



NC DEPARTMENT OF
**HEALTH AND
HUMAN SERVICES**

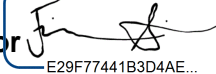
ROY COOPER • Governor
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Division of Aging

DIVISION OF AGING ADMINISTRATIVE LETTER NO: 24-09

TO: Area Agency on Aging Directors

FROM: Jill Simmerman, Deputy Director

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DATE: December 16, 2024

SUBJECT: Prior Approval Guidance: Equipment and Other Capital Expenditures

This memo provides clarification regarding updates to the threshold for capital expenditures, building on guidance provided in **Administrative Letter DAAS 21-01** and recent federal updates.

1. Background

Administrative Letter DAAS 21-01 previously outlined a \$5,000 threshold for capital expenditures requiring prior approval. However, effective **October 1, 2024, CFR § 200.439** has updated the federal threshold, increasing it from **\$5,000 to \$10,000** for capital expenditures.

2. Threshold Changes

Under the updated guidelines:

- **Expenditures Below \$10,000:** Prior approval is no longer required for capital expenditures with a **unit cost under \$10,000**, even if the total purchase exceeds \$10,000.
- **Expenditures of \$10,000 or More:** Capital expenditures with a **unit cost of \$10,000 or more** still require prior written approval from the Federal agency or pass-through entity.

3. Regulatory Details

Per **CFR § 200.439**, the rules for capital expenditure include the following:

- **(a):** Definitions for terms such as capital expenditures, equipment, special purpose equipment, general purpose equipment, acquisition cost, and capital assets can be found in **§ 200.1**.
- **(b)** The following rules of allowability must apply to equipment and other capital expenditures:

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- (1) Capital expenditures for general purpose equipment, buildings, and land are allowable as direct costs, but only with the prior written approval of the Federal agency or pass-through entity.
- (2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$10,000 or more have the prior written approval of the Federal agency or pass-through entity.

4. Updated Approval Process

To streamline the approval process:

- The prior approval request form has been updated for inclusiveness and efficiency which will be provided along with the new guidance.
- All requests must include:
 - **Three quotes** and justification for the purchase.
 - If three quotes are unobtainable, an explanation must accompany the request.

5. Submission Instructions

All approval requests should be submitted to Jennifer Powell and Leslee Breen for review and processing.

6. Program Classification

In alignment with **2 CFR 200.1** and Generally Accepted Accounting Principles (GAAP), the Choosing Home Program is classified as a **service delivery program** and not a capital improvement program. This classification aligns with other federal programs, such as those administered by the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Energy (DOE), which define capital expenditures as “significant, long-term investments in assets expected to bring future benefits to the organization.”

The Choosing Home Program does not involve the acquisition of capital assets or claims on real property, further supporting its designation as a service delivery initiative. However, to reduce risk and ensure fiscal responsibility, home improvements that are above \$10,000 for Choosing Home should go through the Division of Aging approval process.

Questions about capital expenditure guidance may be addressed to Jennifer Powell (Jennifer.a.powell@dhhs.nc.gov) or Divya Venkataganesan (Divya.venkataganesan@dhhs.nc.gov)

JS/DV/JP/pg