

Allocating Costs for SNAP E&T

This tool for State agencies explores one part of how to build effective SNAP E&T programs—allocating costs for efficiently and accurately using SNAP E&T funds.

Supplemental Nutrition Assistance Program (SNAP) Employment and Training (E&T) programs are often funded by resources such as State or local funds that are used for a variety of purposes. Therefore, it is necessary for States to establish methods to appropriately and proportionally assign costs to each program. Cost allocation is essential for the budgeting and invoicing necessary to operate an effective and efficient SNAP E&T program that protects taxpayer resources.

This tool is designed to guide States through cost allocation by:

- 1. Developing a shared understanding** with their partners of what cost allocation means in SNAP E&T.
- 2. Creating clear methodologies** for allocating costs and setting expectations in contracts with intermediaries and providers.
- 3. Overseeing and supporting accurate cost allocation** across the State agency, intermediaries, and providers.

What is cost allocation in SNAP E&T fiscal management and why does it matter?

Cost allocation is the process of accurately assigning costs to their specific purpose for the SNAP E&T program. It involves a process of breaking down actual costs incurred by their funding sources and purposes so that only allowable costs associated with operating SNAP E&T are billed to the program.

- Cost allocation ensures that Federal and State funds are used fairly and transparently.
- It prevents double-charging costs to multiple programs.
- It fulfills the State SNAP Agency's responsibility to ensure accountability for how Federal and State funds are spent.



How can States approach allocating costs for SNAP E&T?

Cost allocation is essential when costs are shared across SNAP E&T and other programs. In these situations, cost allocation separates a proportional amount of the costs that can be billed to SNAP E&T. Each State is responsible for having a plan that lays out what it will do to accurately separate costs. There is no single way to allocate costs, and each intermediary and provider will vary in the way that it defines and tracks costs. An agreed-upon method for cost allocation ensures that everyone is on the same page.

Key questions to address

This tool identifies key questions States must be able to answer related to their costs for administering the SNAP E&T program.


- **What did we spend?** Identify the costs. Think about all of your program's expenses, such as staff wages, office space, IT equipment, or training/workshop expenses.
- **What are the costs for?** Group related expenses. Organize costs into categories in a way that is consistent and clearly separates what the costs are for and the related funding sources.
- **Why are costs assigned this way?** Consistency is key. Have a logical method for dividing up which costs belong to each category.
- **How do we prove it?** Have clear and consistent documentation. The allocation of costs should be backed up by documentation showing how the costs are tracked, understood, itemized, and assigned to funding sources.

Strategies for separating costs

- ✓ Use actual labor hours/personnel costs (full-time equivalent)
- ✓ Calculate the percentage of participants by program type
- ✓ Use activity-based coding
- ✓ Allocate square footage proportionally

Considerations to explore

There are several important considerations for allocating costs, including:



What costs are exclusively for SNAP E&T?

What costs are shared between SNAP E&T and other programs (such as TANF)?

What costs vary depending on the number of SNAP E&T participants actually served?

What costs do not depend on the number of SNAP E&T participants?

How can contracts set clear expectations for cost allocation?

Clearly defining expectations for how these intermediaries and partners will track, allocate, and invoice their expenditures for SNAP E&T is critical to promote effective SNAP E&T programs, mitigate accounting and invoicing errors, and ensure the most efficient use of SNAP E&T program funds.

Develop statewide guidance and methods for accurately allocating costs to the SNAP E&T program with State contract and procurement staff.

Collaborate with providers to discuss and review their existing methodology for allocating costs across different programs and funding sources. Understand their current practices and determine whether these methods align with the requirements for SNAP E&T.

Identify appropriate sources of documentation to back up how costs have been allocated, such as staff compensation information, staff timesheets, invoices for office and administrative supplies, square footage of facilities, etc.

Set expectations for allocating costs and include them in the provider's contract, which may vary from provider to provider based on their unique circumstances, accounting infrastructure, and service offerings. Expectations for providers can include:

Potential pitfalls

Look out for pitfalls that can potentially lead to problems with cost allocation such as:

- ⊗ Allocating staff costs based on a predefined proportion spent on SNAP E&T in the staff member's job description
- ⊗ Charging one lump sum for all SNAP E&T services
- ⊗ No tracking of participants by program or funding source
- ⊗ No cost tracking system
- ⊗ No systematic process for cataloging source documentation for costs



- **Documenting** and sharing their processes for tracking, allocating, and monitoring costs with the State.
- **Gathering** and retaining documentation to support how and why they have allocated costs.
- **Tracking** participation in SNAP E&T components and activities.
- **Submitting** a standard invoice with necessary verification documentation.

How can States monitor and support accurate allocation of SNAP E&T costs?

In States where SNAP E&T participants are served by providers, the State SNAP agency has an obligation to provide sufficient monitoring and support of these providers' financial management practices, including how they allocate costs for the program. This goes beyond setting up clear expectations in providers' contracts—it requires an active approach to monitoring provider practices and providing timely support to address any errors or problematic practices.



Regular monitoring and review

- Review how providers are preparing invoices and using supporting documentation to appropriately allocate costs to the SNAP E&T program.
- Conduct in-person reviews of provider accounting systems, time records, and internal financial controls by talking with the provider's fiscal staff.
- Compare actual cost allocation procedures to the methodology established and approved in the contract or agreement.
- Conduct random audits or sampling by spot-checking select charges (such as IT equipment, rent, or overhead expenses) to ensure that the allocation of costs matches the approved methodology and actual usage for the SNAP E&T program.



Training and technical assistance

- Review prospective providers' cost allocation methodologies and provide guidance during the vetting process.
- Facilitate fiscal orientation sessions to help providers understand expectations for budgeting and invoicing, including cost allocation as part of the training
- Offer periodic refresher trainings on cost allocation methods, focusing on recurring problem areas or common errors identified across providers.
- Develop and share practical guidance documents that explain what cost allocation means and how it works in plain language so that provider frontline and fiscal staff can work together to ensure all costs are allowable and documented.
- When a provider runs into repeated cost allocation challenges, establish extra layers of review with the provider, provide more intensive onsite support and training, and develop a performance improvement plan for addressing fiscal management errors on a specific timeline.



Use data to support oversight

- Use provider submitted financial data to track how costs are being allocated across providers and flag anomalies that warrant further review to ensure accuracy.
- Establish "flags" when invoices exceed certain thresholds, lump costs into too few categories, or classify costs in ways that are inconsistent with the approved budget, triggering a second layer of review and verification.
- Review administrative and overhead categories of costs for missing detail and the potential for unallowable expenses, such as staff social activities, general costs associated with local government, or student commencement celebrations.

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This tool was produced by Mathematica for the U.S. Department of Agriculture (USDA), Food and Nutrition Service (FNS). This tool does not provide official policy guidance. FNS has published other materials that provide official policy guidance for the SNAP E&T program, which are available on the FNS website. USDA is an equal opportunity provider, employer, and lender.