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## ABSTRACT

The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) is a federally funded nutrition assistance program administered by the Department of Agriculture's (USDA) Food and Nutrition Service (FNS). Responding to Congressional requests for information regarding program costs, this report provides information on: (1) funding sources and amounts, and in-kind contributions received by state and local WIC agencies and Indian tribal organizations for WIC services and administration; (2) amount and type of expenditures made by these agencies and Indian tribal organizations; and (3) extent to which FNS and USDA identified questionable expenditures. Information was collected by surveying state-level WIC agencies in the 50 states, the District of Columbia, American Samoa, Puerto Rico, Guam, the U.S. Virgin Islands, 33 Indian tribal organizations, and 1,780 local WIC agencies. Findings indicate that state-level agencies and Indian tribal organizations received \$1.08 billion in federal funds for fiscal year (FY) 1998. Another \$57 million was received by state and local agencies and Indian tribal organizations from nonfederal sources. Local agencies received about \$846 million. In-kind contributions were most often provided by local governments in the form of facilities, maintenance, utilities, and computers. Of the \$1.14 billion available, about \$1.1 billion was expended for WIC nutrition services and administration in FY 1998. The vast majority of expenditures for all agencies and Indian tribal organizations was for direct costs. Salary and benefit costs accounted for the largest percentage of direct costs. (Eight appendices describe the study methodology and contain data tables.)

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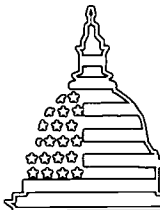
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Financial Information  
on WIC Nutrition  
Services and  
Administrative Costs



PS 028413



GAO

Accountability \* Integrity \* Reliability

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**Abbreviations**

FNS	Food and Nutrition Service
GAO	General Accounting Office
USDA	U.S. Department of Agriculture
WIC	Special Supplemental Nutrition Program for Women, Infants and Children



**G A O**

Accountability \* Integrity \* Reliability

United States General Accounting Office  
Washington, D.C. 20548

Resources, Community, and  
Economic Development Division

B-284414

March 6, 2000

The Honorable Richard G. Lugar  
Chairman  
The Honorable Tom Harkin  
Ranking Minority Member  
Committee on Agriculture, Nutrition, and Forestry  
United States Senate

The Honorable William F. Goodling  
Chairman  
The Honorable William (Bill) Clay  
Ranking Minority Member  
Committee on Education and the Workforce  
House of Representatives

The Special Supplemental Nutrition Program for Women, Infants and Children (WIC) is a federally funded nutrition assistance program administered by the U.S. Department of Agriculture's (USDA) Food and Nutrition Service (FNS). This program provides supplemental foods; nutrition services, such as nutrition and breastfeeding counseling; and health care referrals to lower-income pregnant, breastfeeding, and postpartum women; infants; and children up to age 5 who are at nutritional risk. FNS provides annual cash grants that in fiscal year 1998 supported program operations at 55 state-level WIC agencies (including agencies in all 50 states, the District of Columbia, American Samoa, the Commonwealth of Puerto Rico, Guam, and the U.S. Virgin Islands) and 33 Indian tribal organizations.<sup>1</sup> Some of these state-level agencies—those that operate the program at both the state and local levels—retain all of their WIC grants. Most state-level WIC agencies, however, retain a portion of their grants and pass on the remaining funds to the nearly 1,800 local WIC agencies.

<sup>1</sup>Although USDA considers these 33 Indian tribal organizations state-level agencies, in this report, we refer to them separately for analysis purposes.

In fiscal year 1998, the Congress appropriated about \$3.9 billion for WIC. Almost three-fourths of these funds (\$2.8 billion) were used to acquire food, and the remaining funds (\$1.1 billion) were used for nutrition services and administration. In general, there are two categories of allowable nutrition services and administration costs: direct and indirect. According to the program's regulations, direct costs are those that can be identified specifically with WIC-related activities, such as salaries for staff who provide nutrition and breastfeeding counseling. Indirect costs are for services that benefit the program but are not easily linked specifically to WIC, such as salaries for staff providing accounting services for both WIC and non-WIC programs. In addition to federal funds, nonfederal resources may be used to support nutrition services and administration, such as funds from state or local governments, and/or in-kind contributions.<sup>2</sup> To ensure that WIC funds are properly used, both FNS and USDA's Office of Inspector General conduct evaluations of program expenditures. FNS may disallow expenditures determined to be inappropriate and withhold federal nutrition services and administration funds, as well as apply sanctions.

To help the Congress better understand the costs of administering WIC and delivering nutrition services, the William F. Goodling Nutrition Reauthorization Act of 1998 (P. L. 105-336) directed GAO to assess various cost aspects of WIC nutrition services and administration. This report is the first in a series responding to this request for information.<sup>3</sup> For fiscal year 1998, we are providing information on the (1) federal and nonfederal sources and amounts of funding and in-kind contributions received by state-level and local WIC agencies and Indian tribal organizations for WIC nutrition services and administration; (2) amount and type of expenditures for nutrition services and administration made by these agencies and Indian tribal organizations; and (3) extent to which FNS and USDA identified questionable expenditures for nutrition services and administration during their evaluations of these activities.

To respond to our first two objectives, we conducted three nationwide surveys of (1) the 55 state-level WIC agencies that operate in the 50 states, the District of Columbia, American Samoa, the Commonwealth of Puerto

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<sup>2</sup>In this report "in-kind" refers to something of value, such as office space, equipment, supplies, and services, that is donated from public or private sources at no cost to WIC.

<sup>3</sup>Subsequent reports will include information on the types of costs and personnel time spent on delivering nutrition services; the quality of these services; and their impact on participants' health.

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Rico, Guam, and the U.S. Virgin Islands; (2) all 33 Indian tribal organizations; and (3) 1,780 local WIC agencies. We received responses from all of the state-level WIC agencies (a 100-percent response rate); 25 of the 33 Indian tribal organizations (a response rate of almost 76 percent); and 1,416 of the 1,780 local WIC agencies (a response rate of almost 80 percent).

We performed our work from February 1999 through January 2000 in accordance with generally accepted government auditing standards. Appendix I contains a detailed description of the methodology we used to conduct this work.

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## Results in Brief

State-level WIC agencies and Indian tribal organizations responding to our survey received federal funds totaling about \$1.08 billion for WIC nutrition services and administration in fiscal year 1998. In addition to these federal funds, state-level agencies and local WIC agencies and Indian tribal organizations reported receiving another \$57 million for nutrition services and administration from nonfederal sources. Most of these additional funds came from state and local governments. Of the approximately \$1.14 billion in total available resources, local WIC agencies received about \$846 million. In addition to these funds, some state-level WIC and most Indian tribal organizations and local WIC agencies reported receiving in-kind contributions to help deliver WIC services. Most often, these in-kind contributions were provided by local governments in the form of facilities and maintenance; utilities; and computers and maintenance.

Of the \$1.14 billion available, about \$1.1 billion was expended for WIC nutrition services and administration in fiscal year 1998. About three-fourths (\$846 million) of these expenditures were made for local WIC agency operations. The 55 state-level WIC agencies responding to our survey reported that about \$232 million, 21 percent, was for state-level operations. The 33 Indian tribal organizations spent a total of about \$13 million in fiscal year 1998, of which about \$9.5 million was expended by the Indian tribal organizations responding to our survey. The vast majority of expenditures by all agencies and Indian tribal organizations was for direct costs (91 percent for state-level WIC agencies, 95 percent for the local WIC agencies, and 88 percent for the Indian tribal organizations). Salary and benefit costs accounted for the largest percentage of direct costs for state-level and local WIC agencies and Indian tribal organizations.

