



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES
REHABILITATION SERVICES ADMINISTRATION

COMMISSIONER

Date: September 30, 2024
DCL-24-05

RE: Prior Written Approval Guidance for Formula Grant Programs Administered by the
Rehabilitation Services Administration

Dear Colleagues:

The Rehabilitation Services Administration (RSA), within the U.S. Department of Education's (Department) Office of Special Education and Rehabilitative Services, is issuing this Dear Colleague Letter (DCL) to identify the prior written approval (prior approval) requirements in 2 C.F.R. § 200.407 most applicable to RSA's formula grant awards and how recipients¹ can ensure they satisfy those requirements. This DCL describes flexibilities available to reduce the burden on recipients with respect to the prior approval requirements while ensuring program and fiscal accountability. This DCL rescinds the Office of Special Education Programs (OSEP) and the Rehabilitation Services Administration's (RSA) Frequently Asked Questions (FAQs) for Prior Approval: OSEP and RSA Formula Grants published October 29, 2019.

Through this DCL, RSA is ensuring its prior approval guidance is consistent with the Office of Management and Budget's (OMB) April 22, 2024, revisions to 2 C.F.R. part 200 ([89 FR 07496](#)). The OMB revisions to 2 C.F.R. part 200 take effect October 1, 2024.

The technical assistance provided in this DCL is applicable to the following RSA formula grant programs:

- Client Assistance Program (CAP);
- Independent Living Services for Older Individuals Who Are Blind (OIB);
- Protection and Advocacy of Individual Rights (PAIR);
- State Vocational Rehabilitation (VR) Services; and
- State Supported Employment (Supported Employment) Services.

For organizational purposes, the DCL presents the prior approval information in six topical areas:

- I. Costs No Longer Requiring Prior Approval;
- II. Prior Approval for Certain Equipment Expenditures Still Required;
- III. Available Prior Approval Flexibilities;

¹ Recipient means an entity that receives a Federal award directly from a Federal agency to carry out an activity under a Federal program (2 C.F.R. § 200.1). Therefore, all RSA formula grantees are "recipients" for purposes of this DCL and the prior approval requirements described herein.

- IV. Simplified Prior Approval Process for Equipment;
- V. Submission and Processing of Prior Approval Requests; and
- VI. Prior Approval Considerations.

I. Costs No Longer Requiring Prior approval:

The revised OMB Uniform Grants Guidance (Uniform Guidance) at 2 C.F.R. § 200.407 no longer requires Federal grant recipients, including RSA formula grant recipients, to obtain prior approval from RSA before incurring the following costs:

1. Direct costs for *Administrative and clerical staff salaries* (2 C.F.R. § 200.413(c));
2. *Entertainment and prizes* (2 C.F.R. § 200.438);
3. *Memberships, subscriptions, and professional activity costs* (2 C.F.R. § 200.454);
4. *Participant support costs* (2 C.F.R. § 200.456); and
5. *Selling and marketing costs* (2 C.F.R. § 200.467).

While Federal grant recipients no longer must obtain prior approval for the above costs, their applicable Uniform Guidance regulations contain revisions affecting the allowability of these costs. Recipients are responsible for ensuring all related requirements are met. *Only allowable, allocable, necessary, and reasonable costs may be charged to an RSA formula award in accordance with the Uniform Guidance at 2 C.F.R. §§ 200.403 through 200.405.*

Additionally, the revised guidance removes references to *Real property* (2 C.F.R. § 200.311) and *Equipment* (2 C.F.R. § 200.313) from 2 C.F.R. § 200.407. However, these cost categories are included under *Equipment and other capital expenditures* (2 C.F.R. § 200.439) at 2 C.F.R. § 200.407(g) and direct expenditures for these costs remain subject to prior approval from RSA. *Rearrangement and reconversion costs* (2 C.F.R. § 200.462) remain subject to prior approval from RSA.

II. Prior approval for Certain Equipment Expenditures Still Required²

Although all Federal recipients, including RSA formula grant recipients, must satisfy prior approval requirements before incurring any of the costs described in 2 C.F.R. § 200.407, RSA receives a high volume of requests from its formula grantees, particularly State recipients, to use formula grant award funds for equipment costs. The Uniform Guidance at 2 C.F.R. §§ 200.407(g) and 200.439 require Federal grantees, including RSA formula grant recipients, to obtain prior approval before acquiring equipment. To respond to the increased number of prior approval requests, RSA previously issued technical assistance and guidance on this topic through RSA's April 11, 2018, Technical

² Although all Federal grant recipients, including RSA formula grant recipients, must satisfy the requirements for prior approval before incurring any of the costs identified in 2 C.F.R. § 200.407, this DCL discusses only those costs most relevant to RSA formula grant programs. However, to the extent a cost described in 2 C.F.R. § 200.407 is relevant to an RSA formula recipient, it must satisfy the applicable requirements for prior approval even though not discussed in this DCL.

Assistance Circular (18-02)³ and OSEP and RSA’s FAQs for Prior Approval: OSEP and RSA Formula Grants published October 29, 2019. This DCL focuses on the prior approval requirements for the acquisition of equipment, as required by 2 C.F.R. § 200.407(g) and 200.439.

“Equipment” is defined in the Uniform Guidance at 2 C.F.R. § 200.1 as tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost that equals or exceeds the lesser of the capitalization level established by the recipient for financial statement purposes, or \$10,000.⁴

The definition of “equipment” refers to the “capitalization level established by the recipient.” Because the VR, Supported Employment, OIB, as well as some CAP and PAIR programs are administered by the State, “recipient” in this context refers to the State’s capitalization level unless the State’s official rules or policies permit the recipient itself to develop its own capitalization level for equipment.

“General purpose equipment” as defined at 2 C.F.R. § 200.1 means equipment that is not limited to research, medical, scientific or other technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles.

“Special purpose equipment” means equipment that is used only for research, medical, scientific, or similar technical activities. Examples of special purpose equipment include microscopes, x-ray machines, surgical instruments, spectrometers, and associated software.

In determining whether prior approval is required for any type of equipment acquisition, recipients must first determine whether the tangible personal property meets the definition of “equipment” at 2 C.F.R. § 200.1, which requires prior approval, or the definition of “supplies” at 2 C.F.R. § 200.1, which does not require prior approval. In making this determination, recipients must consider these three factors: (1) the property’s useful life; (2) the property’s per unit acquisition cost; and (3) whether the recipient uses the Uniform Guidance’s equipment capitalization level of \$10,000 or a lower amount. Only in considering these three factors will a recipient be able to determine whether the needed tangible personal property constitutes “equipment” and, thus, requires prior approval from RSA before the agency incurs the obligation or expenditure.

³ This Technical Assistance Circular was rescinded by the OSEP and RSA FAQs on Prior Approval issued on October 29, 2019.

⁴ Note that the revisions to the Uniform Guidance, effective October 1, 2024, increased the per unit acquisition cost level for “equipment” to equal or exceed the lesser of the capitalization level established by the recipient for financial statement purposes, or \$10,000.

Capital expenditures for general purpose equipment, buildings, and land are allowable as direct costs, but only with the Federal agency's prior approval (2 C.F.R. § 200.439(b)(1)). Capital expenditures for improvements to land, buildings, or equipment that materially increase their value or useful life are allowable as a direct cost, but only with the prior approval of the Federal agency (2 C.F.R. § 200.439(b)(3)). Capital expenditures for special purpose equipment are allowable as direct costs, provided items with a unit cost of \$10,000 or more have the prior approval of the Federal agency (2 C.F.R. § 200.439(b)(2)).

In fully understanding the requirements for equipment and capital expenditures, particularly those when prior approval is required, RSA encourages its formula grant recipients to pay close attention to the definitions of "acquisition costs," "capital assets," and "capital expenditures" as defined in 2 C.F.R. § 200.1 (2 C.F.R. § 200.439(a)). RSA formula grantees should note that the definition of "capital assets" at 2 C.F.R. § 200.1 does not include intangible right-to-use assets (per GASB) and right-to-use operating lease assets (per FASB). For example, assets capitalized that recognize a lessee's right to control the use of property and/or equipment for a period of time under a lease contract are not capital assets and are not subject to prior approval.

III. Available Prior Approval Flexibilities

RSA will continue to provide prior approval flexibility where appropriate. RSA recognizes that granting flexibilities for prior approval reduces the burden on recipients and allows the use of RSA grant funds for allowable purposes in a timely fashion.

Flexibilities available to RSA formula grant recipients, as appropriate, are include below:

1. In accordance with an exception, approved by OMB on October 6, 2022⁵, the Department lowered the per-unit acquisition cost for equipment acquired by State licensing agencies for the benefit of the Randolph-Sheppard Vending Facility Program (RSVFP). The per unit acquisition cost is lowered from the current \$10,000 or the capitalization level established by the recipient for financial statement purposes to "equal or exceed the lesser of \$1,000 or the capitalization level established by the recipient for financial statement purposes." This flexibility benefits RSVFP vendors by enabling more of their costs to be charged to Federal VR funds and RSVFP set-aside funds as equipment. The lower per-unit acquisition cost approved by OMB for the benefit of the RSVFP applies regardless of whether the equipment is purchased with Federal VR funds, non-Federal funds used for matching purposes under the VR program, or RSVFP set-aside funds. Because the term "equipment" has a lower per unit acquisition cost level with respect to equipment acquired for the benefit of the RSVFP than that stated for equipment in 2 C.F.R. § 200.1, State VR recipients must obtain prior approval when purchasing equipment for the benefit of the RSVFP vending facilities when that equipment costs at least \$1,000 or the State's own capitalization threshold for accounting purposes, whichever is less.

⁵ [87 FR 60664](#)

2. Consistent with the Uniform Guidance, RSA granted prior approval to State VR grant recipients for the acquisition of certain general purchase equipment in October 2019.^[1] Through this DCL, RSA continues to grant that same prior approval to State VR grantees when purchasing general purpose equipment included under an approved Individualized Plan for Employment (IPE) for eligible individuals with disabilities so they may achieve their employment outcomes under the VR program, thereby ensuring the timely delivery of those services. As a result, VR recipients no longer need to submit prior approval requests to RSA for equipment (defined generally as at least \$10,000 or the State's capitalization threshold level per item of equipment, whichever is less) that is to be charged under the VR program for the provision of VR services to eligible individuals under approved IPEs (e.g., rehabilitation technology, vehicle modifications, ramps, or other adaptive equipment needed for the home).

RSA is granting this prior approval to VR recipients, with respect to general purpose equipment expenditures incurred for eligible individuals under an approved IPE, because Section 103(a) of the Rehabilitation Act requires VR agencies to provide any VR service identified on an eligible individual's IPE that is necessary for them to achieve an employment outcome. These services could include the purchase of equipment. Because of this statutory mandate and the lack of audit and monitoring findings of non-compliance with respect to the allowability and allocability of these particular expenditures, RSA has determined that, in this limited circumstance, granting prior approval is necessary to ensure the timely delivery of these services to eligible individuals under the VR program. There is no similar statutory mandate to purchase equipment under the other RSA-administered formula grant programs; therefore, RSA is not granting a similar prior approval for those programs. In other words, CAP, PAIR, Supported Employment, and OIB recipients must obtain prior approval from RSA before incurring costs for the acquisition of equipment in accordance with 2 C.F.R. §§ 200.407(g) and 200.439.

It is important to note that this prior approval, as was done in 2019, is only for the purchase of general purchase equipment for eligible individuals under approved IPEs; it does not extend to other costs under an IPE that may require prior approval from RSA, such as other capital expenditures (2 C.F.R. §§ 200.407 and 200.439). In other words, if an eligible individual's IPE requires capital expenditures to their home or other building to start a small business, such costs would require RSA's prior approval.

3. For one cost category, general purpose equipment for use by the VR agency (not included in paragraph (2) of this section), RSA developed a simplified prior approval process for recipients, discussed in more detail below. Recipients may request prior approval for general purpose equipment in the aggregate based on reasonable budget

^[1] The prior approval for general purchase equipment was granted through the OSEP and RSA Prior Approval FAQs, dated October 29, 2019, which is rescinded by this DCL.

estimates (i.e., projections of obligations and expenditures) for the entire period of performance, rather than submitting separate prior approval requests for each proposed expenditure. This means capital improvements to equipment, buildings and land may not be submitted through the simplified process.

IV. Simplified Prior Approval Process for Equipment

Once the State VR agency has determined whether prior approval is required, it must then determine whether the general purpose equipment fits the criteria for the simplified submission process. RSA permits the simplified submission process only for prior approval requests for “general purpose equipment,” as defined at 2 C.F.R. § 200.1, purchased for the following purposes:

1. General purpose equipment purchased for its formula grant recipient’s use (e.g., vehicles, copiers, office furniture)⁶; and
2. Initial purchase, maintenance, repair, and replacement of Business Enterprise Program (BEP) vending facility equipment (i.e., vending facilities operated by blind vendors under the RSVFP).⁷ BEP general purpose equipment purchased pursuant to an IPE should not be included in a simplified prior approval request because they are covered in the flexibilities mentioned above, see III.2.

