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WIC Policy Memorandum: #95-5  
Allowability of Costs for Program Incentive Items

Regional Directors  
Supplemental Food Programs  
All Regions

The purpose of this memorandum is to provide guidance on the cost allowability of program incentive items. These items are allowable under certain terms and conditions only for three purposes: outreach, breastfeeding promotion, and nutrition education. Because breastfeeding aids are a distinct and separate class of allowable costs and should not be considered incentive items, this policy memorandum does not address the allowability of aids for breastfeeding support. This subject is addressed in WIC Policy Memorandum #94-7, "Direct/Indirect Breastfeeding Aids", dated May 27, 1994.

This policy memorandum supersedes the policy on allowability of program incentive items contained in a January 17, 1991 memorandum (first paragraph, page 4) entitled, "Allowable Costs for the Promotion and Support of Breastfeeding and the Reporting of Allowable Nutrition Services Expenditures". With the exception of this one paragraph, however, the policy interpretations of the January 17, 1991 memorandum remain in effect. The January 1991 memorandum will soon be revised and reissued as a numbered policy memorandum to conform to the new policy memorandum format.

Definitions/ References on Allowability of Costs

- o **Program incentive items** - refers to a class of goods, usually of a nominal value, that are given to applicants, participants, potential participants, or persons closely associated with the WIC Program (such as staff) for purposes of outreach, nutrition education, or breastfeeding promotion. Other terms that may be used to describe these items include memorabilia, souvenirs, or promotional items.
- o **Outreach** - refers to promotional efforts to encourage and increase participation in the WIC Program. Outreach efforts must be consistent with the goals of the WIC Program. Outreach may be a local or a statewide effort, directed at increasing the number of participants at a

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local agency or reaching a group of potential participants who are unaware of the WIC Program or unsure how to access it.

Outreach is an allowable cost as provided in section 17(b)(4) of the Child Nutrition Act of 1966, as amended, (CNA), and section 246.14(c)(3) of the WIC Program regulations. Outreach is not defined in the CNA or the regulations. Some outreach costs are addressed in FCS Instruction 808-1, pages 1-9; however, program incentive items as outreach have not been addressed.

- o **Nutrition education** - means "individual or group education sessions and the provision of information and educational materials designed to improve health status, achieve positive change in dietary habits, and emphasize relationships between nutrition and health, all in keeping with the individual's personal, cultural, and socioeconomic preferences" (section 246.2 of the regulations).

In contrast to outreach, nutrition education is well-defined in the CNA, the regulations, and allowable nutrition education costs are addressed in section 246.14(c)(1)(i)-(iv) of the regulations and in FNS Instruction 807-1. Although program incentive items are not specifically referenced, section 246.14(c)(1)(ii) of the regulations references the allowability of "other teaching aids" for nutrition education and breastfeeding promotion and support.

- o **Breastfeeding promotion** - means strategies, initiatives, and services to encourage and increase the initiation and support the duration of breastfeeding among WIC participants.

The allowability of costs for breastfeeding promotion and support is addressed in the regulations noted above for nutrition education costs since breastfeeding promotion and support is considered a type of WIC nutrition education.

- o **Financial management guidance** - OMB Circulars A-87 and A-122, provide guidelines for identifying allowable costs under grants to public entities and nonprofit organizations, respectively. Both circulars state that users should not construe the failure to mention a particular item of cost as an implication that such cost item is either allowable or unallowable. Rather, users are instructed to determine the appropriate treatment of a cost item that the circulars do not expressly mention by

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relating it to the treatment of similar items that are mentioned. We could not relate program incentive items to any of the cost items specifically mentioned in A-87 and A-122. We must, therefore, rely on the circulars' general rules for determining the allowability of costs, paramount among which are the reasonable-and-necessary cost tests.

o **Reasonable and necessary costs:**

Reasonable costs

- provide the program a benefit generally commensurate with the costs incurred,
- are consistent with the costs of similar items from other vendors,
- are in proportion to other program costs for the function that the costs serve,
- are a priority expenditure relative to other demands on available administrative resources.
- have a proven or intuitive positive outreach or nutrition education impact.

Necessary costs

- are incurred to carry out essential program functions, and
- cannot be avoided without adversely impacting program operations.

Food and Consumer Service (FCS) Criteria for Determining the Allowability of Program Incentive Items

Based on the guidance contained in the OMB circulars, program incentive items can be allowable if they are considered to be reasonable and necessary costs that promote the specific program purposes of outreach, nutrition education, or breastfeeding promotion as defined above for purposes of this discussion. Program incentive items are primarily intended for use by program participants or potential participants. Therefore, we would expect that most program incentive items would be directed at and distributed to program participants to bring the WIC message back to their community. However, recognizing that Program staff travel throughout the general community and participate in various cooperative functions with the WIC target population or agencies that also serve the WIC target population, it may occasionally be appropriate to distribute some types of program incentive items to program staff. The items must present a WIC outreach or nutrition education message as opposed, for example, to an agency logo and must be ones which would be expected to be widely seen by

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the general population or the target population. Items whose exposure will likely be limited to the office surroundings of the staff members will generally not be allowable costs.

