
Policy Section
Wendi Seneker
Chris Lipsey
Charlie Okal

SUMMARY OF COMMENTS RECEIVED
SECOND DRAFT

Concur/Previous Regional Suggestions Incorporated

We have reviewed the revised draft policy to waive the requirement for WIC State agencies to obtain FNS's written approval for purchasing equipment of $24,999 or less. We agree with these changes and feel the policy adequately addresses the proposed requirements. **(MARO)**

As requested, we provided the subject draft policy memorandum to our State agencies for comment. The Ohio Department of Health expressed its support for streamlining the procurement for equipment having a unit cost of less than $25,000 which is not part of a larger multi-unit purchase. Other State agencies provided no comments.

We are pleased that this draft memo incorporates previous regional suggestions, and have no further comments to add. **(MWRO)**

We have no further comments. **(MPRO Program)**

We are writing to express our support of the revised draft policy. We appreciate the reflection of our concern about managing small State agencies; this is addressed in the provision on regional authority regarding the "amount or percentage" of the NSA grant.

Our Financial Management Office counterpart concurred with the draft as written. **(SWRO)**

Our interpretation of the draft policy is that it basically reduces the paperwork requirements for non-automation type equipment with a unit cost of less than $25,000. The prior approval process takes a lot of time and sometimes delays the purchase of routine equipment. So we would agree with this reduction in paperwork. **(Texas)**

Applicability

Comment: Since neither the Farmer's Market Nutrition Program (FMNP) or the Commodity Supplemental Food Program (CSFP) are mentioned in the policy, we assume the $5,000 threshold is still in effect for both Programs. **(NERO FM)**

Response: The assumption is correct. This is a WIC Policy memorandum which applies only to the WIC Program. The FMNP and CSFP issue their policy memoranda separate from WIC.

Threshold For Capital Assets Other Than Equipment

Comment: The draft policy states that the $5000 threshold is in effect for the purchase of other capital assets, such as renovations. The $5000 threshold applies to equipment only as A-87 does not contain a dollar threshold for other capital assets. According to WIC regulations, the prior approval threshold for other capital assets is $2500. **(NERO FM)**

Response: Proposed changes to WIC regulations through the Miscellaneous Rule would allow the prior approval threshold for other capital assets to be that established by Agency policy and guidance. In advance of the Final Miscellaneous Rule, we are establishing the threshold for prior approval of other capital assets through this policy memorandum to be $5000.

FNS Memorandum "Changes in Thresholds for Advanced Planning Documents (APDs), dated September 13,1996

Comment: The FNS memorandum, "Changes in Thresholds for Advanced Planning Documents (APDs)," dated September 13, 1996, was addressed from the Administrator to the Regional Administrators and covered Food Stamp Program (FSP) as well as WIC changes. Therefore, the September 13 memorandum was not directly issued to WIC State agencies by our office. We suggest that the policy letter reference the new thresholds themselves rather than that specific memo. **(SERO)**

Response: The revised Handbook 901 is scheduled to be issued in December by HQs ITD. It will contain thresholds for automation equipment and will be made available to all State agencies. Therefore, this policy memorandum will reference Handbook 901.

Comment: We did find the policy a little confusing and our confusion may be related to the whole topic of prior approvals and APDs. It would be helpful to have examples of different scenarios requiring the different approval levels as well as decision flowcharts. **(Texas)**

Response: The issuance of the revised Handbook 901 should clarify prior approvals and APDs for automation equipment.

Disagree with Automation Purchase Notification

Comment: No major response from WRO States.

We agree with the policy of dropping prior approval for equipment purchases up to $25,000 in keeping with streamlining the ADP acquisition process in this time of reduced resources and so on. However, we would like to reiterate a previous comment re: the NEW requirement to notify ROs of small acquisitions after the fact.

Response: FNS is not delegating the approval responsibility to the State agency, and we do not expect the State agency to document prior approval for any equipment expenditure under the threshold made by local agencies. We expect State and local agencies to follow the same policies and procedures they use for procurements from their non-Federal funds. In short, we expect equipment procurements to be business as usual with the exception of not having to obtain written prior approval from FNS if the equipment costs less than $25,000. OMB Circular A-87 provides that the prior approval requirement may be "waived or delegated." By providing that equipment, having a unit cost of less than $25,000, may be purchased without prior approval from FNS, this memorandum "waives" the prior approval requirement for those items of equipment. The first draft of this memorandum stated that it would "waive" the prior approval requirement. But, to prevent States from believing WIC has broad "waiver authority" that reaches beyond this requirement, it was requested that the memorandum be revised to not use the term "waive." Therefore, the memorandum was redrafted to cite the applicable phrase from A-87 as the authority for stating that prior approval from FNS is not required to purchase equipment costing less than $25,000.

However, since use of the full statement from A-87 is causing confusion, the memorandum is further revised to omit the word "delegate" when using that statement from the A-87 in the memorandum. It will also clarify that FNS prior approval is not required for items of equipment costing less than $25,000, regardless of whether the equipment is purchased at the State or local agency level. Finally, it will clarify that WIC State and local agencies must continue to follow State and local agency procurement policies and procedures. As such, WIC State agency procurements, which no longer require prior approval from FNS, may continue to require prior approval from State agency officials. Likewise, WIC local agency procurements may continue to require prior approval from local and/or State officials.

Significant Amount or Percentage

One State agency asked the following: The final sentence of the first paragraph states that exceptions would be made if "...an equipment purchase having a unit cost of $5000 to $24,999 would represent a significant amount or percentage of that State agency's Nutrition Services and Administration (NSA) grant." What would constitute a "significant amount or percentage"? **(SERO)**

Response: We believe that each regional office is most qualified to make that determination for their respective State agencies.

Comment: We endorse the provision that allows Regional offices to notify some State agencies that the lower cost threshold will be maintained as this represents a significant amount or percentage of that State agency's NSA grant. We believe this will be welcomed by some of our smaller State program operators. **(MPRO FM)**