To assist recipients in submitting simplified prior approval requests, RSA has developed a spreadsheet that can serve as a template for such submissions. Please contact the Financial Management Specialist for your agency to request the spreadsheet.

Below are examples of the simplified prior approval process:

⁶ Does not include equipment purchased for the establishment, development, or improvement of a facility for a public or nonprofit community rehabilitation program (CRP) at 34 C.F.R. § 361.5(c)(17), the construction of a facility for a public or nonprofit CRP at 34 C.F.R. § 361.5(c)(10), or for the construction or renovation/alteration of a State VR agency facility. These expenditures still require VR program recipients to submit individual prior written approval requests that are based on contract bids or some other method that project actual proposed costs, rather than on projected aggregate estimates, just as they always have done.

⁷ For purposes of submitting a prior written approval request for BEP or RSVFP equipment, the State VR agency may include in its projected aggregate estimate for an FFY those costs associated with the purchase price of the vending facility equipment itself, plus related acquisition costs (e.g., delivery charges for the equipment itself). The VR grantee’s aggregate estimate may not include renovating or modifying vending facilities even if such costs are related to the installation or replacement of equipment approved as a result of the agency’s prior written approval request that outlined budgeted estimates for the acquisition of BEP equipment. Costs associated with the renovation or modification of vending facilities, when allowable, must be submitted in separate prior written approval requests that are based on contract bids or some other method that projects the actual proposed costs. The reason costs to renovate or modify Randolph-Sheppard vending facilities cannot be included in the simplified aggregate request is because they are for capital improvements at 2 C.F.R. § 200.439(b)(3) and not general purpose equipment at 2 C.F.R. § 200.439(b)(1).

Example 1:

If a State Licensing Agency (SLA) uses the previous Federal fiscal year's (FFY) expenditures for general purpose equipment (e.g., new vending machines) to develop a budget estimate for the current FFY's projected new equipment expenditure needs, the SLA may submit the proposed new equipment budget estimate in the aggregate for the current FFY in its prior approval request to RSA for review and approval. Thus, in this example, there is no need for the SLA to submit separate prior approval requests for each piece of general purpose equipment that will be purchased.

Example 2:

A State has established a capitalization threshold level of \$1,000 for purposes of determining whether tangible personal property meets the definition of "equipment." Since the State's threshold level is less than the Uniform Guidance's threshold level of \$10,000, the State must submit a prior approval request for general purpose equipment that exceeds the State's lower threshold level of \$1,000 pursuant to the Uniform Guidance. Using the simplified approach, if the agency projects it will need 50 laptops for staff at a cost of \$1,500 each, it could submit a prior approval request projecting an aggregate estimate of \$75,000 for all 50 laptops.

For all other remaining cost categories not included in the simplified submission process described in this DCL, but still requiring prior approval, RSA has determined it necessary for recipients to submit separate prior approval requests for each projected activity in accordance with the Uniform Guidance requirements, to protect the Federal interest and ensure programmatic and fiscal accountability. Such submissions are consistent with that done by RSA formula grant recipients historically.

For example, VR recipients must submit itemized, project-specific prior approval requests for equipment purchases for the –

- Establishment, development, or improvement of a facility for a public or nonprofit community rehabilitation program (CRP) at 34 C.F.R. § 361.5(c)(17);
- Construction of a facility for a public or nonprofit CRP at 34 C.F.R. § 361.5(c)(10);
- Construction or renovation/alteration of a State facility or American Job Center for purposes allocable to the VR program; and
- Renovation or alteration of facilities in connection with the acquisition of a BEP vending facility or the installation of BEP equipment in accordance with Section 103(b)(1) of the Rehabilitation Act.

In addition, VR recipients must also submit individual prior approval request for Rearrangement and Reconversion costs (2 C.F.R. § 200.462).

V. Submission and Processing of Prior Approval Requests

All requests for prior approval must be made in writing (including submission by e-mail) to the recipient's RSA Financial Management Specialist (FMS) no later than 30 days before the proposed expenditure. E-mail requests must be clearly identified as prior approval requests and should reflect the complete Federal Award Identification Number (FAIN) in the subject line. The FMS will promptly review the request and approve or disapprove the request in writing. An FMS will not approve any request which is inconsistent with the purpose or terms and conditions of the Federal award or Federal regulations.

