

CHAPTER IV  
METHODS FOR CHARGING NON-SALARY COSTS

4000 OVERVIEW

The fundamental principle for assigning non-salary costs to cost objectives is the same as for salary costs: a State or local agency assigns a cost item incurred solely for a single cost objective to that cost objective; a cost incurred for multiple cost objectives must be distributed to such cost objectives such that each bears a portion of the cost commensurate with the benefit received from it. When allocating shared non-salary costs to several different programs or other cost objectives, it is important to group pools of costs to be allocated and select bases for allocating such costs in a manner which will produce equitable and reasonable charges to each cost objective.

4010 BASES FOR DISTRIBUTING SHARED SERVICES

The following table lists suggested bases for distributing shared costs. The suggested bases are not mandatory for use. Any base which produces an equitable distribution of cost may be used. These bases may be used to distribute and directly charge non-salary costs not covered in an indirect cost agreement approved by the cognizant agency or to negotiate an indirect cost agreement with the cognizant agency.

<b>TYPE OF SERVICE</b>	<b>SUGGESTED BASES FOR ALLOCATION</b>
Accounting	Number of transactions processed.
Budgeting	Direct hours of identifiable services of employees of central budget.
Buildings lease management	Number of leases.
Data processing	System usage.
Disbursing service	Number of checks or warrants issued.
Employees retirement system administration	Number of employees contributing.
Insurance management service	Direct hours.
Legal services	Direct hours.

TYPE OF SERVICE	SUGGESTED BASES FOR ALLOCATION
Mail and messenger service	Number of documents handled or employees served.
Motor pool costs including automotive management	Miles driven and/or days used.
Office machines and equipment maintenance	Direct hours.
Office space use and related costs (heat, light, janitor services, etc.)	Square foot of space occupied.
Organization and management services	Direct hours.
Payroll services	Number of employees.
Personnel administration	Number of employees.
Printing and reproduction	Direct hours, job basis, pages printed, etc.
Procurement service	Number of transactions processed.
Local telephone	Number of telephone instruments.
Health services	Number of employees.
Fidelity bonding program	Employees subject to bond or penalty amounts.

#### 4020 INEQUITABLE METHODS OF COST ALLOCATION

If a cost allocation method produces an inequitable distribution of costs, this may result in questioned or disallowed costs during a subsequent audit. The incidence of inequitable allocation of non-salary costs to the WIC Program occurs much less frequently than the incidence of inequitable allocation of salary costs to the WIC Program. However, the following are just a few examples that have been documented in recent audit reports:

- A. Facility expenses (building use, janitorial services, utilities, etc.) had been allocated on the basis of the number of employees rather than the square footage occupied. This resulted in a disproportionate share of the total cost allocated to WIC. A tour of the facility revealed that the per-employee space was not consistent among programs. Typically, other programs that were co-located with WIC had much more space per employee than

did the WIC Program. Therefore, square footage occupied generally provides a more reasonable and equitable distribution of this cost.

- B. Allocating professional liability insurance coverage to WIC based on the number of patient visits without regard to the risk involved in each visit produced inequitable charges to WIC. When contacted, the insurance company stated that WIC had been included in the insurance coverage at no additional charge due to its low risk. An equitable method for allocating malpractice insurance to WIC would consider the amount of the professional's time spent on WIC Program operations and the relatively low risk of the certification process.
- C. Supplies (a pool of costs) allocated to WIC included supplies not used by nor allowable for the WIC Program, such as popcorn and toothbrushes for a health fair and flowers for an employee on sick leave. When allocating a pool of costs, the pool should consist only of allowable costs.

#### 4030 EXPENSING EQUIPMENT PURCHASES

The preferred method of recovering the cost of a capital asset, such as equipment, is to claim depreciation expense or use allowance under A-87, Attachment B, paragraph 15 or A-122, Attachment B, paragraph 11, as applicable. However, a State or local agency may seek prior approval to charge the entire acquisition cost of the equipment to the Federal grant or subgrant for the fiscal year in which the purchase is made (that is, "expense" it). If more than a negligible portion of the "expensed" equipment's use is expected to benefit programs other than WIC, then WIC cannot bear the entire acquisition cost. Rather, the State or local agency must allocate the acquisition cost among programs on the basis of their anticipated respective benefit from the equipment's use.