In its management evaluations of fiscal year 1998 operations, FNS found few WIC expenditures for nutrition services and administration that were questionable under the program's regulations. FNS conducted 41 WIC evaluations of state-level agencies and Indian tribal organizations' operations in fiscal year 1998. Of these 41 evaluations, 9 contained one or more questions about the program's expenditures. Five of the nine evaluations identified questionable expenditures—totaling \$54,296—made by three state-level WIC agencies and two Indian tribal organizations. This total amount represented less than one-tenth of 1 percent of the almost \$79 million in combined expenditures for nutrition services and administration for these three state-level WIC agencies and two Indian tribal organizations. As of January 2000, USDA's Office of Inspector General had no reports available on WIC's fiscal year 1998 expenditures. However, the Office of Inspector General's audits are sometimes conducted several years after the year of the expenditures.

## Background

Nutrition services and administration funds are typically used to pay the costs of client services, including nutrition and breastfeeding counseling; health care referrals; and program administration, such as planning and budgeting. In fiscal year 1998, according to our survey results, WIC services were provided at about 8,200 locations to a monthly average of about 7.3 million persons. In addition to the federal WIC grant, state-level and local WIC agencies and Indian tribal organizations may receive cash assistance and in-kind contributions from nonfederal sources, such as state, county, city, and Indian tribal governments, as well as from private corporations and individuals.

State-level WIC agencies retain a portion of these funds for costs incurred for state-level operations; they pass the bulk of these nutrition services and administration funds to local WIC agencies—usually agencies operated by local government, private nonprofit organizations, and Indian tribes not affiliated with the 33 Indian tribal organizations. In contrast, most of the 33 Indian tribal organizations and some of the state-level agencies operate WIC without delegating authority to local governments or private nonprofit organizations. In still some other Indian tribal organizations and states, local WIC operations are handled in part by the state-level WIC agency and in part by local governments and others.



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According to FNS officials, governmentwide cost principles issued by the Office of Management and Budget are followed for charging costs to the WIC program. These principles recognize two broad classes of costs: direct and indirect.<sup>4</sup> Direct costs are specifically identifiable with WIC: The salaries of state-level and local WIC agency and Indian tribal organization staff who provide nutrition and breastfeeding counseling to WIC participants are an example of direct costs. Indirect costs are for services that benefit multiple activities of the state-level and local WIC agencies and Indian tribal organizations and may include accounting, automated data processing, communications, payroll, purchasing, and facilities maintenance services. Because their linkage to WIC and other programs is not easily identifiable, indirect costs are charged to programs using methodologies established under the governmentwide cost principles.

Because of differences in the structure of state-level and local WIC agencies and their financial management and accounting policies and practices, the specific types of costs classified as indirect can vary dramatically. Typically, the amount of indirect costs that state-level or local WIC agencies are allowed to charge to a federal grant, including the WIC nutrition services and administration grant, is based on a cost rate that is expressed as a percentage of specific direct expenditures, such as salaries and benefits.<sup>5</sup>

A state-level WIC agency obtains authorization to use a specific indirect cost rate by submitting its indirect cost rate proposal to its cognizant federal agency. This is an agency designated by the Office of Management and Budget to review and endorse such proposals on behalf of all federal agencies that have awarded grants to the state. For most state-level WIC agencies, this designated agency is the Department of Health and Human Services (other designated federal agencies for WIC include USDA and the Department of the Interior). The Office of Management and Budget's Circular A-87 specifies the methods that must be used to develop an indirect cost rate proposal. Indirect cost rates are typically established for specific time periods and are subject to revision at the end of that period.

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<sup>4</sup>7 C.F.R. 246.14 (1999) stipulates allowable direct and indirect nutrition services and administration expenditure.

<sup>5</sup>In the place of an indirect cost rate, some agencies have a cost allocation plan that distributes indirect (and, in some cases direct) costs to the program grant. In such cases, a narrative cost allocation methodology must be developed and submitted to the designated federal agency for review and endorsement.

FNS relies primarily on periodic management evaluations and financial reviews to ensure that federal WIC funds are properly used.<sup>6</sup> For fiscal year 1998 expenditures, FNS conducted 39 management evaluations of WIC—30 at state-level WIC agencies and 9 at Indian tribal organizations—and two financial reviews of WIC. If FNS determines that program funds provided to a state agency or Indian tribal organization were misused, it will assess a formal claim against the state agency in the amount of the misused funds. FNS may withhold up to 100 percent of an entity's nutrition services and administration funds and may apply sanctions.<sup>7</sup> USDA's Office of Inspector General also performs selected audits of state-level and local WIC agencies and other organizations involved in the program; however, these audits may sometimes be conducted several years after the year of the expenditures.

## Sources and Amounts of Nutrition Services and Administration Funding and In-Kind Contributions

The 55 state-level WIC agencies and 25 Indian tribal organizations responding to our surveys received federal funds totaling about \$1.08 billion for WIC nutrition services and administration in fiscal year 1998. In addition to these federal funds, about \$57 million was received for nutrition services and administration by the state-level WIC agencies and local WIC agencies and Indian tribal organizations responding to our surveys. Most of these additional funds came from state and local governments. Together, these federal and nonfederal funds for nutrition services and administration totaled about \$1.14 billion in fiscal year 1998. Of this amount, about \$846 million was provided to the local WIC agencies. In addition, most Indian tribal organizations and local WIC agencies received in-kind contributions to support their programs' nutrition services and administration.

## Sources of Funds for Nutrition Services and Administration

- Eleven of the 55 state-level WIC agencies reported that their state government provided funds for WIC nutrition services and administration in fiscal year 1998, in addition to their federal WIC funds. These additional funds totaled about \$38 million; four states (New York, Massachusetts, Minnesota, and Washington) received about 92 percent (\$35 million) of these funds. As shown in table 1, these supplemental

<sup>6</sup>Not every state-level agency and tribal organization is subject to a management evaluation or financial review every year.

<sup>7</sup>7 C.F.R. 246.23 (1999).

state funds ranged from \$15,000 in West Virginia (less than 1 percent of its total nutrition services and administration funds) to \$20 million in New York (about 22 percent of its total nutrition services and administration funds).

**Table 1: Amounts and Sources of Additional Nutrition Services and Administration Funds Provided to State-Level WIC Agencies by Their State Governments, Fiscal Year 1998**

State-level WIC agency	Amount of federal WIC nutrition services and administration grant <sup>a</sup>	Amount of additional funds provided by state government	Total federal and state government funds	Percent of nutrition services and administration funds provided by state government
District of Columbia	\$3,006,398	\$440,000	\$3,446,398	12.77
Massachusetts	16,612,979	9,844,185	26,457,164	37.21
Maryland	13,265,219	200,000	13,465,219	1.49
Minnesota	13,688,076	3,176,502	16,864,578	18.84
New Mexico	7,334,574	1,313,000	8,647,574	15.18
New York	70,998,409	20,070,487	91,068,896	22.04
Rhode Island <sup>b</sup>	3,626,256	65,000	3,691,256	1.76
Tennessee	20,486,157	855,184	21,341,341	4.01
Vermont	2,634,707	90,903	2,725,770	3.33
Washington	21,510,227	1,993,062	23,503,289	8.48
West Virginia <sup>b</sup>	9,299,104	15,000	9,314,104	0.16
<b>Total</b>	<b>\$182,462,106</b>	<b>\$38,063,323</b>	<b>\$220,525,589</b>	<b>17.26</b>

<sup>a</sup> Fiscal year 1998 WIC grant amount reported by state-level WIC agency.

<sup>b</sup> Fiscal year 1998 expenditures did not exceed the amount of the federal WIC grant.

