



North Carolina Department of Health and Human Services Office of the Controller

Michael F. Easley, Governor
Carmen Hooker Odom, Secretary

Gary H. Fuquay, Controller
(919) 733-0169

MAILING ADDRESS:
2019 Mail Service Center
Raleigh, NC 27699-2019

LOCATION:
616 Oberlin Road
Raleigh, NC

April 28, 2003

Dear County Director of Social Services

Subject: Direct Charging and Expensing of Equipment

It has come to our attention that there are issues related to the direct charging and expensing of equipment that require clarification. We hope that this letter will help to further clarify the policies surrounding these areas. Please also note additional requirements regarding information to be provided when requesting to direct charge to a particular funding source.

- **Direct Charge** – Direct charging eliminates the requirement to cost allocate the purchase price of equipment. As a general policy, local DSS agencies may direct charge expenditures as long as the expenditure only benefits the single program or funding source and the direct charging of expenditures is consistently applied by the agency. Questions have arisen recently about specific classifications in the counties and the ability of the county to direct charge equipment to a particular funding source. The policy surrounding direct charge is based on the “benefiting program concept”. **Therefore, any position which determines eligibility for more than one program cannot have equipment direct charged to a specific program, but must cost allocate the equipment in question.** For example, since a Human Resource Placement Specialist also determines eligibility for Medicaid, their equipment cannot be direct charged to WFBG, as more than one Federal program is “benefiting” from this position. It is also suggested that counties review how staff time for these types of positions is being claimed. If the position is “benefiting” more than one program, staff time should be charged accordingly. Equipment associated with a particular worker whose time must be allocated (like supervisor, clerical, etc.) **MAY NOT** be direct charged.
- **Expensing** - Expensing of an item means that the entire cost is charged to the current year budget, rather than depreciated and charged over time through depreciation expense or a use allowance. Items that are expensed are still subject to cost allocation, unless approval is also granted to direct charge the item.

General guidelines to follow when direct charging or expensing equipment are:

1. Equipment with a unit cost of \$5,000 or less may be expensed without prior State approval if it is being cost-allocated to a code such as 310-General Administrative Support.
2. Equipment with a unit cost of \$5,000 or less may be direct charged to a particular funding source with the approval of the State (both Division Director and DHHS Controller).
3. For equipment (except ADP) with a unit cost over \$5,000 that the county wants to direct charge and/or expense to a particular funding source, the county must have prior State approval (both Division Director and DHHS Controller).

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- 4. Items of ADP equipment with a unit cost over \$5,000 may be direct charged to a particular funding source with prior State approval but **must be depreciated**. For further clarification on depreciation, please contact your local business liaison or County Administration.
- 5. Items of ADP equipment with a unit cost over \$5,000 may be direct charged to a code such as 310-General Administrative Support with prior State approval but **must be depreciated**.
- 6. Items of ADP equipment with a unit cost of \$5,000 or less may be expensed without prior State approval if it is being cost-allocated to a code such as 310-General Administrative Support.

When State approval is required to either expense or direct charge, you must send a written request explaining what exactly you want to do. Please be aware that these requests must be reviewed by both program and fiscal staff, thus lengthening the approval process. Your request, **with the original signature of the Director**, should be mailed to the address below. Please also send a copy to the DSS Budget Office, 2417 Mail Service Center, Raleigh, NC 27699-2417.

Mr. Jack W. Chappell
 Department of Health and Human Services
 2019 Mail Service Center
 Raleigh, NC 27699-2019

The written requests must include the following:

- 1. A detailed list of the number and cost of the various units of equipment. The attached form must be completed.
- 2. An explanation detailing how the equipment will be used and by whom. It should also explain how the equipment will benefit the local agency and/or the particular program.
- 3. If request is to direct charge equipment for particular staff, a description of work performed by the staff and their title. If the position is determining eligibility for more than one funding source or if their time is supervisory and/or clerical, the request to direct charge cannot be approved.
- 4. The person in the county that may be contacted if more information or explanation is needed.
- 5. A statement that the equipment will be used only for the particular funding source to which it is being charged during its useful life and that you accept responsibility for appropriate records.

We hope this has helped to clarify these issues. If you have further questions, please contact your Local Business Liaison or the County Administration Section at (919) 733-2306.

Sincerely,

[signed]

Gary H. Fuquay

[signed]

Pheon Beal, Director
 Division of Social Services

GHF/PB/dh

cc: Kathy Sommese Sherry Bradsher Debbie Hawkins
 Local Business Liaisons Jack Chappell Roxane L. Bernard

**REQUEST TO DIRECT CHARGE, EXPENSE OR DEPRECIATE
 EQUIPMENT**

County: _____ Date of Request: _____

Contact Person: _____ Telephone No.: _____

This request is to: Direct Charge Expense Depreciate

If direct charging:

The item(s) of equipment outlined below will be used solely by (check one): Staff Clients

We request approval to direct charge these items to the _____ funding source. We agree, as the basis for making this request, to ensure that this equipment will be used solely for the benefit of the funding program throughout its useful life. We further agree to maintain appropriate records to demonstrate compliance with this requirement.

Quantity	Item Description	Unit Price	Total Price	Explanation/Justification

Additional information to justify the request, including information on how approval of the request will benefit the county department or its clients: