CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES
P.O. Box 419064, Rancho Cordova, CA 95741-9064

June 13, 2012

Reason for this Transmittal

[ ] State Law or Regulation Change
[ ] Federal Law or Regulation Change
[ ] Court Order or Settlement Change
[ ] Clarification requested by One or More Counties
[x] Initiated by DCSS

LCSA LETTER: 12-07

ALL IV-D DIRECTORS

SUBJECT: CLARIFICATION OF ACQUISITION COST AND UNIT COST

The purpose of this letter is to provide local child support agencies (LCSAs) with clarification regarding the definition of acquisition cost and unit cost as they relate to prior approval and purchases.

This clarification is in addition to the previous CSS Letter 04-20, CSS Letter 05-05, and CSS Letter 11-03, all of which provided direction to request prior approval before any purchase.

Per 45 Federal Code of Regulations (CFR) 95.703, acquisition cost is defined as the net invoice price of the equipment including the cost of modification, attachments, accessories, or auxiliary apparatus necessary to make the equipment usable for the purpose for which it was acquired. It also states that other charges such as installation, transportation, taxes, duty or protective in-transit insurance shall be included or excluded from the unit acquisition cost in accordance with the regular accounting practices of the organization purchasing the equipment.

In the interest of uniformity and clarity, LCSAs should **include** installation, transportation, taxes, duty or protective in-transit insurance when determining their acquisition cost.

When an LCSA is evaluating the need for prior approval, they must identify if the item is electronic data processing (EDP) or administrative, and whether or not the acquisition cost warrants that approval. In addition, the unit cost on the invoice must clearly define what is being purchased within that unit. LCSAs are reminded that depreciation rules must follow the item requested, and not the funding source; therefore, EDP items purchased with administrative funds should follow EDP depreciation rules.

If you have any questions or concerns regarding this matter, please contact Donna Kruger at (916) 464-5015 or your LCSA Budget Unit analyst.

Sincerely,

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LINDA ADAMS
Acting Deputy Director
Administrative Services Division