



WIC Costs: Allowable and Unallowable

UPDATED: 10/2021

References: [7 CFR §246.14](#) and [2 CFR Parts 200](#) and 400; USDA Breastfeeding Policy & Guidance 7/2016, and USDA WIC Policy Memorandums #95-5, 95-16, 2001-7, and 2003-7.

Overview of WIC Costs

Costs are allowable if they meet WIC federal regulations, primarily *7 CFR §246.14 Program costs*, and *2 CFR Part 200 and Part 400*. Program costs must be allowable and properly allocated to be eligible for reimbursement.

Cost Distribution

WIC grantees using cost distribution methods who have multiple federal or state funding sources must allocate costs across the various funding sources in a way that reflects the actual portion used by each program. This ensures equitable distribution of program costs.

Examples include use of square footage or program staff FTEs to calculate the amount of rent for a specific program. Salaries should not be used as a basis since that could result in an unequitable distribution.

WIC grantees that charge costs to another program (such as TANF, Child and Teen Checkup and/or Family Home Visiting) are not allowed to request reimbursement from WIC for the same costs.

All costs are classified as either direct or indirect.

Direct and Indirect Costs

Direct Costs

Direct costs are administrative costs that are associated with a specific program or activity. For purposes of reporting reimbursement costs and federal reporting, all WIC local agency direct costs are categorized in one or more of the following program areas: Program Management, Client Services, Nutrition Education, or Breastfeeding Promotion. See [Section 2.2: Financial Procedures](#) for information about each area and examples of costs associated with them, and [2 CFR § 200.413 – Direct Costs](#) for more information

Indirect Costs

Indirect costs are administrative costs which *cannot be identified with a specific program or activity, and/or are shared with a number of agency programs*. Report indirect costs *only under Program Management* on the claim form.

Indirect rate:

- Annually, the Minnesota Department of Health (MDH) Community Health Division will contact CHBs to request the grantee's indirect rate. See [Indirect Cost Guidance for Community Health Boards](#).
- Grantees that do not have a federally approved rate may use an indirect rate up to 10%.
- Grantees with a federally negotiated indirect rate, such as Tribal and Community Action Partnership (CAP) agencies, are required to complete an indirect questionnaire administered annually by State WIC staff.
- Indirect costs are determined by multiplying your agency's approved indirect rate by the total direct costs claimed on the invoice. These calculated costs are eligible for reimbursement provided they are WIC-allowable and have been incurred during the federal fiscal year.
- An approved indirect rate **does not increase** a local agency's grant award.

WIC Cost Criteria

Grantees must ensure all expenditures reported to the WIC program are allowable under federal cost principles.

To be allowable, each cost item must be:

- Incurred to carry out essential WIC Program activities or allocable to WIC Program operations or functions.
- Necessary and reasonable for the proper and efficient performance and administration of the award.
- Treated consistently as either a direct cost or an indirect cost.
- Determined in accordance with Generally Accepted Accounting Principles (GAAP). GAAP is a framework of accounting standards, rules and procedures defined by the professional accounting industry, developed for federal entities, and adopted by the US Securities & Exchange Commission.
- Total of all costs less credits.
- Not used to meet the cost-sharing or matching requirements of another federal award, unless specifically permitted by federal law or regulation.
- Authorized, or not prohibited, under state or local laws and regulations.

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- Consistent with the policies and procedures, which apply to both the WIC Grant Agreement and federal regulations.
- Adequately documented.

Allowable Costs

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

- **Accounting and General Operations:** maintaining central accounting records required for overall local government purposes.
- **Administrative and Program Management:** direct and indirect costs of program management/administration, client services, nutrition education, and breastfeeding promotion.
- **Advertising:** Media costs chargeable to the WIC grant must be incurred *solely for WIC Program* outreach, recruitment of WIC Program staff, solicitation of bids for the procurement of required goods and services, and other purposes specifically related to the WIC Program.
- **Audit Fees:** audit fees necessary for the administration/management of functions related to the WIC Program.
- **Breastfeeding Accessories:** items that directly support breastfeeding and that have been determined as reasonable and necessary costs by the state WIC program. See [Section 6.11, Breastpump Education and Procedures](#) for examples. Contact the State WIC Breastfeeding Coordinator for more information. Also see Unallowable Costs - Breastfeeding Aids and Accessories.
- **Breast Pumps:** pumps and supplies purchased according to MN WIC policy and procedures. See [Section 6.11, Breastpump Education and Procedures](#).
- **Capital Assets** (2 CFR, §200.12) are tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with GAAP. Capital assets include: (a) land, buildings (facilities), equipment, and intellectual property (including software), whether acquired by purchase or construction, manufacture, lease-purchase, or through capital leases and (b) additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life (not ordinary repairs and maintenance).
 - **Capital Equipment** is defined as a single tangible item with a useful life greater than one year and a per-unit acquisition cost which equals or exceeds \$5,000. See 2 CFR, §200.33 for more information.