At a minimum, prior approval requests must include –

Recipient Information:

1. Recipient name;
2. Contact name;
3. Position;
4. Email address;
5. Phone number;

Fiscal Information:

6. FFY;
7. Funding source (Federal, State, Other-explain);
8. FAIN to which cost will be assigned;
9. Item name and full description of item to be purchased, including intended use;
10. List of all programs (Federal, State or private) that will benefit from the purchase;
11. If cost is allocated, list of programs and percentage per program;
12. Describe how the cost is reasonable and does not exceed what a prudent person would incur under the same circumstances; and
13. Estimated date of purchase.

In granting any prior approval, RSA will approve the expenditure of program funds up to the amount proposed in the prior approval request submitted by the recipient. This means the recipient will be approved to spend up to that amount. If actual costs indicate the need for an increase in the approved proposed amount during the FFY, the recipient must submit an amendment to the prior approval request for the anticipated additional costs. For example, if the cost of a new copier increases during a FFY before it is purchased, thereby surpassing the amount of the approved prior approval request, the recipient must submit an amended prior approval request reflecting the increased cost. The same would be true if a VR recipient needed to exceed the amount of an approved aggregate prior approval request.

RSA's approval of an expenditure does not mean it is allowable and allocable. When RSA grants prior approval, it does so based on the information provided by the recipient. RSA cannot be responsible for knowing the underlying facts of the expenditure.

Therefore, recipients remain responsible for ensuring that all expenditures from Department-funded grants, even those for which prior approval has been granted, are allowable and allocable to the grant program in accordance with the Uniform Guidance (2 C.F.R. §§ 200.403 through 200.405), RSA program requirements and such costs may be reviewed by State auditors. This means that recipients must determine that such direct costs are reasonable and necessary under the Federal award and must maintain appropriate documentation for such costs. Additionally, recipients must ensure such expenditures are incurred in accordance with State and agency policies and procedures, as applicable, including procurement requirements.

VI. Prior Approval Considerations

1. With any prior approval request, recipients remain responsible for ensuring that all expenditures are allowable and allocable to the applicable Federal program in accordance with the Uniform Guidance and Federal program requirements (2 C.F.R. §§ 200.403 through 200.405). It is also the recipient's responsibility to ensure the funds used to pay for the projected costs are funds available for use and obligation in the period of performance for that FFY and reported on the appropriate financial report. Additionally, the recipient must maintain appropriate documentation for all approved simplified and other prior approval requests since the documentation may be the subject of audits or monitoring activities.
2. With respect to the VR, Supported Employment, and OIB programs, which have a non-Federal share requirement, recipients must submit prior approval requests, when required, whether in the aggregate or for specific projects — even if the recipient plans to use only non-Federal funds or program income to pay for the costs. The Uniform Guidance at 2 C.F.R. § 200.407 refers to costs under a “Federal award,” which would include both Federal and non-Federal expenditures incurred under the program.
3. Prior approval includes only the per unit acquisition cost of the equipment and applicable set-up fee, if needed. See definition of “acquisition costs” at 2 C.F.R. § 200.1.
4. The recipient is responsible for monitoring expenditures to ensure that the actual amount charged to the specific award does not exceed the prior approval authorized amount, that expenditures are consistent with all Federal requirements, and that the purchases comply with the State's and agency's procurement policies and procedures.
5. When acquiring replacement equipment, recipients may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement equipment (2 C.F.R. § 200.313(c)(4)); however, any additional funds required to purchase the replacement equipment must receive prior approval.
6. When real property is no longer needed for the originally-authorized purpose, the recipient must obtain disposition instructions from the Federal agency in accordance with 2 C.F.R. § 200.311.

While items of equipment with a current fair market value in excess of \$10,000 (per-unit) may be retained or sold by the recipient, *the Federal agency is entitled to an amount calculated by multiplying the percentage of the Federal agency's contribution towards the original purchase by the current market value or proceeds from the sale (2 C.F.R. § 200.313(e)).*

If you have any questions regarding this DCL, please contact the RSA Financial Management Specialist assigned to your agency.

Sincerely,

Danté Q. Allen