

CHAPTER II

BASIC COST PRINCIPLES/WIC ALLOWABLE COSTS

2000 GENERAL REQUIREMENTS

The basic guidelines for identifying costs which may be charged to a Federal grant are found in OMB Circular A-87 for State agencies and governmental local agencies, and in A-122 for non-governmental, nonprofit local agencies. These circulars are implemented by departmental regulations at 7 CFR Part 3016.22(b) and 3019.27, respectively. In addition, section 3019.27 establishes 45 CFR Part 74, Appendix E as guidance for USDA programs operating in hospitals. To be deemed an allowable charge to a Federal grant under these guidelines, a cost must:

- A. Be reasonable and necessary to carry out the program.
- B. Be treated consistently. This means that costs incurred for the same purpose in like circumstances must be consistently charged to a Federal grant as either direct costs or indirect costs.
- C. Be consistent with and allowable under Federal, State and local laws, regulations and policies.
- D. Be determined in accordance with generally accepted accounting principles (except where the applicable Federal cost principles expressly provide otherwise) and adequately documented.
- E. Be net of applicable credits.
- F. Be charged to the correct accounting period.
- G. Not be charged to more than one Federal grant or used to meet a matching or cost sharing requirement for more than one Federal

grant, either in the current or a prior accounting period.

- H. Be allocable. A cost is allocable to the Federal grant only to the extent that it benefits the grant's objective.
- I. Costs must be allocated equitably in terms of the benefit derived. To accomplish this requirement, the relative benefit must be approximated through the use of a reasonable method.

A cost is considered **reasonable**, if in nature and amount, it does not exceed what a prudent person would spend for a like item or activity to achieve the program's objectives. Costs incurred to carry out essential WIC Program functions, and which cannot be avoided without adversely impacting WIC Program operations, will be considered **necessary**. Costs determined to be reasonable and necessary to meet WIC Program objectives are allowable charges to the Federal WIC grant, provided these costs meet the other requirements for allowability. Since the WIC grant is limited in amount, the priority of the expenditure in relation to other demands on available resources must also be considered.

Activities considered to be necessary to achieve WIC Program objectives are discussed in this chapter. They may be performed solely for the benefit of meeting WIC Program objectives, or to meet objectives of both WIC and non-WIC Programs. Further, these activities may be performed by WIC-only or multiple-program employees. The costs of the activities are allocable to the WIC Program grant to the extent that the activities are performed to benefit the WIC Program. Methods for allocating salary costs are discussed in Chapter III, and methods for allocating non-salary costs are discussed in Chapter IV.

2010 COMPONENTS OF FEDERAL WIC GRANT

The WIC Program's authorizing statute, the Child Nutrition Act of 1966, as amended, provides that a State agency's Federal WIC grant will consist of two components: one for the cost of supplemental food benefits and one for the costs of nutrition services and administration

(NSA). Costs necessary to fulfill Program objectives (e.g., costs to provide WIC Program participants with supplemental foods, nutrition education, breastfeeding promotion and support and referral to related health services) are allowable charges to the applicable component of the WIC grant.

2020 FOOD COSTS

A. Supplemental Foods

The acquisition costs of supplemental foods are allowable charges to the food component of the Federal WIC grant. The nature of the acquisition cost is determined by the food delivery system used by the State. Food benefits may be delivered to WIC participants through one or a combination of the following food delivery systems:

1. Retail Purchase Method.

Under this method, the local agencies furnish food benefits by issuing food instruments (FIs) to participants. The FIs issued to a participant are valid only for the supplemental foods prescribed for that individual by the local agency. Participants use their FIs to purchase the prescribed supplemental foods from authorized food vendors such as retail grocery stores, who in turn redeem the FIs for cash from the State agency or its fiscal agent. Under this method, the supplemental food acquisition costs are equal to the amounts paid out to authorized food vendors for the cost of food items purchased by participants with validly redeemed FIs. Most State agencies use this method.

2. Home Delivery Method.

In a few geographic areas, prescribed supplemental foods are delivered to WIC participants' homes by contracted food vendors. The State or local agency uses proof-of-

delivery forms to notify WIC participants and vendors of supplemental foods prescribed for, and ordered for delivery to, the WIC participants' homes. The participants then use these same forms to acknowledge receipt of the food items. The supplemental food acquisition costs are equal to the amounts paid out to the contracted food vendors for both the cost of the food items and the cost of delivering them. Payments to the vendors are based on the completed proof-of-delivery forms.