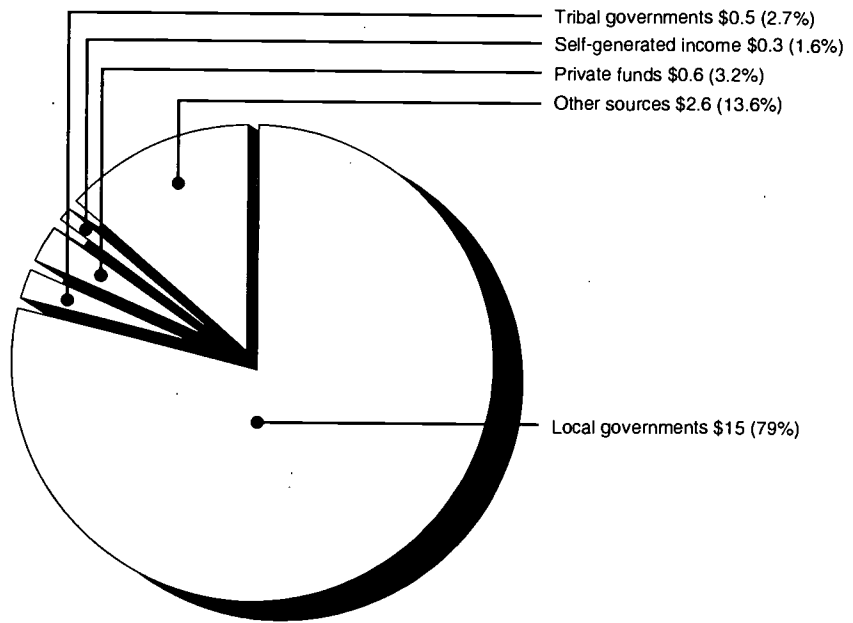
Source: GAO's survey of state-level WIC agencies.

- About 29 percent of the 1,416 local WIC agencies responding to our survey received a combined total of about \$19 million for nutrition services and administration from nonfederal sources in fiscal year 1998.<sup>8</sup> These additional funds represented about 12 percent of their \$162

<sup>8</sup>About 48 percent of the local WIC agencies that received additional funds reported that their fiscal year 1998 expenditures were less than their total available funds. This suggests that these local agencies may not have used the additional funds available for nutrition services and administration in fiscal year 1998 or may have underreported their actual expenditures.

million in total nutrition services and administration funds received from all sources that year. Figure 1 shows the sources of the \$19 million provided to these local WIC agencies.

**Figure 1: Amount and Percentage of Additional Funds Provided to Local WIC Agencies From Various Nonfederal Sources, Fiscal Year 1998, Dollars in Millions**



Note: Percentages do not add to 100 due to rounding.

Source: GAO's survey of local WIC agencies.

- Only 1 of the 25 Indian tribal organizations reported that in addition to its fiscal year 1998 federal WIC grant of \$176,000, it received almost \$54,000 for nutrition services and administration from its Indian tribal government. These additional funds represented about one-half of 1 percent of the 25 Indian tribal organizations' total nutrition services and administration funds in fiscal year 1998.

Appendix II provides more information about the characteristics of local WIC agencies with and without additional funds for nutrition services and administration in fiscal year 1998.

## In-Kind Contributions for Nutrition Services and Administration

Some state-level and most Indian tribal organizations and local WIC agencies also reported receiving in-kind contributions to help deliver WIC services. Most often, these in-kind contributions were provided by local governments and were in the form of facilities and maintenance; utilities; and computers and maintenance.

- Eighteen state-level WIC agencies reported that their state governments provided in-kind contributions for nutrition services and administration. As shown in table 2, the most frequently provided contributions were bank services; facilities and maintenance; salary and benefits; and travel, training, and conferences.

**Table 2: Number of State-Level WIC Agencies Reporting In-Kind Contributions From Their States, Fiscal Year 1998**

Type of in-kind contribution	Number of state-level WIC agencies
Bank services	6
Facilities (rent/mortgage) and maintenance	6
Salary and benefits, including consultants	6
Travel, training, and conferences	6
Computer/automatic data processing equipment and maintenance	4
Utilities (excluding communications)	3
Communications services (e.g., telephone, Internet access)	2
Equipment and supplies, other than automatic data processing	2
Vehicles and vehicle maintenance	2
Insurance, bonding, etc.	1
Interpreter and/or translation services	1
Printing	1
Transportation/parking services (excluding vehicles and vehicle maintenance)	1

Source: GAO's survey of state-level WIC agencies.

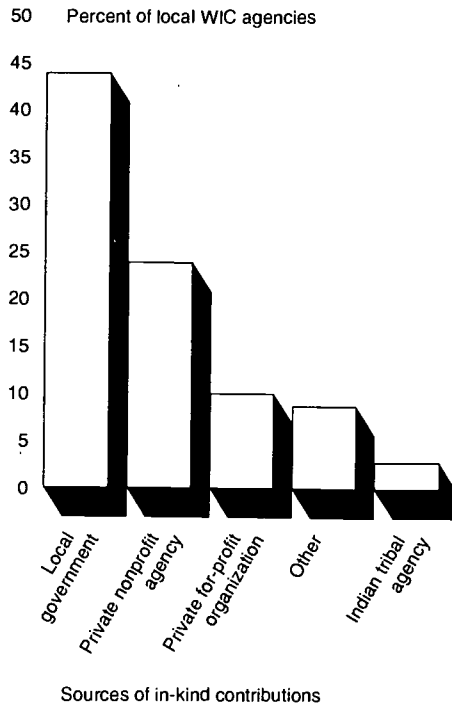
- Four of the 18 state-level WIC agencies (the District of Columbia, Massachusetts, New Mexico, and Rhode Island) reporting that their states had provided in-kind contributions also reported receiving

additional funds for nutrition services and administration from their state governments in fiscal year 1998.

Appendix III provides more information about the types of in-kind contributions for nutrition services and administration received by each of the 18 state-level WIC agencies in fiscal year 1998.

- About 68 percent of the 1,416 local WIC agencies responding to our survey received in-kind contributions from one or more sources in fiscal year 1998. As shown in figure 2, about 44 percent of these local WIC agencies reported receiving in-kind contributions from local governments.

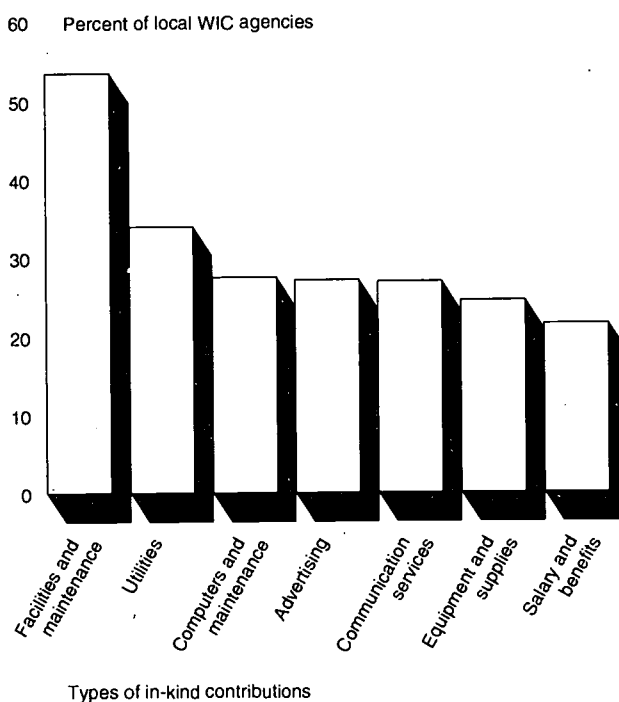
**Figure 2: Percent of Local WIC Agencies Receiving In-Kind Contributions From Various Sources, Fiscal Year 1998**



Source: GAO's survey of local WIC agencies.

- Facilities and maintenance was the most frequently reported type of in-kind contribution for nutrition services and administration received by local WIC agencies (see fig. 3).

**Figure 3: Percent of Local WIC Agencies Receiving Various Types of In-Kind Contributions, Fiscal Year 1998**



Source: GAO's survey of local WIC agencies.

