

MI-WIC POLICY

Administration

11.0 Fiscal Administration

Effective: Date:03/09/2020

11.01 Program Costs

PURPOSE: To provide direction to local agencies to ensure all expenditures reported to the WIC Program are allowable costs and meet all applicable standards for reimbursement.

DEFINITIONS:

Capital Expenditures are expenditures to acquire capital assets or materially increase the value or service life of existing capital assets.

Capital assets means 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, construction, manufacture, lease-purchase, exchange, 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).

Direct Costs are incurred specifically for a program objective and can be readily identified with a particular objective. Examples of direct costs in WIC are the wages and salaries of staff working in the WIC Program and supplies specifically used to meet Program requirements.

Food Costs means the costs of supplemental foods, determined in accordance with 7 CFR 246.14(b).

Indirect Costs are incurred for the benefit of multiple programs, functions or other cost objectives and, therefore, cannot be readily identified with a particular program or other cost objective. They typically support administrative overhead functions such as accounting, payroll, purchasing, facilities management, utilities, etc. For further classification, indirect costs, by their nature, are considered to be Program Management costs.

Nutrition Services and Administration (NSA) Costs means those direct and indirect costs, exclusive of food costs, as defined in 7 CFR 246.14(c), which State and local agencies determine to be necessary to support Program operations. Costs include, but are not limited to, the costs of Program administration, start-up, monitoring, auditing, the development of and accountability for food delivery systems, nutrition education and breastfeeding promotion and support, outreach, certification, and developing and printing food instruments and cash-value benefits.

A. POLICY

1. The WIC Program's authorizing statute, The Child Nutrition Act of 1966, as amended, provides that a State Agency's Federal WIC grant shall consist of two components: the cost of supplemental food benefits; and the cost of nutrition services and administration. Local Agencies must ensure all expenditures reported to the WIC

program are allowable under not only federal cost principles but also state regulations, standards, and policies.

2. Allowable program costs are those which meet criteria for authorized expenditures specified in the cost principles for federal programs, primarily Title 2 CFR Part 200, Subpart E and 7 CFR sections 3015 through 3019.

To be allowable, each cost item must be:

- a. Incurred to carry out essential WIC Program activities or allocable to WIC Program operations or functions.
 - b. Reasonable and necessary to carry out the program.
 - c. Treated consistently as a direct cost or indirect cost.

 - d. Determined in accordance with generally accepted accounting principles.
 - e. Net of applicable credits.
 - f. 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.
 - g. Authorized or not prohibited under state or local laws and regulations.
 - h. Consistent with the regulations, policies and procedures, which apply to both federal awards and other activities of the recipient.
 - i. Adequately documented.
3. Reasonable and Necessary
 - a. Allowable costs must be reasonable and necessary for the operation of the Program. A cost is reasonable if, under the circumstances, a prudent person would incur the cost when considering:
 - i. The benefit to the Program;
 - ii. Whether it is ordinary and necessary;
 - iii. Sound business practices; and
 - iv. Market prices for comparable goods or services.
 - b. Necessary costs are costs incurred to carry out essential program functions and cannot be avoided without adversely impacting program operations.
 4. Food Costs - The costs of Michigan WIC supplemental foods redeemed by WIC clients are considered allowable costs.
 5. Allowable WIC Program administrative costs are divided into two categories, direct and indirect.
 - a. Nutrition Services and Administrative (NSA) - Direct Costs

State and Local Agencies must perform the following functions to meet WIC Program objectives:

- i. Program Management,
- ii. Client Services,
- iii. Nutrition Education, and

iv. Breastfeeding Promotion.

The costs associated with these functions are acceptable charges to the Nutrition Services and Administration (NSA) component of the federal WIC grant, provided these costs meet the other conditions required to be allowable.

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

i. Program Management includes, but is not limited to:

- (a.) General oversight & supervision
- (b.) Food instrument accountability
- (c.) Preparation of administrative records and timecards
- (d.) Management meetings, time spent on personnel issues, sick leave, break time, vacation and any other compensated time off
- (e.) Expenses related to audits, accounting, and program reports, including fiscal reporting
- (f.) Outreach activities

ii. Client Services: Client Services is all salary and supply costs related to issuing benefits, client services, and eligibility determination. Included in this are clinic preparation and client phone calls.

Other examples include, but are not limited to:

- (a.) Identity, residency, income eligibility determination
- (b.) Anthropometric and hematological assessment
- (c.) Conducting diet assessments and reviewing health histories
- (d.) Referrals to other health services
- (e.) Issuing food benefits
- (f.) Coordination with other programs
- (g.) Evaluating program effectiveness
- (h.) Travel costs to and from satellite or off-site clinics

iii. Nutrition Education: These costs include all salaries and supplies needed to educate clients in understanding the importance of nutrition to health and to achieve positive change in dietary habits.

Other examples include, but are not limited to:

- (a.) Providing individual or group educational sessions, including planning and prep time.
- (b.) Providing educational materials, including their development and printing.
- (c.) Evaluating and monitoring nutrition education activities.
- (d.) Interpreter and translator services required to perform nutrition education activities.

iv. Breastfeeding Promotion: Breastfeeding promotion is an important and integral part of the WIC program.

Examples include, but are not limited to:

- (a.) Salaries and related costs of staff to counsel clients
- (b.) Costs for producing internal education and training materials
- (c.) Costs for training staff in breastfeeding activities
- (d.) Costs for monitoring and evaluating breastfeeding activities
- (e.) Costs of breastfeeding aids

b. Nutrition Services and Administrative (NSA) - Indirect Costs

Indirect costs allocated to the WIC Program are determined by taking an approved indirect rate and multiplying it against incurred direct costs. These calculated costs are eligible for reimbursement provided they are otherwise allowable as charges to the WIC Program and are actually incurred during the fiscal year.

6. Additional information regarding allowable and unallowable WIC costs including definitions and examples can be located in Title 2 CFR 200.
7. Capital Expenditures are NSA direct costs and require prior approval from the State WIC Agency when costs are \$2,500 or greater. Capital Expenditures that are \$5,000 or greater are required to have prior approval from the State WIC Agency and USDA. These capital improvement requests must be submitted in writing with appropriate supporting documentation to the State WIC Director for review and approval.
 - a. Documentation must include the following:
 - i. Purpose of the project and why it is necessary as well as how it will improve service to WIC clients.
 - ii. Detailed itemized information related to the expenditures, copies of all bids received, and floor plans (if applicable).
 - iii. Statement of whether or not the space is shared with any other programs, the total cost of overall project and shared cost of each program (FNS wants to ensure that cost is allocated equally across shared programs).
 - iv. Statement of whether or not the local agency rents the space (FNS wants to ensure that the landlord will not ask the WIC Program to move after the remodel is completed).
 - b. The local agency must submit the above documentation in an official letter on agency letterhead to the State WIC Director by May 1st.
 - c. If approved, the WIC Director then submits the request to USDA for review and approval.
 - d. Upon determination of approval or denial by USDA, local agency will be notified by the State WIC Director. Improvements cannot begin until USDA approval is received and if approved, must be completed by the end of the fiscal year. Only existing WIC funds may be used as new funding will not be given to cover the Capital Expenditures.

References:

- 2 CFR part 200
- FNS WIC Cost Allocation Guide, September 1999
- 7 CFR sections 2015 through 3019
- FNS 7 CFR 246.14
- FNS 7 CFR 246.15
- FNS WIC Breastfeeding Policy and Guidance, July 2016