Local agencies are responsible for the care and maintenance of all supplies and equipment purchased with WIC funds. These items must be adequately insured.

Unused equipment or supplies purchased by WIC, and no longer needed, should

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first be offered to another local WIC program or a federally funded program within your agency (See 2 CFR, §200.314 – *Supplies*, for more information). If the item is not wanted (unclaimed) it may be donated or disposed of.

- Prior approval is required for purchase of **capital equipment and improvements**.
 - Costs greater than \$5,000 for a single purchased item or total project cost require prior USDA approval. Contact your State WIC Consultant to discuss proposed purchases or improvements.
 - To request approval and supplemental funding, submit [Exhibit 2-C, Request to Increase Administrative Funds \(RIAF\) Form - WIC Program](#).
 - Include all taxes, shipping, indirect charges, and installation fees in the capital asset request. USDA may require a local agency to certify that if they cease operating the WIC Program in the current facility, the agency will refund USDA the undepreciated or unamortized balance of the original purchase.
 - Allow adequate time for approval, contracting, and completion of the project before the end of the federal fiscal year. The cost must be claimed in the same fiscal year it was acquired.
- **Capital Expenditures** (2 CFR, §200.13): to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alterations to capital assets that materially increase their value or useful life.
- **Certification Costs including:**
 - Expenditures for supplies and equipment (e.g., lancets, cuvettes, hemoglobin testing devices, scales, measuring boards) used to determine nutrition risk for conducting height, weight and blood work.
 - Interpreter costs to offer WIC services.
- **Communications:** phones (mobile or desk), phone/texting services, computer connections, faxes, postage, and other communication expenses related to providing WIC services.
- **Immunization:** costs associated with immunization *screening and referral*. WIC funds *may not be used* for purchasing or administering vaccines.
- **Incentives:** goods of a *nominal value* such as water bottles, bean bags, infant feeding equipment (e.g., an infant spoon and bowl), or other material goods given to applicants, participants, potential participants or persons closely associated with the WIC Program, *for the purposes of* outreach, nutrition education, physical fitness or breastfeeding promotion. The incentive should contain a WIC message specific to the recipient group and include WIC contact information if feasible (such as local agency name with an

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address and/or phone number). The incentive should encourage WIC participation through promotion in the following areas:

- **Outreach:** increase awareness of program services and eligibility, and how to access those services.
- **Nutrition Education:** individual or group education to improve health status, achieve positive change in dietary habits and emphasize the relationship between nutrition and health. Calendars containing nutrition education messages, refrigerator magnets picturing MyPlate, and infant feeding tools to reinforce nutrition education are also included.
- **Breastfeeding:** activities to encourage and increase breastfeeding initiation and support duration among WIC participants, as well as T-shirts, buttons, or other items of nominal value with a breastfeeding promotion or support message.
- **Physical Fitness:** efforts to encourage and increase physical activity. Balls, bean bags, frisbees or other items of nominal value with a physical fitness promotion or support message.

Like other administrative costs, these expenditures are subject to review, audit and public scrutiny. Local agencies should be prepared for public challenges and be able to justify any incentive expenditures. The state agency oversees local agency purchases of incentive items through monthly invoices, management and financial evaluations.

- **Information Technology-related Items:**
 - **Hardware:** technology hardware, other than state-issued equipment, with a single-item cost less than \$5,000 that is used to support WIC services. Examples include computers purchased by the grantee using WIC funds, printers, copiers, scanners, etc. See Capital Equipment for items valued greater than or equal to \$5,000.
 - **Software:** system software programs and applications needed to provide or support WIC services. Examples include Adobe Acrobat Pro for staff that need to edit pdf documents, video platforms used to provide virtual WIC appointments, PH-Doc, etc. See Capital Assets for software with a cost greater than or equal to \$5,000.
 - PH-Doc software may only be installed on county-owned computers, not WIC-owned equipment. WIC's share of PH-Doc costs may be claimed when it is used for time reporting and personnel administration. Fairly calculate WIC's percentage of the cost based on usage of the software.

See Section 9.2 [WIC Information System](#) for Software/Hardware requirements and [WIC Technical Information](#) for use of locally-owned computers with WIC.