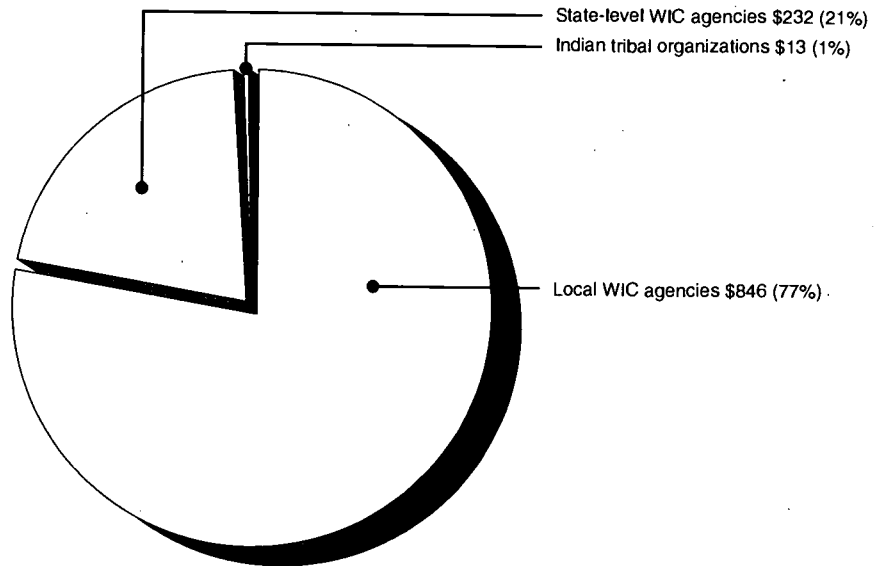
Appendix IV shows the percent of local WIC agencies receiving in-kind contributions by type and source in fiscal year 1998.

- Fifteen of the 25 Indian tribal organizations reported receiving in-kind contributions from one or more sources in fiscal year 1998. The majority of these contributions were provided by Indian tribal agencies. The most frequently reported type of in-kind contributions received were facilities and maintenance (12 organizations), utilities (7 organizations), and communications and laboratory services (6 organizations each).

## Amount and Type of Nutrition Services and Administration Expenditures

Of the approximately \$1.1 billion in total nutrition services and administration expenditures for fiscal year 1998, about \$232 million, 21 percent, was spent for state-level expenses; \$846 million, 77 percent, was spent by local WIC agencies; and the remaining \$13 million was spent by the 33 Indian tribal organizations, according to the results of our survey of state-level WIC agencies and program data reported by FNS. (See fig. 4.)

**Figure 4: Amount and Percentage of Nutrition Services and Administration Expenditures by Type of Agency, Fiscal Year 1998, Dollars in Millions**



Note: Percentages do not add to 100 due to rounding.

Source: GAO's survey of state-level WIC agencies and FNS' program data.

## State-Level Expenditures for Nutrition Services and Administration

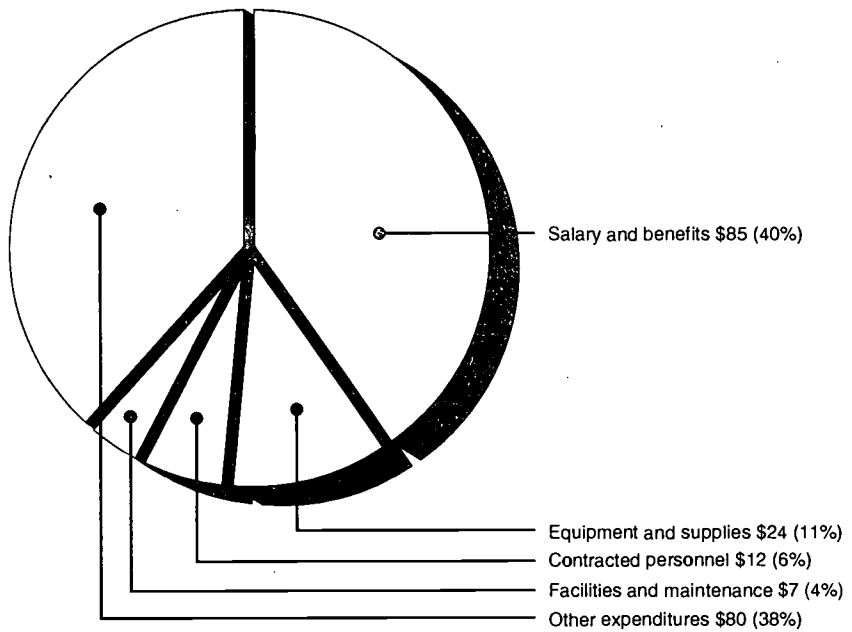
Of the approximately \$232 million spent by the 55 state-level WIC agencies for their state-level expenses, about \$210 million, 91 percent, was for direct cost expenditures. The remaining \$22 million was spent by 53 state-level WIC agencies<sup>9</sup> for indirect costs.

<sup>9</sup>Delaware and Louisiana reported no indirect WIC costs at the state level for fiscal year 1998. Delaware reported indirect costs for state-run local WIC agencies.



- For direct cost expenditures, salary and benefits (excluding expenditures for contracted personnel) accounted for the largest percentage, as shown in figure 5.

**Figure 5: Amount and Percentage of State-Level Direct Cost Expenditures for Nutrition Services and Administration for Various Cost Categories, Fiscal Year 1998, Dollars in Millions**



Notes: Other expenditures includes items such as data processing and banking services. Percentages do not add to 100 due to rounding.

Source: GAO's survey of state-level WIC agencies.

- Facilities and maintenance was the most frequently cited indirect cost expenditure category—33 of the 53 state-level WIC agencies cited this category. (See table 3.)

**Table 3: Number of State-Level WIC Agencies Reporting Nutrition Services and Administration Indirect Cost Expenditures by Category, Fiscal Year 1998**

Category	Number of state-level WIC agencies
Facilities (rent/mortgage) and maintenance	33
Salary and benefits	32
Communications services (e.g., telephone, Internet access)	28
Utilities	27
Insurance, bonding, etc.	23
Computer/automatic data processing equipment and maintenance	20
Printing	19
Equipment and supplies, other than automatic data processing	15
Vehicles and vehicle maintenance	12
Travel, training, and conferences	11
Transportation/parking services (excluding vehicles and vehicle maintenance)	8
Bank services	5
Interpreter and/or translation services	1

Source: GAO's survey of state-level WIC agencies.

- Of the 53 state-level WIC agencies that reported having indirect expenditures, the proportion of their total expenditures that were for indirect costs varied—ranging from a low of 2 percent in Indiana, South Carolina, and West Virginia to a high of 35 percent in Idaho.<sup>10</sup>

Appendixes V and VI provide more information about direct cost expenditures made in various nutrition services and administration categories by each state-level WIC agency in fiscal year 1998 and the amount and percentage of direct and indirect cost expenditures by state-level WIC agencies in fiscal year 1998, respectively.

