

POLICY MANUAL

2. FINANCIAL MANAGEMENT.

2.01 Local Agency Financial Management.

A. POLICY OVERVIEW

Local agency (LA) grantees shall prepare and submit to the State Agency (SA) for review and approval a budget for administrative and program operation upon request. Expenditure of program funds shall be consistent with 2 CFR 200 (OMB Supercircular) as well as the approved budget and constitute those costs necessary for fulfillment of PA WIC Program (Program) objectives and contract requirements.

B. POLICY

1. Budget Request

- a. Each LA shall prepare and submit a WIC Expense Budget (Budget) upon request. The proposed Budget shall be submitted to the SA for approval and shall reflect the time period defined by the SA. The Budget is part of the annual grant agreement and is contained therein as Appendix C.
- b. The SA will determine the level of funding for each LA and may consider previous federal fiscal year (FFY) expenditures, participation rates and anticipated funding from The United States Department of Agriculture, Food & Nutrition Service (USDA/FNS). If additional or less funding becomes available, each LA will be notified through a numbered memo of the availability of funding and shall prepare and submit an amended Budget.

2. Budget Deviations

- a. Funds may not be reallocated from one funding source to another (breast pumps, peer counselor, operational adjustment fund projects, infrastructure fund projects, and Nutrition Services and Administration). Funds may be reallocated within funding sources in accordance with the current grant agreement payment provisions.
- b. An Additional Line Item Form shall be submitted for Department approval no later than five business days prior to an invoice being submitted in order to add a new line item to the Budget (Attachment 1).

3. LA Cash Needs Request

- a. The LA may submit a cash needs request in accordance with the current grant agreement payment provisions as well as with 2 CFR 200.305. Nutrition Services and Administration (NSA) funds are the only funds that can be advanced.
- b. Cash needs is contingent upon Federal funds availability either through a Continuing Resolution or the passage of an annual WIC appropriation. A numbered memo will be issued at the beginning of each FFY with additional details.
- c. The cash needs request must be signed by the preparer and the WIC Director.

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- d. The SA encourages grantees to repay cash needs request funds during the first 8 months following the full issuance of the Cash Needs Request funds to ensure grantee's financial stability and, as a result, service to WIC participants, throughout the entire grant period. However, if not initiated beforehand, repayment shall ensue in four equal parts during the final four months of a FFY. If the final invoice amount is less than the remaining outstanding cash needs request balance, no payment will be made and the grantee will be invoiced for the remaining balance. Any excess revenue remaining on hand at the LA after the final expense invoice is submitted must be returned to the SA with the final invoice.
- e. Cash needs request funds may only be repaid with NSA funds from the FFY that the funds were dispersed.
- f. Any interest earned on Commonwealth funds shall be returned to the SA unless the SA authorizes in writing that interest may be used solely to further the purposes of the Program.

4. Allowable NSA Expenditures

- a. All LA expenses shall be reported on the invoice format supplied by the SA.
- b. All expenses for which the LA is requesting reimbursement must be reported on the invoice, which will be reviewed by the Project Officer (PO).
 - (1) The invoice shall be signed by a person authorized by the LA to sign documents on behalf of the LA.
 - (2) Invoices shall be submitted to the PO on a monthly or more frequent basis. The SA may not honor any invoices submitted later than 45 calendar days after the termination of a contract or end of a FFY.
 - (3) All expenses on the invoice shall be traceable to source documentation. Invoices shall include actual expenditures incurred or accrued, depending upon the LA's accounting system. LAs must specify if they operate on an actual expense incurred or accrued cost reporting system by October 30th and invoice accordingly throughout the grant period. LAs may not switch between an actual expenditure incurred or an accrued cost basis during a grant term without the express written approval from the SA.
 - (4) PO must ensure that all reviewed costs on the final invoice are within the approved budget period, as per 2 CFR 200:
 - a. PO will carefully consider all reviewed costs and the respective funding period from which those costs should be drawn as the final invoice is reviewed.

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- b. PO will thoroughly research all items that present any question, or which do not clearly and obviously fall into one FFY or another, based on language in this policy and at 2 CFR 200.309.