- **Insurance:** cost of insurance determined necessary to protect against loss or damage of WIC supplies and equipment.

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- Malpractice insurance costs are allowable as long as they only cover the relatively low risk of certification procedures, and do not cover non-WIC activities.
- Costs which are equal to or less than the agency's insurance policy deductible are also allowable.
- **Legal Expenses:** cost of specific legal expenses required in the administration of the WIC Program. See Unallowable Costs - Legal Expenses described below.
- **Licensure Fees:** Regular individual licensure fees (e.g., RDN, RN) can be a covered benefit to employees as long as this is offered equitably across all staff within the local agency and specified in agency policy.
- **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. Prorated costs of utilities, insurance, janitorial service, and normal repairs are allowable to the extent that they are not otherwise included in rent or other charges for space.
- **Meetings and Conferences:** costs associated with hosting or attending a meeting or conference, when the primary purpose is the dissemination of information relating to WIC services, and consistent with local agency practices for other programs/activities. Costs could include rental space, AV costs, honorarium, catering, and/or miscellaneous supplies.
- **Membership Fees:** fees required for membership in a professional association related to the work of WIC. An example includes membership in the National WIC Association (NWA). Only *agency membership fees* are WIC-allowed expenses; payment of individual membership fees may not use WIC funds.
- **Personnel Costs:** 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, supplemental compensation, and benefits. Total compensation for individual employees must be reasonable for the services rendered, follow local agency personnel policies, and be supported by appropriate documentation of hours worked. Documentation includes either *quarterly time studies* (of two consecutive weeks) or daily time reporting. All staff hours billed directly to the WIC Program must be supported.
 - **Employee Fringe Benefits:** allowable cost as long as it is distributed proportionately across the programs for which the staff person works. Severance and pensions are allowable under 2 CFR 200.431 *Compensation – fringe benefits*. Also see Severance Payouts for more information.
 - **Health Care Savings:** health care savings account payouts are allowed and should be distributed proportionately to each program/activity the retiree worked in.

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- **Severance Payouts:** payment in addition to regular salaries and wages, by non-Federal entities to workers whose employment is being terminated (often referred to as dismissal wages). Costs of severance pay are allowable only to the extent that in each case, it is required by (a) law, (b) employer-employee agreement, (c) established policy that constitutes, in effect, an implied agreement on the non-Federal entity's part, or (d) circumstances of the particular employment.
- **Printing and Copying:** printing and/or duplication services necessary for grant administration, including forms, reference materials, reports, manuals, and informational literature. (These costs could be included on the WIC monthly claim form under the *Supply line* or *Other line* – printing/duplication).
- **Rental Space and Related Facilities:** cost of space in privately or publicly owned buildings, used for the benefit of the WIC Program, and provided the rent is reasonable for the location. When space is shared with others, WIC can be charged only the portion of costs related to the area occupied by the WIC Program (e.g., based on square footage occupied by each program, or WIC staff FTEs).
- **Rental Costs of Unoccupied Space:** rental costs for unoccupied space may be charged to the program *only with prior authorization from USDA*.
- **Screening and Referrals:** costs associated with brief screening assessments and referrals to other health-related programs, such as lead testing, dental varnishing and car seats, are allowed. WIC funds may not be used to provide those services or for purchase of materials used in providing those services.
- **Supplies:**
 - **Office Supplies:** materials necessary to support WIC program services, such as paper, pens, toner, etc.
 - **Clinic Supplies:** such as cuvettes, lancets, and diapers for weighing infants. (Note: diapers used as an incentive are not an allowable expense. See Unallowable Costs below).
- **Training and Education:** costs of training provided for employee development, which benefits the WIC Program (e.g., cost of continuing education credits, speaker honorariums, etc.).
- **Travel:** costs associated with in-state travel such as for meals, transportation, mileage, lodging, and related expenses incurred by WIC employees for State-authorized travel and on official WIC business.
 - Only actual costs may be submitted for reimbursement. Tribal agencies (and other entities) that provide a per diem follow *General Services Administration (GSA)* rates and they may submit that amount for reimbursement.

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- Travel reimbursement will be based on the *Commissioner's Plan* or [U.S. General Services Administration](#) rates for tribal programs, depending on what is stated in the agency's grant agreement.
- Local agencies must follow their own internal policy for mileage reimbursement but must not exceed the current IRS mileage rate at the time of travel.
- Out-of-State travel expenses are allowable, but such travel requires State Agency prior approval and follows these guidelines:
 - For out-of-state travel to attend a National WIC Association (NWA) meeting or conference, no state approval is necessary.
 - Out-of-state travel to border communities is treated as in-state travel when the destination is contiguous to the nearest MN town or community.
 - Grantee staff must obtain travel approval and or comply with requirements of the organization in which they are employed.
 - Travel receipts and documentation must be retained at the local agency for any WIC travel.

