



STATE OF MICHIGAN  
DEPARTMENT OF EDUCATION  
LANSING

GRETCHEN WHITMER  
GOVERNOR

MICHAEL F. RICE, Ph.D.  
STATE SUPERINTENDENT

**FOOD SERVICE  
ADMINISTRATIVE MEMO NO. 5**

**TO:** Child Nutrition Program (CNP) Sponsors participating in the National School Lunch Program (NSLP), School Breakfast Program (SBP) and Summer Food Service Program (SFSP)

**SUBJECT:** When Do You Need Pre-Approval for Food Service Equipment Purchases?

**DATE:** February 3, 2021

- The Pre-Approved Food Service Equipment List that CNP Sponsors can purchase from without requesting prior approval
- Instructions for submitting an approval request for equipment not on the Pre-Approved Food Service Equipment List

**Background**

The United States Department of Agriculture (USDA), in accordance with federal regulations<sup>1</sup>, requires CNP Sponsors to get prior written approval from the Michigan Department of Education (MDE) before purchasing a capital expenditure, such as food service equipment.

The objective for the required prior approval process is to provide reasonable assurance that the cost of the equipment is necessary for program purposes. The Sponsor's Non-profit Food Service Account (NFSA) must be able to cover the cost.

**What is considered equipment?**

The Office of Management and Budget (OMB) guidance and USDA regulations<sup>2</sup> define equipment as tangible personal property having a useful life of one year or longer and a per unit cost of at least \$5,000 unless a lesser amount has been established in the Sponsor's capitalization policy. A Sponsor's capitalization policy sets the criteria and threshold used to differentiate equipment from supplies for financial statement reporting.

**What are the Requirements?**

- 1) MDE is responsible for making sure Sponsors comply with the National School Lunch Program (NSLP) and School Breakfast Program (SBP) Resource Management Review process<sup>3</sup> along with the review

<sup>1</sup> OMB guidance cited at Title 2, Code of Federal Regulations [2 CFR], Part 200 (Subpart E Cost Principles) and

2 CFR 200.439 (Equipment and other capital expenditures) along with [USDA FNS SP 39-2016 State Agency Prior Approval Process for SFA Equipment Purchases](#)

<sup>2</sup> 2 CFR 200.33

<sup>3</sup> 7 CFR 210.18, 7 CFR 210.14, and 2 CFR 200.501

**STATE BOARD OF EDUCATION**

CASANDRA E. ULBRICH – PRESIDENT • PAMELA PUGH – VICE PRESIDENT  
TIFFANY D. TILLEY – SECRETARY • TOM MCMILLIN – TREASURER  
JUDITH PRITCHETT – NASBE DELEGATE • ELLEN COGEN LIPTON  
NIKKI SNYDER • JASON STRAYHORN

608 WEST ALLEGAN STREET • P.O. BOX 30008 • LANSING, MICHIGAN 48909  
[www.michigan.gov/mde](http://www.michigan.gov/mde) • 833-633-5788

process for the Summer Food Service Program (SFSP)<sup>4</sup>. MDE must confirm that equipment and capital outlay purchases are an allowable use of Federal funds from the Sponsor's Non-profit Food Service Account (NFSA). Failure to get prior approval from MDE will result in an unallowable cost. All unallowable costs must be reimbursed in the NFSA with non-federal funds, such as the general fund.

- 2) Sponsors must demonstrate that all equipment and capital outlay purchases meet the Federal cost principles of necessary, reasonable, allocable, etc.<sup>5</sup> The Sponsor's NFSA must also be able to fund the purchase.
- 3) Sponsors must follow all Federal, State, and local procurement regulations for equipment purchases. If MDE identifies an unallowable purchase or an improperly procured purchase, that would also result in an unallowable cost. The Sponsor would be required to transfer funds from non-federal sources to cover the cost in the NFSA. To review procurement requirements, visit [MDE's procurement website](#)<sup>ii</sup>.
- 4) If equipment will be shared with other programs outside of food service, the amount funded by the NFSA must be prorated. An example would be installing new flooring in the cafeteria. If the cafeteria is a shared space (it is used for other school purposes) and not exclusively used by food service, then the cost must be shared with the general fund or another non-federal funding source based on the percentage of use.
- 5) Selling equipment purchased with Federal funds must comply with regulations.<sup>6</sup> The proceeds from the sale must be deposited into the NFSA.

#### **Is prior approval needed for my equipment purchase?**

Follow the steps below if you plan to purchase equipment with funds from your NFSA. If your purchase is considered equipment (as described on page 1 above), remember that the equipment must:

- have a useful life of more than one year AND
- have a cost that exceeds the Federal per-unit capitalization threshold of \$5,000 (or a lower threshold set by your Sponsor, whichever is more restrictive).

#### **Step One: Review the Pre-approved Food Service Equipment List**

If the equipment you want to purchase is listed, no approval from MDE is required. Proceed with properly procuring the equipment. There is no longer a cumulative threshold requirement of \$25,000 per building per school year. If the equipment is not on this list, go to step two.

#### **Step Two: Initiate the Procurement Process**

Get quotes or formal bids using the proper procurement method based on the Michigan small purchase threshold for equipment. This threshold is adjusted annually. Select the vendor that is most responsive and responsible with the lowest price. That price will be used in Step Three to complete the *Equipment and Other Capital Expenditures Request Form*. The procurement process will pause here until Step Three is complete.

---

<sup>4</sup> 7 CFR Part 225.7

<sup>5</sup> 2 CFR Part 200 (Subpart E Cost Principles)

<sup>6</sup> 2 CFR 200.313

**Step Three: Complete an Equipment and Other Capital Expenditures Request Form**

Complete and submit an [Equipment and Other Capital Expenditures Request Form](#)<sup>iii</sup> to MDE with the quoted price determined in Step Two before finalizing the purchase. Prior written approval from MDE must happen before you order or purchase the equipment. Sponsors must submit supporting documentation with the form, including a detailed explanation of work to be completed and the equipment to be purchased.

**Step Four: Finalize Procurement and Documentation**

After MDE sends written approval, notify the selected vendor, and continue the purchase to complete the procurement process. Sponsors must keep a copy of the following for their records:

- A copy of the completed Equipment and Other Capital Expenditures Request Form
- MDE approval notice
- Specifications used
- Solicitation
- Bids/quotes received
- Any other documentation of the procurement process

If you have questions about this Administrative Memo, please contact the Fiscal and Administrative Services unit at [MDE-Fiscal@michigan.gov](mailto:MDE-Fiscal@michigan.gov) or 517-241-5380.

---

<sup>i</sup> [https://fns-prod.azureedge.net/sites/default/files/cn/SP39\\_CACFP11\\_SFSP13\\_2016os.pdf](https://fns-prod.azureedge.net/sites/default/files/cn/SP39_CACFP11_SFSP13_2016os.pdf)

<sup>ii</sup> [https://www.michigan.gov/mde/0,4615,7-140-66254\\_61446-522833--,00.html](https://www.michigan.gov/mde/0,4615,7-140-66254_61446-522833--,00.html)

<sup>iii</sup> <https://mdoe.state.mi.us/GEMS/public/QuestionnaireHome.aspx?code=i3e7o9cz>