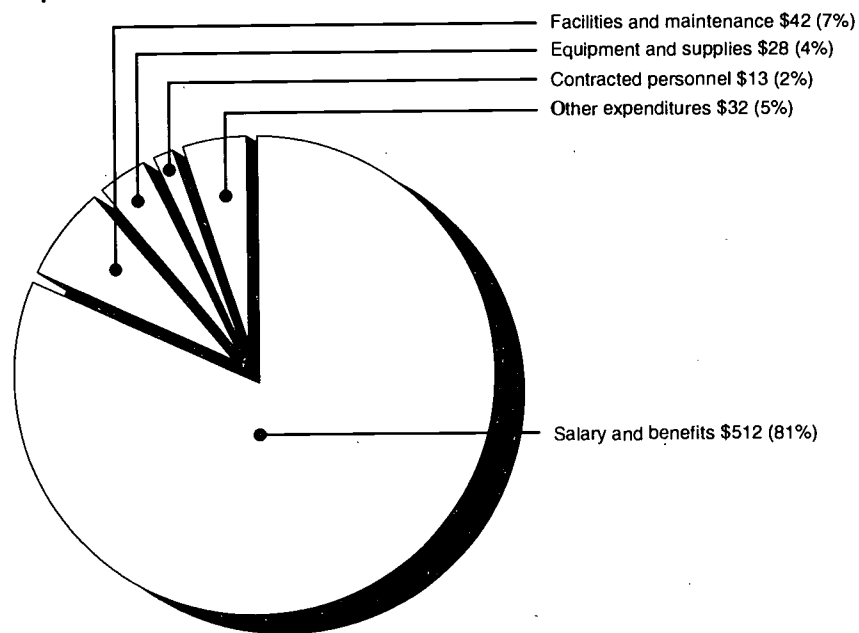
<sup>10</sup> Differences in the indirect cost rates and their application are, in part, responsible for the variations between indirect costs reported by the state-level agencies.

**Local WIC Agency Expenditures for Nutrition Services and Administration**

In fiscal year 1998, local WIC agencies spent about \$846 million, according to the survey responses of state-level WIC agencies. Of the 1,416 local WIC agencies responding to our survey, 1,370 reported spending about \$665 million for nutrition services and administration in fiscal year 1998. Of this amount, about 95 percent (\$629 million) was used for direct costs, and 5 percent (\$35 million) was used for indirect costs, according to the survey responses of local WIC agencies.

- Most of the reported direct cost expenditures (82 percent) were for salary and benefits, as figure 6 shows.

**Figure 6: Amount and Percentage of Local WIC Agencies' Direct Cost Expenditures Reported for Various Categories, Fiscal Year 1998, Dollars in Millions**

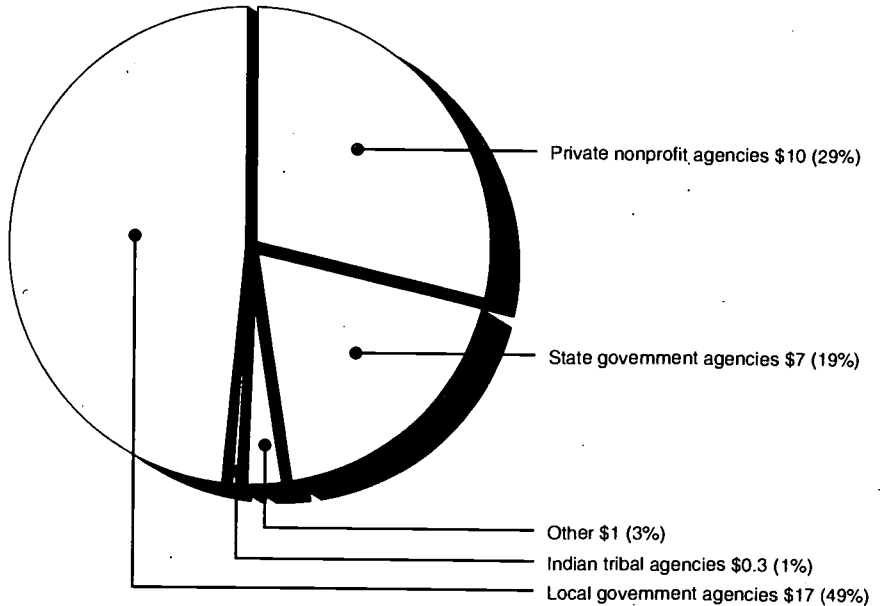


Note: Percentages do not add to 100 due to rounding.

Source: GAO's survey of local WIC agencies.

- Of the \$35 million in indirect cost expenditures for nutrition services and administration, local WIC agencies operated by local governments accounted for about half of the total in fiscal year 1998, as shown in figure 7.

**Figure 7: Amount and Percentage of Local WIC Agencies' Indirect Cost Expenditures by Type of Local WIC Agency, Fiscal Year 1998, Dollars in Millions**

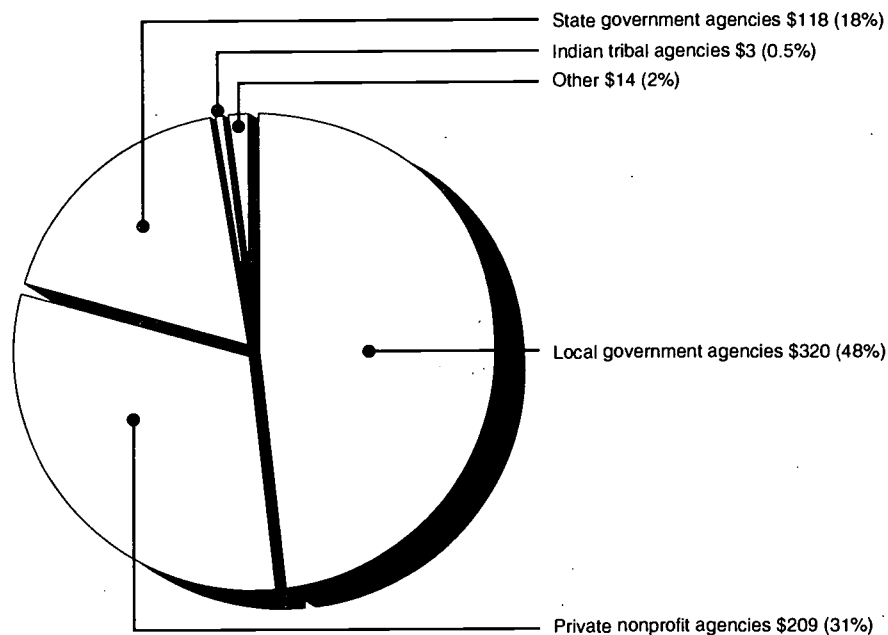


Note: Percentages do not add to 100 due to rounding.

Source: GAO's survey of local WIC agencies.

- Indirect cost expenditures varied dramatically among the local WIC agencies, with 825 agencies (58 percent) reporting no indirect costs and 56 agencies (4 percent) reporting that over 20 percent of their total nutrition services and administration expenditures were for indirect costs.
- Local WIC agencies operated by local governments accounted for about half of the total \$664 million in nutrition services and administration expenditures in fiscal year 1998, as shown in figure 8.

**Figure 8: Amount and Percentage of Nutrition Services and Administration Expenditures by Type of Local WIC Agency, Fiscal Year 1998, Dollars in Millions**



Note: Percentages do not add to 100 due to rounding.

Source: GAO's survey of local WIC agencies.

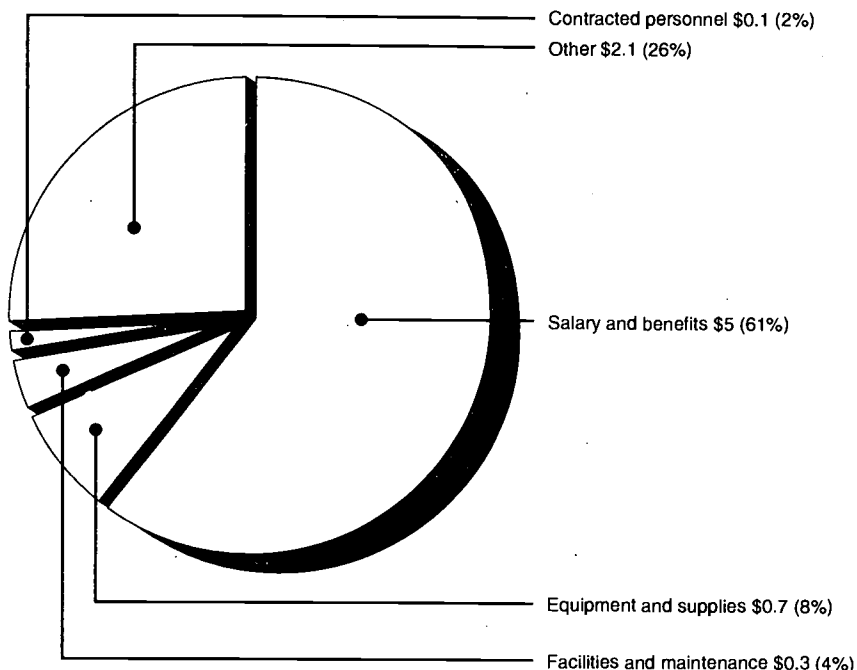
Appendix VII provides information on average expenditures per participant and participant-staff ratio by various characteristics of local WIC agencies.