- (5) Refer to the current grant agreement for additional requirements.

5. Specific Allowable Costs

- a. Allowable costs for LA operation and administration are those costs necessary for fulfillment of Program objectives and grant requirements.
- b. Allowable costs must meet the general criteria contained in the OMB Supercircular. Examples include:
 - (1) Personnel compensation
 - (2) Personnel benefits
 - (3) Certification procedures including blood work and expendable medical supplies (7 CFR 246.14(C)(2) for guidance on Program Costs).
 - (4) Space costs
 - a. General Guidelines: The rental cost of space in privately or publicly owned buildings used for the benefit of the Program is allowable subject to the conditions stated below. The total cost of space, whether in a privately or publicly owned building, may not exceed the rental cost of comparable space and facilities in a privately owned building in the same locality. The cost of space procured for the Program usage may not be charged to the program for periods of non-occupancy without authorization of the USDA/FNS.
 - b. Two types of costs are allowable:
 - 1. Rental costs - The rental cost of space in a privately owned building is allowable. Similar costs for publicly owned buildings are allowable where "rental rate" systems, or equivalent systems that adequately reflect actual costs, are employed. Such charges must be determined on the basis of actual cost (including depreciation based on the useful life of the building, interest paid or accrued, operations and maintenance, and other allowable costs). Where these costs are included in rental charges, they may not be charged elsewhere. No costs will be included for purchases or construction that was originally financed by the Federal Government.

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2. Depreciation in agency-owned facilities or leased under less-than-arms-length agreements.
 - a. LAs will be compensated for the use of buildings and capital improvements through depreciation.
 - b. The computation of depreciation will be based on acquisition cost. Where actual cost records have not been maintained, a reasonable estimate of the original acquisition cost may be used in the computation. The computation will exclude the cost or any portion of the cost of buildings and equipment donated or borne directly or indirectly by the Federal Government through charges to Federal grant programs or otherwise, regardless of who owns or has owned the asset. The cost of land may not be included in the computation. The cost of idle or excess facilities is not allowable unless specifically authorized by USDA/FNS.
 - c. Where the depreciation method is followed, adequate property records must be maintained. Any generally accepted method of computing depreciation may be used. However, the method of computing depreciation must be consistently applied for all like assets for all affected federally sponsored programs. The depreciation method must result in equitable charges considering the use of the assets and the benefits to the WIC Program.
- c. As per 7 CFR 246.14, any and all capital expenditures (clinic renovations) with a per-unit acquisition cost which equals \$10,000 or more must have SA and USDA/FNS approval prior to the investment. Such requests require three bids and must be received at the SA no later than June 15 of the contract period to which the cost is to be charged. The SA shall forward approved requests from the LA to USDA/FNS prior to July 1.
- d. In addition, the cost of utilities, insurance, security, janitorial service, elevator service, upkeep of grounds, normal repairs and alterations, and the like, are allowable to the extent that they are not otherwise included in rental or other charges for space.
- e. The Program may be charged only for the space-related costs which represent the period of WIC occupancy and portion of space occupied by WIC. All costs charged must be documented and are subject to audit.

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- (5) Telephone
 - (6) Postage and shipping
 - (7) Printing and reproduction
 - (8) Materials and supplies
 - (9) Outreach
 - (10) Nutrition education
 - (11) Breastfeeding promotion
 - (12) In-state travel
 - (13) LA memberships, subscriptions, and professional activities. The cost of membership in civic, business, technical and professional organizations is allowable provided:
 - a. The benefit from the membership is related to the grant program.
 - b. The expenditure is for agency membership.
 - c. The cost of the membership is reasonably related to the value of the services or benefits received.
 - d. The expenditure is not for membership in an organization which devotes a substantial part of its activities to influencing legislation.
 - (14) Bonding and insurance
 - (15) Advertising for recruitment of personnel and solicitation of bids for the procurement of services
 - (16) Auditing services for WIC's portion of an organization-wide audit
 - (17) Accounting costs
 - (18) Legal expenses required in the administration of the Program
6. Costs Allowable with SA Approval
- a. Equipment as defined by Policy 2.05
 - b. Transportation of participants (Direct reimbursement to participants is not an

