

PROGRAM COSTS

Program costs must be allowable in order to be eligible for reimbursement. Allowable costs are those which meet the criteria for authorized expenditures specified in the cost principles for federal programs, primarily OMB Circular A87 and 7 CFR sections 3015 through 3019. To be allowable, each cost item must be:

1. Incurred to carry out essential WIC Program activities or allocable to WIC Program operations or functions.
2. Necessary and reasonable for the proper and efficient performance and administration of the award.
3. Treated consistently as a direct cost or indirect cost.
4. Determined in accordance with generally accepted accounting principles (GAAP).
5. Net of all applicable credits.
6. Not included as cost, or used to meet the cost-sharing or matching requirements of another federal award, unless specifically permitted by federal law or regulation.
7. Authorized or not prohibited under state or local laws and regulations.
8. Consistent with the regulations, policies and procedures, which apply to both federal awards and other activities of the recipient.
9. Adequately documented.

Allowable WIC Program administrative costs are divided into two categories – direct and indirect. Direct costs are further divided into the following categories:

- Program Management
- Client services
- Nutrition Education
- Breastfeeding Promotion

See pages 7 & 8 of this exhibit for specific definitions and discussion of these costs. Indirect costs are those costs, which cannot be identified with a specific program or activity and are shared with a number of agency programs. These costs are regarded only as Program Management in nature.

Indirect costs allocated to the WIC grant are determined by taking an approved indirect rate and multiplying it against incurred direct costs. These calculated costs are eligible for reimbursement provided they're otherwise allowable as charges to the WIC program and are actually incurred during the fiscal year. Local agencies are allowed to use an internally developed indirect rate of up to 12% of direct costs or a higher rate, if approved

by a cognizant federal agency. Indirect cost rates must be evaluated annually for accuracy.

It's important to remember that an approved indirect rate DOES NOT increase a local agency's grant award.

Program expenditures are also subject to the financial principles listed below and in the WIC grant agreement.

Allowable Costs

Below is a partial list of allowable costs with definitions and examples:

- **Accounting** – prorata costs of establishing and maintaining accounting and other information systems required for the management of the program, including costs incurred by central service agencies for these purposes.
- **Administrative and Program Management Costs** - direct and indirect costs of nutrition education, breastfeeding promotion, client services, and program management/administration.
- **Advertising** - media costs must be incurred solely for WIC Program outreach, recruitment of WIC Program personnel, solicitation of bids for the procurement of required goods and services, and other purposes specifically related to the WIC Program.
- **Audit Fees** – prorated costs of audits necessary for the administration/management of functions related to the WIC Program.
- **Breastpumps** - cost for purchasing or renting breastpumps are allowed if approved by the State WIC Breastfeeding Coordinator. See [6.11 Breastpump Education and Procedures](#) and [Exhibit 2-H Claim Form for Breastpump Purchase Reimbursements](#) for additional information.
- **Certification Costs** – expenditures related to certification procedures, including expendable medical supplies and nonexpendable equipment used to determine nutritional risk. Allowable purchases are limited to equipment used to gather basic intake data for height, weight, and blood work. If certification costs are paid or shared with other federal, state, or local funding sources, the local agency may **not** charge WIC for costs covered by these sources. Expenses incurred in documenting categorical eligibility, such as pregnancy testing, are **not** allowed.
- **Communications** – cost for telephone calls or service, phone lines, computer connections, faxes, postage, and similar expenses related to performing WIC services.
- **Compensation for Personnel Services** - all personnel costs, paid currently or accrued, for services rendered to the WIC Program during the grant period, including but not necessarily limited to wages, salaries, supplementary compensation, and

benefits. Total compensation for individual employees must be reasonable for the services rendered, follow local agency personnel policies and be supported by the appropriate payroll documentation, such as time cards. If used, time studies must be performed at least annually (preferably – quarterly) to assure equitable distribution of personnel costs.

- **Employee Fringe Benefits** – are generally allowable as long as they’re distributed equitably among programs administered by the agency.
- **Equipment, Materials and Supplies** – all equipment, materials and supplies necessary to support the WIC Program. Purchases should be charged at actual prices after deducting all cash and trade discounts, rebates, and allowances received by the local agency. Withdrawals from supply inventories, if applicable, should be charged at cost under any recognized method of inventory pricing consistently applied.

Local agencies may purchase any single equipment or supply item without seeking approval from the State office as long as the item costs less than \$2,000. Local agencies must seek approval from their Program Consultant before purchasing single items that exceed the \$2,000 threshold.