State agencies must discern what is necessary and reasonable within the context of the specific program areas of outreach, nutrition education, and breastfeeding promotion. In addition, State agencies need to consider whether an item is necessary and reasonable from the standpoint of overall program operations and the relative financial situation of the program. To assist State agencies in determining the allowability of specific program incentive items, we have developed the following additional guidelines that program incentive items should meet.

o **Program incentive items for outreach should:**

- contain a WIC-specific message that targets the potentially eligible population,
- normally be seen in public,
- for publications or other printed material that include program information, contain an FCS-approved nondiscrimination statement,
- have value as outreach devices that equal or outweigh other uses,
- include WIC contact information such as the State or local agency name, address and/or telephone number,
- constitute (or show promise of) an innovative or proven way of encouraging WIC participation, and
- be reasonable and necessary costs.

o **Program incentive items for nutrition education should:**

- be targeted to participants,
- for publications or other printed material that also include any program information, contain an FCS-approved nondiscrimination statement,
- have a clear and useful connection to particular WIC nutrition education messages,
- either convey enough information to be considered educational or be utilized by participants to reinforce nutrition education contacts,

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- have value as nutrition education aids that equal or outweigh other uses,
  - be distributed to the audience for which the items were designed (e.g., tippy cups distributed to mothers of infants who are learning or will be learning to drink from a cup during a relevant nutrition education contact), and
  - be reasonable and necessary costs.
- o **Program incentive items for breastfeeding promotion and support should:**
- for publications or other printed material that also include any program information, contain an FCS-approved nondiscrimination statement,
  - have a clear and useful connection to promoting and supporting breastfeeding among current WIC participants,
  - either convey information that encourages and supports breastfeeding in general, informs participants about the benefits of breastfeeding, or offers support and encouragement to women to initiate and continue breastfeeding,
  - have value as breastfeeding promotion and support items that equal or outweigh other uses,
  - be distributed to the audience for which the items were designed, and
  - be reasonable and necessary costs.

#### Examples of Allowable and Unallowable Program Incentive Items

FCS is not able to provide exhaustive lists of specific allowable and unallowable items or to set a per item cost maximum since the **determination of allowability is more dependent upon the context of an item's use and the messages it conveys than on the item itself.** Using the criteria listed in preceding paragraphs for specific program purposes, however, some illustrative examples of allowable and unallowable program incentive items are provided below.

o **Examples of Some Allowable Items:**

nutrition education - calendars that contain important nutrition education messages, refrigerator magnets picturing the food pyramid, and tippy cups that are provided to mothers of infants who are learning how to drink from a cup as reinforcement of a relevant nutrition education session;

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outreach - t-shirts, buttons, diapers, bibs, toothbrushes, pens, cups or other items of nominal value with reasonable opportunity for public display that contain a WIC promotional message; and

breastfeeding promotion and support - t-shirts, buttons or other items of nominal value with a breastfeeding promotion or support message (e.g., "Breast Fed is Best Fed").

o **Examples of Some Unallowable Items:**

celebratory items, or items designed primarily as staff morale boosters, generally for the personal use of the staff, with minimal public display;

items of nominal value which have no outreach, breastfeeding, or nutrition education message; any program incentive item intended for persons who are not participants, potential participants or their parents/guardians, or for persons with no connection to the WIC Program, such as staff and cooperating agency representatives; and

items not of nominal value such as diaper bags, infant slings, or ponchos (regardless of any nutrition education, outreach, or breastfeeding promotion messages). These items would not meet the "reasonable and necessary" test.

State Agency Responsibility

Ultimately, State agencies are responsible for the management of their WIC grant. Consequently, State agencies are also responsible for overseeing purchases of program incentive items by their local agencies. Determining whether an item meets the necessary and reasonable test and fulfills the criteria for a specific program purpose as outlined above requires sound judgement. Furthermore, State agencies should give careful consideration to the public perception of program funds spent on items even when the connection to outreach, nutrition education, or breastfeeding promotion and support is clear. States will need to exercise judgement and set their own standards on the reasonableness of the cost of such items to preclude public charges of extravagance. Like any other administrative cost, these expenditures are subject to review, audit, and public scrutiny. States should be prepared for public challenges and be able to justify their incentives expenditures.

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For these reasons, FCS urges State agencies to be prudent in approving purchases of program incentive items. If there is uncertainty about the appropriateness of a particular item, the State agency should contact the FCS regional office prior to making a decision regarding approval of the expenditure. Even though an item may meet the guidelines set forth in this memorandum, it may not be reasonable or necessary to spend limited administrative funds on such items, when other more pressing needs such as staffing go unaddressed.

#### FCS Regional Office Role

Although the routine responsibility of determining the allowability of program incentive items rests with the State agency, FCS regional offices are available to provide additional guidance and to grant prior approval of these expenditures, if requested.

Additionally, regional offices may include examination of these expenditures in management evaluation or expenditure validation reviews. Should the FCS regional office determine through the review process that a State agency has failed to demonstrate good judgement in the expenditures of program incentive items, a formal claim may be assessed against the State agency in accordance with Section 246.23(a)(1) of the WIC Program regulations.



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