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.
- **Breastfeeding Aids and Accessories:** aids and accessories that do not directly support the initiation and continuation of breastfeeding. These include topical creams, Vitamin E, other medicinals, foot stools, and nursing pillows and blouses.
- **Contingency Fund Contributions:** any contributions to contingency reserves or funds for unforeseen events, such as equipment replacement. This does not include health care savings, or severance payouts.
- **Contributions and Donations:** any contributions or donations for any purpose whatsoever.
- **Credentials:** local agencies may not use WIC funds to cover costs for individual staff to obtain an Associates or Bachelor's degree, post graduate degree or for related internship costs.
- **Entertainment:** any social activities and related incidentals, such as meals, beverages, lodging, and gratuities, except when meals and lodging are part of State-authorized travel.
- **Fees for Health Services:** any local agency costs for providing health services *beyond those required* to determine an individual's eligibility for WIC. Examples include provision of lead testing, dental varnishing, and car seat services. Cost associated with

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brief screening and referral to other health programs is allowed. Nutrition supplements are not allowed expenses.

- **Fines and Penalties:** costs of violations of or failure to comply with any laws and regulations.
- **Incentives:** costs for items with no apparent outreach, nutrition education, physical fitness or breastfeeding promotional function. Examples of “incentives” **not allowable** with WIC funds include diapers, gift cards, or calendars without nutritional messages, etc. Items such as diaper bags and infant slings are never allowed.
- **Interest and Other Financial Costs:** interest on any kind of borrowing, costs of financing operations, and related fees.
- **Legal Expenses:** fees associated with the legal services of local government or against the prosecution of claims by a local agency 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.
- **Payments to Participants:** cash payments or gift cards to participants.
- **Petty Cash:** any petty cash funds.
- **Performing Non-WIC services** such as lead screenings, dispensing vaccines, or the cost of pregnancy testing.
- **Pregnancy Test:** Proof of pregnancy is not required for certification.
- **Prenatal Vitamins and All Other Supplements.**
- **Real Estate.**
- **Uninsured Losses:** actual losses from causes that could have been covered by insurance. Local agencies must replace items with funds from other sources.

Reference – Complete Listing of Hyperlinks

[7 CFR §246.14](https://www.ecfr.gov/current/title-7/part-246) (https://www.ecfr.gov/current/title-7/part-246)

[2 CFR Parts 200](https://www.ecfr.gov/cgi-bin/text-idx?SID=1c202df78e26e1f5f40aea7f09249e62&mc=true&node=pt2.1.200&rgn=div5) (https://www.ecfr.gov/cgi-bin/text-idx?SID=1c202df78e26e1f5f40aea7f09249e62&mc=true&node=pt2.1.200&rgn=div5)

[Section 2.2 Financial Procedures](https://www.health.state.mn.us/docs/people//wic/localagency/program/mom/chsctns/ch2/sctn2_2.pdf)

(https://www.health.state.mn.us/docs/people//wic/localagency/program/mom/chsctns/ch2/sctn2_2.pdf)

[Section 6.11, Breastpump Education and Procedures](https://www.health.state.mn.us/docs/people/wic/localagency/program/mom/chsctns/ch6/sctn6_11.pdf)

(https://www.health.state.mn.us/docs/people/wic/localagency/program/mom/chsctns/ch6/sctn6_11.pdf)

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Exhibit 2-C: Request to Increase Administrative Funds (RIAF) Form - WIC Program

(<https://www.health.state.mn.us/docs/people/wic/localagency/program/mom/exhbts/ex2/2c.docx>)

Section 9.2 WIC Information System

(https://www.health.state.mn.us/docs/people/wic/localagency/program/mom/chsctns/ch9/sctn9_2hubert.pdf)

WIC Technical Information

(<https://www.health.state.mn.us/people/wic/localagency/infosystem/techinfo/index.html>)

U.S. General Services Administration (<https://www.gsa.gov/resources-for/native-american-tribes>)

Minnesota Department of Health - WIC Program, 85 E 7th Place, PO BOX 64882, ST PAUL MN 55164-0882; 651-201-4404, health.wic@state.mn.us, www.health.state.mn.us; to obtain this information in a different format, call: 651-201-4404