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allowable cost and transporting participants to clinics will only be approved if essential.) Reference 7 CFR 246.14(a)(22) and 246.14(c)(7)

- c. Audit services for WIC-specific audits
- d. Contract costs, including subgrants and consultants
- e. Indirect costs
- f. Out-of-state travel
- g. Educational courses for college credit
- h. Outreach materials
- i. Renovations (\$10,000 or more)
- j. Interest and other financial costs (excluding late fees)
- k. Job related training and education

7. Unallowable Costs

Unallowable costs include, but are not limited to:

- a. Costs incurred or accrued prior to the beginning of the FFY.
- b. Costs which are included in or duplicate any part of another expense category. An item included as an indirect cost may not also be part of a direct cost.
- c. Costs which are charged or should be charged to other cost objectives, such as other federal, state, or local programs.
- d. Costs incurred for goods or services which are not described in the approved contract unless a grantee has requested and received written approval.
- e. Bona fide meal periods (typically lasting at least 30 minutes).
- f. Rental cost for equipment or space which is owned by the grantee.
- g. Costs for travel or expenditures for persons other than the grantee's employees, unless a grantee has received advance written approval for such travel.
- h. Costs associated with foreign travel.
- i. Costs for bad debt. Any costs arising from uncollectible accounts and other claims and related charges.

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- j. Costs for contingencies. Contributions to a contingency reserve or any similar provision for unforeseen events.
- k. Costs for contributions, gifts, and greeting cards.
- l. Expenses of applicants for employment.
- m. Costs for Legislative or lobbying expenses. Lobbying expenses are unallowable as either direct or indirect costs.
- n. Dues and costs associated with an individuals' membership in professional or other societies or organizations, unless approved by the SA.
- o. Entertainment costs such as costs for amusements and social activities.
- p. Costs for fines and penalties. Expenses resulting from violations of, or failure to comply with federal, state, and local laws.
- q. Late fees, reactivation fees, or any other fee imposed on the LA by a vendor for late payment.
- r. Use allowances.
- s. Taxes from which an organization is exempt, or for which an exemption is available.
- t. Expenses associated with acquisition of land.
- u. Lease obligations for any expense which starts prior to or extends beyond the grant period. This includes rent of space, equipment, breast pumps, and other items which may be leased/rented.
- v. Legal fees for any suit or conflict against the Commonwealth or the U.S. Government.
- w. Goods and services for personal use.

8. Financial Record Keeping

- a. Each LA shall maintain full and complete books, records, documents and other evidence pertaining to the costs and expenses of their Program to the extent and in such detail as will properly reflect all net costs, direct and indirect, of labor, materials, equipment, supplies and services and other costs and expenses of whatever nature for which reimbursement is claimed under the provisions of the grant.
- b. The LA shall also maintain books, records, documents and other evidence of accounting procedures and practices in accordance with generally accepted

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accounting principles.

- c. All records shall be retained for a minimum of four years following the date of submission of the final expenditure report for the period to which the report pertains or until audit closure, whichever period is longer. If any litigation, claim, negotiation or other action involving the records has been started before the end of the four-year period, the records shall be kept until all issues are resolved, or until the end of the regular four-year period, or until audit closure, whichever is later.
- d. It is important to note that records for capital assets must be maintained for four years beyond the satisfaction of the financial obligation entered into for said asset. For example, a capital investment that matures in 2032, would require records to be maintained for four years beyond the maturation date in 2032, and not only four years beyond the date of origin/signing.
- e. The LA shall retain equipment records for a period of four years after the final disposition of the equipment.
- f. Written agreements or documents will be maintained by the LA to support the following costs:
 - (1) Rental of space and facilities
 - (2) Rental of equipment
 - (3) Contract costs
 - (4) Bonding and insurance
 - (5) Civil rights and fair hearing procedures
 - (6) Cost allocation methodologies
 - (7) Indirect cost agreements (where applicable)

Reference(s):

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- 1. OMB Supercircular

Policy Status:

- 1. This Policy supersedes P&P 2.01, dated October 2, 2017