3. Direct Distribution Method.

If the State or local agency uses a direct distribution system, the acquisition cost of supplemental foods is the cost the State or local agency incurs to purchase and warehouse supplemental foods for later distribution to the participants.

B. Breast Pumps.

For Federal WIC grant funds awarded for fiscal year 1999 and after, the cost to purchase or rent breast pumps is an allowable charge to the food component of the Federal WIC grant.

2030 NSA COSTS - GENERAL

A State or local agency **must** perform the following functions in order to meet WIC Program objectives: nutrition education, breastfeeding promotion and support, participant certification and caseload management, food delivery, vendor management, screenings for and referrals to other social and medical service providers and general program management. Therefore, the costs associated with these functions are allowable charges to the NSA component of the Federal WIC grant, provided these costs meet the other requirements for allowability.

2040 NSA COSTS FOR CLINIC ACTIVITIES

The following activities performed in WIC clinics are considered necessary to meet WIC Program objectives. Therefore, provided all other requirements for allowability are satisfied, the **direct and indirect** costs associated with performing these activities are allowable charges to the WIC NSA grant.

A. Participant Certification/Case Management

1. Data Collection/Risk Assessment for Eligibility Determination
 - i) obtain application data/assess for eligibility - name/income/residency, etc.
 - ii) anthropometric screening (heights, weights) and blood work (hematocrits or hemoglobins).
 - iii) obtain and/or score diet recall.
 - iv) screening for other medical conditions which affect the participant's nutritional status and needs - substance abuse, food allergies, diabetes, etc. (no laboratory analysis).
2. Case Management
 - i) nutrition care plan development.
 - ii) maintenance of participant manual/automated charts/records.
 - iii) appointment scheduling/reminders and reviewing certification/recertification information needed with applicant/ participant.

- iv) participation in public health needs assessment/surveillance activities related broadly to maternal and child health as long as WIC has access to information gathered.

B. Nutrition Education

- 1. Preparing/scheduling/providing group or individual nutrition education.
- 2. Preparing nutrition education materials.
- 3. High risk nutrition counseling.

C. Breastfeeding Promotion and Support

- 1. Preparing/scheduling/providing group or individual breastfeeding promotion and support.
- 2. Preparing breastfeeding promotion and support materials.

D. Food Delivery

- 1. Development of/assigning WIC food packages.
- 2. Issuing food instruments/accounting for food instrument issuances.

E. Health Care Referrals

The costs of some screening (excluding laboratory tests), referrals for other medical/social services such as immunizations, prenatal and perinatal care, well child care and/or family planning, and follow-up on participants referred for such services, may be charged to the WIC grant. However, the cost of the services performed by the other health care/social service provider to which the participant has been

referred shall not be charged to the WIC grant.

A hematological test for anemia such as a hemaglobin, hematocrit, or free erythrocyte protoporphyrin test is the only laboratory test required to determine a person's eligibility for WIC. As such, the cost of a hematological test for anemia is the only laboratory cost that may be charged to the WIC grant. Laboratory tests to screen for other health conditions including, but not limited to, pregnancy, lead and diabetes are not allowable charges to the WIC grant. When WIC operates in a clinic which requires complete blood samples for more complex blood tests, WIC will only pay an agreed upon amount that approximates the cost that WIC would have incurred if it had conducted its own blood tests (hemaglobin, hematocrit or free erythrocyte protoporphyrin tests) for WIC eligibility.

2050 NSA COSTS FOR PROGRAM MANAGEMENT ACTIVITIES

The following program management activities are considered necessary to meet WIC Program objectives; and therefore, the costs associated with conducting these activities are allowable charges to the WIC NSA grant component.

- A. Maintaining accounting records.
- B. Audits.
- C. Budgeting.
- D. Food instrument reconciliation, monitoring and payment.
- E. Vendor Monitoring
- F. Outreach.