If any capital assets (any asset costing more than \$5,000.00) are purchased (see next paragraph), they must be listed on the [WIC Equipment Inventory Log \(Exhibit 2-F\)](#). Local agencies are also responsible for the care and maintenance of all assets purchased with WIC funds and they must keep all assets – capital and non-capital, adequately insured.

- **Purchases of Non-HuBERT Capital Assets** - Local agencies should complete the [WIC Program Capital Asset Request Form \(Exhibit 2-E\)](#) if they are requesting authority to purchase a capital asset. Capital assets generally are those items costing in excess of \$5,000. The completed form should be submitted to their Program Consultant for further processing. (Refer to [Section 9.2 WIC Information System](#) for requesting the purchase of HuBERT-related equipment).
- **Equipment Rental** – the cost of renting equipment from an outside contractor is allowable as long as the total rent doesn’t exceed market value for an existing item, or the purchase price for a new item. No rent may be charged on agency equipment previously purchased with state or federal funds or items more than five years old. Long-term rentals of equipment are discouraged.
- **Immunization** - the costs of WIC participant immunization screening and referral are allowable WIC costs. WIC funds may not be used for purchasing vaccines or administering vaccines.
- **Insurance** - cost of insurance determined necessary to protect against loss or damage of WIC supplies, equipment, food vouchers, and similar risks. Allowable malpractice

insurance costs are allowable as long as they only cover the relatively low risk of the certification procedure and not cover non-WIC activities.

- **Legal Expenses** - cost of specific legal expenses required in the administration of the WIC Program.
- **Maintenance and Repair** - necessary maintenance, repair, or upkeep of property, which neither adds to the permanent value of the property nor appreciably prolongs its intended life, but keeps it in efficient operating condition. Prorata costs of utilities, insurance, janitorial service, and normal repairs are allowable to the extent that they are not otherwise included in rental or other charges for space.
- **Meetings and Conferences** - meetings when the primary purpose is the dissemination of technical information relating to the WIC Program and consistent with regular practices followed for other activities of the local agency.
- **Physical Activity Promotion** – allowable costs promoting physical fitness include: nutrition education, informational materials, demonstration costs, and inexpensive incentives such as water bottles, bean bags, balls and jump ropes as long as physical fitness is being promoted.
- **Printing and Reproduction** - printing and reproduction services necessary for grant administration, including forms, reference materials, reports, manuals, and informational literature.
- **Rental Space in Buildings and Related Facilities** - cost of space in privately or publicly owned buildings used for the benefit of the WIC Program, provided it does **not** exceed the rental cost of comparable space and facilities in a privately owned building in the same locality. Rental rates in publicly owned buildings must reflect actual costs and the rent charges must be equitably allocated to other programs. When space is shared with others, WIC may be charged only the portion of costs related to the area occupied by the WIC program.
- **Training and Education** - costs of in-service training provided for employee development, which benefits the WIC Program.
- **Travel** - travel costs for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official WIC business. Such costs may be charged on an actual basis, on per diem or mileage in lieu of actual costs incurred, or a combination of the two, provided the method used is applied to an entire trip and results in charges consistent with those normally allowed in like circumstances based on the local agency's travel policy. If vehicles owned by employees of the local agency are used to perform WIC duties, such as clinic site visits, a mileage allowance equal to the local agency's prevailing rate may be charged.

Documentation of travel expenses for the WIC Program must include the date of each trip, employee's name, mileage, and reason for each trip; these records must be signed and reviewed by authorized personnel to assure accuracy of the information.

Allowable Costs Only with Prior Approval of USDA

Certain program costs must have prior approval from USDA before they may be incurred. You should contact your WIC Program Consultant for assistance. All requests that require approval from USDA for the current fiscal year are due into the state WIC office no later than September 1st. All taxes, shipping, and installation charges should be included in these requests. In some instances, USDA may require local agencies to certify that if they cease operating the WIC Program in the current facility, the agencies will have to refund to USDA the undepreciated or unamortized, balance of the original purchase.

- **Capital Expenditures** – any cost greater than \$5,000 for facilities, equipment, or other capital assets, and repairs which materially increase the value or useful life of capital assets, including medical equipment, computer or computer-related items, office furnishings, remodeling of space, and building renovations or repairs.
- **Expensing** - charging the entire cost of an acquisition of a capital asset to the WIC Program in the fiscal year of the acquisition.
- **Rental Costs of Unoccupied Space** - costs of space procured for WIC Program usage may not be charged to the program during periods of non-occupancy without authorization from USDA.