### Indian Tribal Organizations' Expenditures for Nutrition Services and Administration

Twenty-three of the 25 Indian tribal organizations that reported expenditure information in response to our survey spent a total of about \$9.5 million in fiscal year 1998, 73 percent of the approximately \$13 million in total nutrition services and administration expenses of the 33 Indian tribal organizations. Of the \$9.5 million, about 88 percent (\$8.4 million) was reported as being used for direct cost expenditures.

- Salary and benefits (excluding expenditures for contracted personnel) accounted for almost two-thirds (61 percent) of the Indian tribal organizations' direct cost expenditures. (See fig. 9.)

**Figure 9: Amount and Percentage of Indian Tribal Organizations' Direct Cost Expenditures Reported for Various Categories, Fiscal Year 1998, Dollars in Millions**



Note: Percentages do not add to 100 due to rounding.

Source: GAO's survey of Indian tribal organizations.

- Twenty-three of the 25 Indian tribal organizations reported total indirect cost expenditures of about \$1.1 million, about 12 percent, of the total \$9.5 million they spent for nutrition services and administration in fiscal year 1998.

## Few Questionable Expenditures Were Identified by FNS for Nutrition Services and Administration

FNS relies primarily on management evaluations and financial reviews to ensure that federal funds for WIC are properly used. For fiscal year 1998 expenditures, FNS conducted 39 management evaluations of WIC, and 2 financial reviews. Of these 41 evaluations (32 at state-level WIC agencies and 9 at Indian tribal organizations) 9 contained one or more questions about the program's expenditures. Five of the nine evaluations identified questionable expenditures totaling \$54,296 that were made by three state-level WIC agencies and two Indian tribal organizations. This amount represented less than one-tenth of 1 percent of the almost \$79 million in

combined expenditures for nutrition services and administration that were made by the three state-level WIC agencies and two Indian tribal organizations.

The nature of the \$54,296 in questionable expenditures is described below:

- The management evaluation for one state-level WIC agency questioned \$5,409 in computer maintenance costs because adequate supporting documentation, as required by program regulations, was not available at the time of the review.
- At a second state-level WIC agency, \$6,355 was identified as costs not relating to WIC.
- The wrong indirect cost rate was used to calculate overhead costs, which resulted in overcharges of about \$8,800 at a third state-level WIC agency.
- A fourth agency, an Indian tribal organization, was identified as having exceeded its fiscal year 1997 grant by \$33,691 and inappropriately charging that amount to its fiscal year 1998 grant.
- At the fifth agency, also an Indian tribal organization, \$41 was identified as questionable because adequate supporting documentation was not provided.

Questionable expenditures that did not identify a specific dollar amount fell into the three general categories described below:

- **Incorrect method used to allocate shared costs.** At one state-level WIC agency, shared costs—such as utilities, janitorial services, garbage disposal, pest control, copier maintenance and supplies, and telephones—were all allocated according to the number of agency staff. However, according to federal guidance on indirect rate cost proposals, the costs for utilities, janitorial services, garbage disposal, and pest control should have been allocated on the basis of square footage; copier maintenance and supplies on the number of copies; and telephones on the number of telephone lines. At an Indian tribal organization, the nutritionist divides her time between WIC and other programs; however, some of the time she spent on other programs was charged to WIC.
- **Inadequate documentation.** The portion of two employees' salaries charged to WIC at one local WIC agency was not supported by acceptable personnel activity reports or equivalent documentation, as required by program regulations. At another state-level WIC agency, no documentation was available on how charges were allocated for

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supplies purchased by the county business office for use by several county programs, including WIC.

- **Inappropriate use of funds.** At one state-level WIC agency, lunches provided to vendors during a training session were inappropriately paid with WIC funds. However, in this instance, FNS did not request reimbursement because the inclusion of the vendors' lunch was determined to be a misunderstanding by the state-level agency of its use of WIC nutrition services and administration funding for vendor training activities.

According to FNS officials, questionable nutrition services and administration expenditures are not a common occurrence because state-level WIC agencies and Indian tribal organizations typically confer with FNS prior to making a new or nonroutine expenditure. In such instances, the planned expenditure might be disapproved by FNS, thus avoiding an inappropriate expenditure by a state-level or local WIC agency or Indian tribal organization. FNS does not maintain summary information on the number or nature of such requests by state-level WIC agencies and Indian tribal organizations or the extent to which they are disapproved.

USDA's Office of Inspector General also performs selected audits of state-level and local WIC agencies and other organizations involved in the program. As of January 2000, USDA's Office of Inspector General had no reports available on WIC's fiscal year 1998 expenditures. However, the Office of Inspector General's audits are sometimes conducted several years beyond the year of the expenditures.

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## Agency Comments

We provided USDA's Food and Nutrition Service with a draft of this report for review and comment. We met with Food and Nutrition Service officials, including the Director of the Supplemental Food Program Division and the Acting Director of WIC. The agency officials generally agreed with the information presented in this report. They provided technical comments, which we incorporated as appropriate.

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We are sending copies of this report to the appropriate congressional committees; interested Members of Congress; the Honorable Dan Glickman, Secretary of Agriculture; and other interested parties. We will also make copies available upon request.



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If you have any questions about this report, please contact me or Thomas E. Slomba at (202) 512-5138. Key contributors to this report are listed in appendix VIII.



Robert E. Robertson  
Associate Director, Food and  
Agriculture Issues

# Scope and Methodology

To address the first two objectives of our review, we developed three written mail-out questionnaires for (1) state-level agencies administering the Special Supplemental Nutrition Program for Women, Infants and Children (WIC); (2) local WIC agencies; and (3) Indian tribal organizations. We conducted pretests of the (1) state-level WIC agency survey at five state agencies managing WIC (Massachusetts, Mississippi, North Carolina, Ohio, and Texas); (2) Indian tribal organization survey at one Indian tribal organization (Choctaw Indian Tribal Organization); and (3) local WIC agency survey with directors of 12 local WIC agencies in six states (Massachusetts, Mississippi, North Carolina, Ohio, Texas, and Virginia). We visited these state and local WIC agencies and Indian tribal organization to conduct each pretest. During these visits, we attempted to simulate the actual survey experience by asking the agency directors and staff to fill out the survey. We interviewed the director and staff to ensure that the (1) questions were readable and clear; (2) terms were precise; (3) survey did not place an undue burden on survey recipients; and (4) survey appeared to be independent and unbiased in its point of view. Food and Nutrition Service (FNS) officials also reviewed each survey.

In order to maximize the response to our surveys, we mailed a pre-notification letter to all of the 55 state-level agencies; 1,780 local WIC agencies; and 33 Indian tribal organizations in our survey about 1 week before we mailed the surveys. We also sent a reminder letter to nonrespondents about 4 weeks after the initial survey mailing and a replacement survey for those who had not responded after about 8 weeks. After reviewing all of the survey responses, we contacted agencies by telephone to clarify answers for selected questions. Our survey data represent the responses from all of the 55 state-level WIC agencies; 1,416 of the 1,780 local WIC agencies (an almost 80-percent response rate); and 25 of the 33 Indian tribal organizations (an almost 76-percent response rate). We also received aggregated information from state officials in South Dakota for 17 of their local WIC agencies that did not respond to our local WIC survey. We counted their data as representing one local WIC agency and adjusted the costs reported by respondents and the sample accordingly.