2060 UNALLOWABLE COSTS

Under no circumstances may the Federal WIC grant be charged in full

or in part for the costs of services which are demonstrably outside the scope of the WIC Program's authorizing statute. For example, the WIC grant may be charged to screen WIC participants for immunizations and refer and follow-up on WIC participant immunizations, but WIC may not be charged for the cost to administer the shot, the vaccine or vaccine-related equipment. Further, costs which are specifically disallowed by applicable Federal cost principles may not be charged to the WIC grant.

2070 COST-RELATED COMPLIANCE REQUIREMENTS

The WIC Program's authorizing statute and program regulations at 7 CFR section 246.14(c) require a State to incur a stated level of cost for each of two functions: nutrition education and breastfeeding promotion and support. The amount of cost a State counts toward meeting each of these requirements cannot exceed the full cost of performing the applicable function. The full cost is the sum of the function's direct and indirect costs. A State that counts indirect costs toward meeting these requirements must identify them through the same methodology negotiated with the cognizant agency for assigning indirect costs to Federal programs. If, for example, the State agency's indirect cost rate agreement calls for identifying fringe benefit costs to a program by applying a stated fringe benefit rate to the program's direct salaries, then the State agency would identify fringe benefit costs associated with nutrition education by applying the fringe benefit rate to the direct salaries of staff engaged in that function.

While WIC is designed to be 100 percent federally funded, its authorizing statute and regulations provide for FNS to grant prior approval for a State to meet part of its nutrition education and/or breastfeeding promotion and support requirement(s) with resources other than its Federal WIC grant. A State exercising this option must document the application of such other resources to the costs of these functions. Such documentation must meet the same standards as documentation of costs supported by Federal WIC grant funds. For example, a State must use the methods described in Chapter III of this guidance to document nutrition education salary costs supported by State funds. Likewise, the cost of building space counted toward the

nutrition education requirement must be documented in accordance with Chapter IV, regardless of whether or not it is charged to the Federal WIC grant.

2080 ADDITIONAL INFORMATION

For additional information concerning allowable/unallowable costs under the WIC Program, please refer to the following:

- A. WIC Program regulations at 7 CFR 246.14 and 7 CFR 246.15.
- B. Departmental regulations at 7 CFR 3016.22 and 3019.27.
- C. Federal cost principles:
 - 1. OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments.
 - 2. OMB Circular A-122, Cost Principles for Non-Profit Organizations.
 - 3. 45 CFR Part 74, Appendix E, Principles for Determining Costs Applicable to Research and Development Under Grants and Contracts With Hospitals.
 - 4. Publication ASMB C-10, Cost Principles and Procedures for Developing Cost Allocation Plans and Indirect Cost Rates for Agreements With the Federal Government.
- D. WIC memoranda:
 - 1. Unnumbered Policy Memorandum, "Treatment of Warehouse Costs Under Public Laws 99-500 and 99-591," dated August 18, 1987.
 - 2. WIC Policy Memorandum 93-3A, WIC's Role in Screening for Childhood Lead Poisoning," dated March

23, 1993.

3. Unnumbered Policy Memorandum, “Nonallowance of WIC Funds to Purchase Folic Acid Supplements,” dated September 3, 1993.
4. WIC Policy Memorandum 94-4, “Implementation of the National Voter Registration Act of 1993 (NVRA),” dated March 31, 1994.
5. WIC Policy Memorandum 94-7, “Direct/Indirect Breastfeeding Aids,” dated May 27, 1994.
6. WIC Policy Memorandum 95-5, “Allowability of Costs for Program Incentive Items,” dated December 21, 1994.
7. WIC Policy Memorandum 95-16, “Allowable Costs for Immunization,” dated April 26, 1995.
8. WIC Final Policy Memorandum 95-18, “Providing Breast Pumps to WIC Participants,” dated June 22, 1995.
9. WIC Policy Memorandum 96-9, “Nutrition Education and Breastfeeding Promotion and Support Expenditure,” dated May 21, 1996.
10. WIC Final Policy Memorandum 99-05, “Strategies for Outreach to Children Eligible for the New Children Health Insurance Program (CHIP) or the Medicaid Program and Cost Issues,” dated March, 1999.
11. Unnumbered Memorandum, “Breast Pumps as a Food Cost,” dated June 25, 1999.