

# MANAGEMENT DIRECTIVE

310.20

Number

## COMMONWEALTH OF PENNSYLVANIA GOVERNOR'S OFFICE

Subject:

Charging Equipment Expenditures to Federal Programs

By Direction Of:

  
Michael H. Hershock, Secretary of the Budget

Date:

August 31, 1994

This directive establishes policy and responsibilities for agencies to comply with when asset costs are to be charged to federal programs.

1. **PURPOSE.** To establish policy and responsibilities for charging asset costs to federal programs.
2. **SCOPE.** Applies to all agencies under the Governor's jurisdiction.
3. **OBJECTIVE.** To ensure that all Commonwealth agencies use a consistent method of charging asset costs (within asset class) to federal programs that are required to comply with the U.S. Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State and Local Governments*.
4. **DEFINITIONS.**

a. **EDP Equipment.** All equipment charged to minor objects 421 through 428, defined in *Manual M310.2, Definitions of Major and Minor Objects of Expenditures*.

b. **Statewide Cost Allocation Plan (SCAP).** A document which identifies, accumulates, and distributes to state departments the costs of central government departments and identifies the procedures used in the distribution of costs. The SCAP is prepared by the Office of the Budget, Bureau of Financial Management.

c. **Departmental Cost Allocation Plan (DCAP).** A document which identifies, accumulates, and distributes allowable departmental and statewide indirect costs to bureaus/units which charge costs to federal grants and contracts and which defines the allocation methods used. DCAPs are prepared for state departments receiving federal funds. DCAPs may be prepared by either the agency or comptroller.

5. **POLICY.** Agencies and Comptrollers may claim equipment costs reimbursement by charging federal programs directly via an expense to a federal grant (with prior federal agency approval) or indirectly via an indirect cost rate developed in a DCAP. Generally, equipment charged as a direct cost is for equipment used only for a federal program and paid for with federal money.

The remaining policy and responsibilities of this directive pertain to equipment purchased with state funds and claimed as indirect costs via a DCAP. Agencies and Comptrollers claiming equipment costs reimbursement in a DCAP shall:

a. Recover machinery and equipment costs (except EDP equipment) using a standard use allowance factor of 6-2/3 percent of asset costs per year for 15 years.

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b. Recover all EDP equipment costs using the depreciation method (use allowance is not permitted for EDP equipment). The required depreciation method is straight line depreciation of asset cost (less 10 percent salvage value) over a five year useful life, using the half year convention for the first and last year (see Enclosure 1).

c. Costs for EDP equipment assets acquired for a federal program (except public assistance programs) with individual unit acquisition costs of \$5,000 or less may be claimed in the period acquired. Costs of EDP equipment acquired for a federal program (except public assistance programs) with individual unit acquisition costs of more than \$5,000 must be depreciated over a five year useful life.

d. Costs for EDP equipment assets acquired for a public assistance program with individual acquisition costs of \$25,000 or less must be claimed in the period acquired. Costs for EDP equipment acquired under a public assistance program with individual unit acquisition costs of more than \$25,000 must be depreciated over a five year useful life.

**NOTE:** Paragraphs 5.a., b., and c. also apply to the SCAP.

## **6. RESPONSIBILITIES.**

a. **Agencies** preparing their own DCAP are responsible for:

(1) Ensuring the timely completion and submission of their DCAPs to the federal cognizant agency, when applicable.

(2) Maintaining depreciation schedules and supporting documentation for all EDP equipment costs in their DCAPs (see Enclosure 1).

b. **Comptrollers** preparing a DCAP for an agency are responsible for:

(1) Ensuring the timely completion and submission of the agency DCAP to the federal cognizant agency, when applicable.

(2) Maintaining depreciation schedules and supporting documentation for all EDP equipment charges in the agency DCAP (see Enclosure 1).

c. **Bureau of Financial Management, Office of the Budget**, is responsible for:

(1) Ensuring the timely completion and submission of SCAP to the federal cognizant agency.

(2) Maintaining depreciation schedules and supporting documentation for all EDP equipment charges in SCAP (see Enclosure 1).

Enclosure:

1 – Depreciation Schedule for EDP Equipment

**COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF PUBLIC WELFARE  
DEPRECIATION SCHEDULE FOR EDP EQUIPMENT**

Procurement Document No.	Asset Description	Acquisition Date	Asset Cost	Salvage Value	Basis for Depreciation	Method	Useful Life	Depreciation Rate Per Year	Depreciation Expense 6/30/92	Depreciation Expense 6/30/93	Depreciation Expense 6/30/94	Depreciation Expense 6/30/95	Depreciation Expense 6/30/96	Depreciation Expense 6/30/97
P02777211-01	Main Frame UNISYS 2200/644ES	05/01/92	\$8,849,352	\$884,935	\$7,964,417	Straight Line	5 Years	20% / Year	\$796,442	\$1,592,883	\$1,592,883	\$1,592,883	\$1,592,883	\$796,442