To determine whether expenditures for nutrition services and administration by state-level and local WIC agencies and Indian tribal organizations were questioned under the program's regulations (our third objective), we reviewed reports of management evaluations and financial reviews conducted for fiscal year 1998 expenditures by FNS and discussed questioned costs with FNS officials at headquarters and regional offices.

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**Appendix I  
Scope and Methodology**

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We also reviewed previous reports and spoke with an official of the U.S. Department of Agriculture's (USDA) Office of Inspector General. In addition, we collected administrative and program information from USDA and the Department of Health and Human Services and from each of the 6 state and 12 local WIC agencies and 1 Indian tribal organization that we visited.

We performed our work from February 1999 through January 2000 in accordance with generally accepted government auditing standards.

# Characteristics of Local Agencies With and Without Additional Funds for Nutrition Services and Administration, FY 1998

Characteristic	Local WIC agencies with additional funds	Local WIC agencies with no additional funds	All local WIC agencies
<b>Type of local agency</b>			
Percent state run	7.5	18.1	14.9
Percent local government	68.3	47.9	54.0
Percent private nonprofit	19.1	29.0	25.9
Percent Indian tribal agency	3.1	2.1	2.5
Other	1.9	2.9	2.5
<b>Service area</b>			
Percent urban	19.4	26.4	24.3
Percent suburban	9.1	7.4	7.6
Percent rural	60.0	55.6	56.1
Percent mixed	11.5	10.5	10.5
<b>Clinics operated</b>			
Average number	4.9	5.1	5.0
Range	1-41	1-110	1-110
<b>Participants</b>			
Average monthly participants (mean)	3,093	4,730	4,177
Percent pregnant women (mean)	11.9	11.6	11.7
Percent breastfeeding women (mean)	4.9	4.6	4.7
Percent postpartum women not breastfeeding (mean)	7.6	7.5	7.5
Percent infants (mean)	23.6	24.5	24.2
Percent children (mean)	51.9	51.8	51.8
<b>Staffing</b>			
Average number of full-time equivalent staff	10.6	14.1	13.1
Participant to staff ratio	293.9	295.9	294.9
<b>In-kind contributions</b>			
Percent receiving in-kind contribution from one or more sources	72.2	67.5	73.3

Note: Response rates for data presented in this table range from 89 to 100 percent, except for staffing data, which had response rates of 79 percent.

Source: GAO's analysis of survey data from local WIC agencies.

# Types of In-Kind Contributions Provided by Each State to the WIC Program, FY 1998

In-kind contribution	State-level WIC agency																		
	AK	AL	AR	CO	DC <sup>a</sup>	DE	FL	HI	IL	LA	MA <sup>a</sup>	ME	NJ	NM <sup>a</sup>	PR	RI <sup>a</sup>	VA	WY	
Bank services	X			X	X		X	X			X								
Communication services (e.g., telephone, Internet access)							X				X								
Computer/automatic data processing equipment and maintenance							X				X				X	X			
Equipment and supplies, other than automatic data processing							X									X			
Facilities (rent/mortgage) and maintenance					X	X		X			X			X					X
Insurance, bonding, etc.											X								
Interpreter and/or translation services																X			
Salary and benefits, including consultants		X	X						X		X					X	X		
Printing											X								
Transportation and parking services (excluding vehicles and maintenance)	X																		
Travel, training, and conferences			X							X	X		X		X	X			
Utilities (excluding communications)						X		X			X								
Vehicles and maintenance			X								X								
Other					X							X	X						

<sup>a</sup> State-level WIC agency also received additional funds for WIC in fiscal year 1998 from state government.

# Percent of Local Agencies Receiving In-Kind Contributions, by Type and Source, FY 1998

In-kind contribution received by local WIC agency	Type of provider				
	Local government	Private, nonprofit	Private, for-profit	Indian tribal organization	Other
Advertising	9.9	5.7	4.4	0.9	0.9
Bank services	8.4	2.3	0.6	0.4	0.2
Communication services	15.0	5.6	1.1	1.3	1.8
Computer/automatic data processing	10.8	2.9	0.3	0.8	0.7
Equipment and supplies, other than automatic data processing	13.3	4.1	0.8	1.0	0.8
Facilities	35.1	15.5	2.4	2.3	3.3
Insurance, bonding etc.	15.3	3.4	0.3	0.8	0.7
Laboratory services	6.5	3.0	0.8	0.8	1.1
Salary and benefits, including consultants	11.7	4.0	0.6	1.2	1.3
Printing, including blank voucher stock	4.4	1.3	0.2	0.4	0.2
Translation services	6.1	5.4	0.6	0.2	2.2
Transportation/parking services, excluding vehicles and vehicle maintenance	9.8	2.7	0.2	0.9	0.4
Travel, training, and conferences	7.5	2.9	0.4	1.1	0.7
Utilities, excluding communications	23.6	7.0	1.1	1.7	1.6
Vehicles and vehicle maintenance	6.1	0.9	0.1	0.7	0.2
Other	2.8	1.9	2.0	0.1	1.2
Percent receiving one or more type of contribution from this source	44.1	23.9	10.0	2.8	8.7

# Percent of State-Level Agencies' Direct Expenses in Nutrition Services and Administration Categories, FY 1998

Percent of direct cost expenditures					
State-level WIC agencies	Salary and benefits (excluding contract personnel)	Contract personnel	Equipment and supplies	Facilities and related expenses, including utilities, rent, and telephone	Other
Alabama	46.36	a	22.53	1.29	29.82
Alaska	39.91	.76	18.71	33.92	6.70
American Samoa	63.81	0	25.28	4.55	6.37
Arizona	22.86	62.22	2.50	.95	11.48
Arkansas	75.50	2.26	22.23	0	0
California	42.05	0	.16	5.09	52.69
Colorado	70.94	.25	16.95	1.81	10.04
Connecticut	57.84	0	22.92	0	19.24
Delaware	55.01	20.36	13.89	4.38	6.35
District of Columbia	34.85	0	2.81	0	62.34
Florida	19.26	0	23.93	3.41	53.40
Georgia	71.45	0	28.55	0	0
Guam	78.68	0	4.51	1.18	17.63
Hawaii	51.12	0	42.42	1.05	5.42
Idaho	35.24	1.11	11.14	0	52.51
Illinois	35.31	.90	3.83	.11	59.84
Indiana	21.29	.71	63.99	13.01	1.00
Iowa	49.85	0	13.85	1.90	34.39
Kansas	30.61	39.82	1.92	23.30	4.35
Kentucky	34.86	32.82	.52	6.31	25.50
Louisiana	42.79	3.79	14.97	11.60	26.85
Maine	29.07	5.89	27.73	2.24	35.08
Maryland	43.97	0	1.82	1.27	52.94
Massachusetts	39.24	26.60	12.99	1.45	19.73
Michigan	24.44	1.67	.57	2.59	70.73
Minnesota	20.84	1.30	36.56	1.14	41.15
Mississippi	49.97	10.94	10.00	6.89	22.21
Missouri	38.18	4.86	13.45	2.02	41.48
Montana	57.72	10.84	19.77	6.14	5.53
Nebraska	47.19	22.14	29.05	0	1.63
Nevada	57.72	.45	5.94	4.43	31.46

Continued

**Appendix V  
Percent of State-Level Agencies' Direct  
Expenses in Nutrition Services and  
Administration Categories, FY 1998**