Unallowable Costs

The following expenditures **may not** be charged to the WIC Program:

- **Bad Debts** - any losses from uncollectible accounts, other claims, and related costs.
- **Central Accounting and General Operations** - costs of maintaining central accounting records required for overall local government purposes, except through an approved indirect rate.
- **Contingency Fund Contributions** - any contributions to contingency reserves or funds for unforeseen events, such as equipment replacement.
- **Contributions and Donations** - any contributions or donations for any purpose whatsoever.
- **Depreciation and Use Allowances** – these non-cash costs are generally not allowed as either direct or indirect costs if the facility was built with federal or state funds. For facilities not owned by a government body or built with government funds, depreciation may be charged as part of an approved indirect rate only.

- **Entertainment** - any social activities and related incidentals, such as meals, beverages, lodging, and gratuities.
- **Fees for Health Services** - any costs of a local agency for providing health services in addition to that required to determine an individual's eligibility for WIC.
- **Fines and Penalties** - costs of violations of or failure to comply with any laws and regulations.
- **Incentives or Payments to Participants** - items such as bus fare, diapers or other incentives with no apparent outreach function.
- **Interest and Other Financial Costs** - interest on any kind of borrowing, costs of financing operations, and related fees.
- **Legal Expenses** - services furnished by the chief legal officer of a local government or his/her staff for the purpose of discharging his/her general responsibilities as legal officer or legal expenses for the prosecution of claims against the federal or state government.
- **Legislative Expenses** - any expense of government bodies, such as the legislature, county supervisors, city councils, school boards, etc., whether for legislative or executive purposes.
- **Mileage Rate, Excess** - any charges above the prevailing rate of the local agency mileage allowance.
- **Petty Cash** - any petty cash funds.
- **Performing non-WIC services** such as lead screenings or dispensing vaccines.
- **Physical fitness** costs such as treadmills, health club memberships, and expensive incentives or promotional items.
- **Purchase of real estate.**
- **Self Insured Losses** - actual losses from causes that could have been covered by permissible insurance. Local agencies must replace any such items with funds from other sources. However, losses, which are less than the agency's insurance policy deductible, are allowable costs.

Direct Cost Categories

The following categories of direct costs are used for completing the monthly claim for reimbursement. Costs reported in these categories are allocations which generally result from current time studies measuring time spent performing duties in these categories, or, by direct purchase of items or materials related to them:

- Program Management
- Client Services
- Nutrition Education
- Breastfeeding Promotion

Below are brief descriptions with examples of costs attributable to each category.

Program Management

- General oversight & supervision
- Food instrument accountability
- Preparation of administrative records and time cards
- Vacation, management meetings, time spent on personnel issues, sick leave, break time, and any other compensated time off
- Expenses related to audits, accounting, and program reports, including fiscal reporting
- Outreach activities

Client Services: Client Services is all salary and supplies cost related to issuing vouchers, participant services, and eligibility determination. Included in this are clinic preparation and participant phone calls. Other examples include:

- Identity, residency, income eligibility determination
- Anthropometric and hemotological assessment
- Conducting diet assessments and reviewing health history
- Referrals to other health services
- Issuing food instruments
- Coordination with other programs
- Evaluating program effectiveness
- Travel costs to and from satellite or off-site clinics

Nutrition Education: Each year, 1/6th (17%) of the WIC grant administrative grant must be used for Nutrition Education. These costs include all salaries and supplies needed to educate participants in understanding the importance of nutrition to health and to achieve positive change in dietary habits. Other examples include:

- Providing individual or group educational sessions, including planning & prep time
- Providing educational materials, including their development & printing
- Evaluating and monitoring nutrition education activities
- Interpreter and translator services required to perform nutrition education activities

Breastfeeding Promotion: Breastfeeding promotion is an important and integral part of the WIC program. At least 2% of the WIC administrative grant must be spent in this category. Examples include:

- Salaries and related costs of staff to counsel participants
- Costs for producing internal education and training materials
- Costs for training staff in breastfeeding activities
- Costs for monitoring and evaluating breastfeeding activities
- Costs of breastfeeding aids

Please note that breastpumps are considered breastfeeding promotion costs *only if* they were purchased with an agency's WIC grant. In addition, any costs charged to a Peer Counseling Grant, may not be considered a Breastfeeding Promotion cost.