

CHAPTER I

INTRODUCTION TO WIC COST ALLOCATION GUIDE

1000 PURPOSE

This guide describes methods for assigning costs to a State or local agency's WIC Program grant or subgrant. State and local agencies shall use this guide in assigning costs to WIC, except where other documents, such as an ADP Advance Planning Document (APD), cost allocation plan, indirect cost rate agreement, etc. prescribes other methods.

1010 AUTHORITY

The WIC authorizing statute at 42 U.S.C. 17(h)(1)(A) provides that FNS shall allocate Federal WIC funds to States each fiscal year "for costs incurred by State and local agencies for nutrition services and administration for such year." The Federal cost principles stated in OMB Circular A-87 (Cost Principles for State, Local, and Indian Tribal Governments), OMB Circular A-122 (Cost Principles for Nonprofit Organizations), and 31 CFR Part 74, Appendix E (Principles for Determining Costs Applicable to Research and Development Under Grants and Contracts With Hospitals) provide general rules for use by the respective types of organizations to which they apply in charging costs to Federal programs for reimbursement by Federal awarding agencies. Program-specific allowable cost rules are found at 7 CFR 246.14 and in written guidance issued by FNS. This guide implements these authoritative documents with respect to the WIC Program.

1020 BACKGROUND

The Congress created the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) to serve as an adjunct to good health care for low-income women, infants, and children. Its primary mission is to provide nutritious supplemental foods and nutrition education for such persons during critical times of growth and development.

As important as nutrition is to overall health and well-being, the Congress also recognized that nutritional services without other primary health care and related social services are simply half-measures. Therefore, WIC is also tasked with operating as a front-line health screening and risk assessment program and serving as a linkage or gateway to health care and social services. WIC accomplishes this by performing an aggressive information and referral function.

Many costs incurred by State or local agencies are directly attributable to the WIC Program; these are known as **direct costs**. However, the delivery of WIC benefits has great potential to overlap the health service parameters of a number of other State and Federal public health and public assistance programs. Examples of such programs include those funded under Title V of the Maternal and Child Health Block Grant, Community and Migrant Health Centers, Medicaid (especially its Early and Periodic Screening, Diagnostic and Treatment (EPSDT) component), Immunization, Head Start, and the WIC Farmers' Market Nutrition Program. The same costs that benefit WIC often benefit these and other programs as well. Such shared costs must be assigned to programs through a process of allocation.

This is particularly true in cases where State and local agencies have integrated the delivery of program services in order to make them available to clients in a "one-stop shopping" mode. While this operating method minimizes duplication of effort between programs, it results in different programs sharing many costs. The trend toward the integration of health service delivery magnifies the need for cost allocation systems sophisticated enough to assign WIC its fair share of costs, but not so complex as to create administrative burdens that discourage "one-stop shopping."

Certain shared costs reach WIC via agreements negotiated with Federal agencies. For example, ADP development costs covered by an APD are assigned to WIC in accordance with the approved APD. Other shared costs are covered by allocation documents approved by a cognizant Federal agency in accordance with the Federal cost principles. These include:

A. Costs of State and Local Central Services.

Central services are services performed by an office or agency of a governmental unit for the benefit of other agencies. Examples may include motor pools, computer centers, printing shops, purchasing offices, audit staffs, etc. OMB Circular A-87 (Cost Principles for State, Local, and Indian Tribal Governments), Attachment C requires a State, local, or tribal government to allocate the cost of such activities to user agencies, such as the WIC agency (health department), through a Central Services Cost Allocation Plan. This is often known as a Statewide Cost Allocation Plan, or “SWCAP.” Once these central services costs reach the WIC agency, they are generally allocated to WIC and other programs via a departmental indirect cost rate agreement negotiated with the cognizant agency under A-87, Attachment E. In some cases, however, costs assigned to user agencies via the SWCAP may be directly charged to programs administered by such agencies.

B. Indirect Costs.

This category generally consists of administrative overhead costs that cannot be identified to programs and other cost objectives without effort disproportional to the results achieved. Because these costs’ support of specific programs cannot be precisely measured, the State or local agency negotiates with its cognizant agency a methodology for assigning them to programs. Generally, the methodology entails combining administrative overhead costs incurred within a State or local agency with costs allocated to that agency via the SWCAP (or its local level equivalent), and allocating the entire body of costs (or “cost pool”) to programs and other cost objectives via an indirect cost rate. This methodology is institutionalized in an indirect cost rate agreement negotiated for State agencies and governmental local agencies under A-87, Attachment E; for non-governmental, nonprofit local agencies under OMB Circular A-122 (Cost Principles for Nonprofit Organizations), Attachment A, sections C. through E.); and for local agencies that are hospitals under 45 CFR Part 74, Appendix E (Principles for Determining Costs Applicable to Research and

Development Under Grants and Contracts With Hospitals).

C. Public Assistance Agency Costs.

Attachment D of A-87 requires any State agency administering public assistance programs (such as the Food Stamp Program, Medicaid, Child Support Enforcement, Foster Care, etc.) to submit to the Department of Health and Human Services (DHHS) a public assistance cost allocation plan (PACAP). The PACAP covers the allocation of the agency's shared costs. These costs include not only administrative overhead activities but also "allocable direct costs," such as compensation for staff engaged in screening applicants for benefits under multiple programs. In some States, health and public assistance programs are administered by one "umbrella agency." Such State agencies allocate shared costs to WIC in accordance with their approved PACAPs.

The instructions given in this guide apply to WIC direct costs, and to shared costs assigned to WIC in situations not covered by an APD or by one of the allocation documents described above. Such costs include, but are not limited to, the cost of wages and salaries in "stand-alone" health agencies (those that are not part of an "umbrella agency"). Where shared costs charged to WIC are covered by an approved APD or allocation document, the State or local agency must follow the methodology set out in such document. A State or local agency may, of course, use this guide in negotiating the allocation documents because the instructions contained herein have been crafted to conform to the Federal cost principles.

Chapter II of this guide restates the Federal cost principles as they apply to WIC direct costs and shared costs allocated to WIC; and outlines specific costs considered allowable charges to WIC. Chapter III outlines methods of allocating shared salary costs to WIC. Finally, Chapter IV provides general guidance for allocating shared non-salary costs to WIC.