State-level WIC agencies	Percent of direct cost expenditures				
	Salary and benefits (excluding contract personnel)	Contract personnel	Equipment and supplies	Facilities and related expenses, including utilities, rent, and telephone	Other
New Hampshire	67.64	0	17.01	8.29	7.06
New Jersey	47.95	4.83	7.91	.55	38.77
New Mexico	61.75	5.57	7.03	24.31	1.34
New York	62.88	.24	3.02	0	33.85
North Carolina	49.21	14.12	5.63	2.08	28.96
North Dakota	54.40	1.06	30.76	5.00	8.79
Ohio	41.29	3.60	16.36	0	38.76
Oklahoma	54.96	8.59	5.93	3.85	26.67
Oregon	34.16	26.21	1.89	3.03	34.71
Pennsylvania	16.53	8.65	11.68	.07	63.07
Puerto Rico	60.65	.40	7.80	6.12	25.02
Rhode Island	62.32	2.71	6.02	1.51	27.45
South Carolina	48.01	1.70	7.01	42.25	1.04
South Dakota	17.44	45.31	<sup>a</sup>	<sup>a</sup>	37.25
Tennessee	51.43	4.33	9.49	1.98	32.77
Texas	34.22	4.01	21.90	.25	39.62
Utah	50.64	2.17	12.84	3.30	31.05
Vermont	48.94	2.47	6.82	27.70	14.08
Virgin Islands	51.19	0	6.48	8.41	33.93
Virginia	31.41	0	9.44	3.10	56.05
Washington	25.20	5.28	1.41	9.19	58.92
West Virginia	36.92	0	4.55	2.60	55.93
Wisconsin	64.75	0	4.23	5.75	25.27
Wyoming	60.43	14.32	25.26	0	0

Continued from Previous Page

<sup>a</sup> Expenditure amount was not reported by state agency



# State-Level WIC Agencies' Direct and Indirect Cost Expenditures for Nutrition Services and Administration, FY 1998

State-level WIC agency	Direct cost expenditures		Indirect cost expenditures		Total expenditures
	Amount	Percent of total	Amount	Percent of total	
Alabama	\$2,547,001	93	\$184,235	7	\$2,731,236
Alaska	1,817,502	97	61,289	3	1,878,791
American Samoa	549,821	89	64,656	11	614,477
Arizona	3,709,520	91	368,522	9	4,078,042
Arkansas	2,157,418	92	194,939	8	2,352,357
California <sup>a</sup>	25,357,469	96	1,164,400	4	26,521,869
Colorado	1,376,677	84	258,682	16	1,635,359
Connecticut	1,597,488	87	230,655	13	1,828,143
Delaware	1,172,004	100	0	0	1,172,004
District of Columbia	1,282,179	90	135,271	10	1,417,450
Florida	7,997,220	80	2,039,888	20	10,037,108
Georgia	3,623,906	68	1,743,812	32	5,367,718
Guam	1,335,727	90	144,667	10	1,480,394
Hawaii	2,866,089	93	199,262	7	3,065,351
Idaho	1,222,808	65	659,972	35	1,882,780
Illinois	9,630,784	92	795,872	8	10,426,656
Indiana	3,001,629	98	76,259	2	3,077,888
Iowa	1,681,575	86	276,795	14	1,958,370
Kansas	1,716,883	91	176,401	9	1,893,284
Kentucky	2,802,484	96	129,555	4	2,932,039
Louisiana	2,974,174	100	0	0	2,974,174
Maine	1,109,703	95	56,636	5	1,166,339
Maryland	3,133,303	91	297,263	9	3,430,566
Massachusetts	6,480,091	96	287,682	4	6,767,773
Michigan	9,503,131	96	394,811	4	9,897,942
Minnesota	6,131,735	91	620,866	9	6,752,601
Mississippi	2,014,044	93	159,584	7	2,173,628
Missouri	4,226,069	88	573,931	12	4,800,000
Montana	669,919	80	162,585	20	832,504
Nebraska	973,306	83	202,079	17	1,175,385
Nevada	537,181	92	44,218	8	581,399
New Hampshire	777,196	95	43,417	5	820,613

Continued

**Appendix VI  
State-Level WIC Agencies' Direct and  
Indirect Cost Expenditures for Nutrition  
Services and Administration, FY 1998**

State-level WIC agency	Direct cost expenditures		Indirect cost expenditures		Total expenditures
	Amount	Percent of total	Amount	Percent of total	
New Jersey	6,178,956	96	278,407	4	6,457,363
New Mexico	1,408,967	92	116,980	8	1,525,947
New York	14,844,112	87	2,278,590	13	17,122,702
North Carolina	3,800,389	95	179,262	5	3,979,651
North Dakota	213,912	96	9,038	4	222,950
Ohio	5,112,816	89	644,074	11	5,756,890
Oklahoma	2,397,885	94	157,151	6	2,555,036
Oregon	3,368,193	81	776,930	19	4,145,123
Pennsylvania	7,796,563	92	723,594	8	8,520,157
Puerto Rico	2,807,837	96	118,419	4	2,926,256
Rhode Island	1,024,541	87	146,368	13	1,170,909
South Carolina	1,719,367	98	36,330	2	1,755,697
South Dakota	1,601,874	85	284,419	15	1,886,293
Tennessee	2,121,898	87	321,905	13	2,443,803
Texas	19,760,058	93	1,568,646	7	21,328,704
Utah	1,721,764	93	120,652	7	1,842,416
Vermont	439,275	72	168,759	28	608,034
Virgin Islands	1,642,412	89	207,492	11	1,849,904
Virginia	4,674,636	90	514,413	10	5,189,049
Washington	6,433,012	87	945,174	13	7,378,186
West Virginia	2,498,101	98	63,182	2	2,561,283
Wisconsin	1,417,754	94	85,255	6	1,503,009
Wyoming	642,345	83	130,604	17	772,949
<b>Total</b>	<b>\$209,602,703</b>		<b>\$21,623,848</b>		<b>\$231,226,551</b>

Continued from Previous Page

<sup>a</sup> Expenditures reported do not include \$21,867,695 that was spent at the state level for local WIC agency activities, including the operation of case management information system and the purchase of materials used by local agencies. This \$21,867,695 was included in the \$148,460,331 reported for local WIC agency expenditures.

# Average Participant Expenses and Participant-to-Staff Ratio by Local Agency Characteristics, FY 1998

Local WIC agency characteristic	Average participant expenditure for nutrition services and administration	Participant-staff ratio
<b>Type of local agency</b>		
State-run agency	\$137.44	283.6
Local government agency	134.39	300.3
Private nonprofit agency	134.15	298.0
Indian tribal agency	162.01	236.2
<b>Service area</b>		
Primarily urban areas	127.01	324.7
Primarily suburban areas	120.82	333.8
Primarily rural areas	140.31	269.5
Primarily mixed	144.06	318.9
<b>Agency size</b>		
Large (average monthly participation of 5,000 or more)	115.70	355.7
Medium (average monthly participation of 1,001 to 4,999)	127.36	298.6
Small (average monthly participation of 1,000 or less)	157.24	249.8
<b>Funding</b>		
Had additional funds	147.57	293.9
Had no additional funds	130.81	295.9
<b>In-kind contributions</b>		
Received in-kind contributions	131.98	294.0
Reported no in-kind contributions	144.26	297.0

Note: The response rate for data presented in this table ranges from 94 to 99 percent for average participant expenditures and from 67 to 88 percent for participant-staff ratio.

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# GAO Contacts and Staff Acknowledgements

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## GAO Contacts

Robert E. Robertson (202) 512-5138

Thomas E. Slomba (202) 512-5138

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## Staff Acknowledgements

In addition to those named above, Carolyn M. Boyce; Peter M. Bramble, Jr.; Patricia F. Donahue; Judy K. Hoover; Roberto R. Pinero; and Carol Herrstadt Shulman made key contributions to this report.

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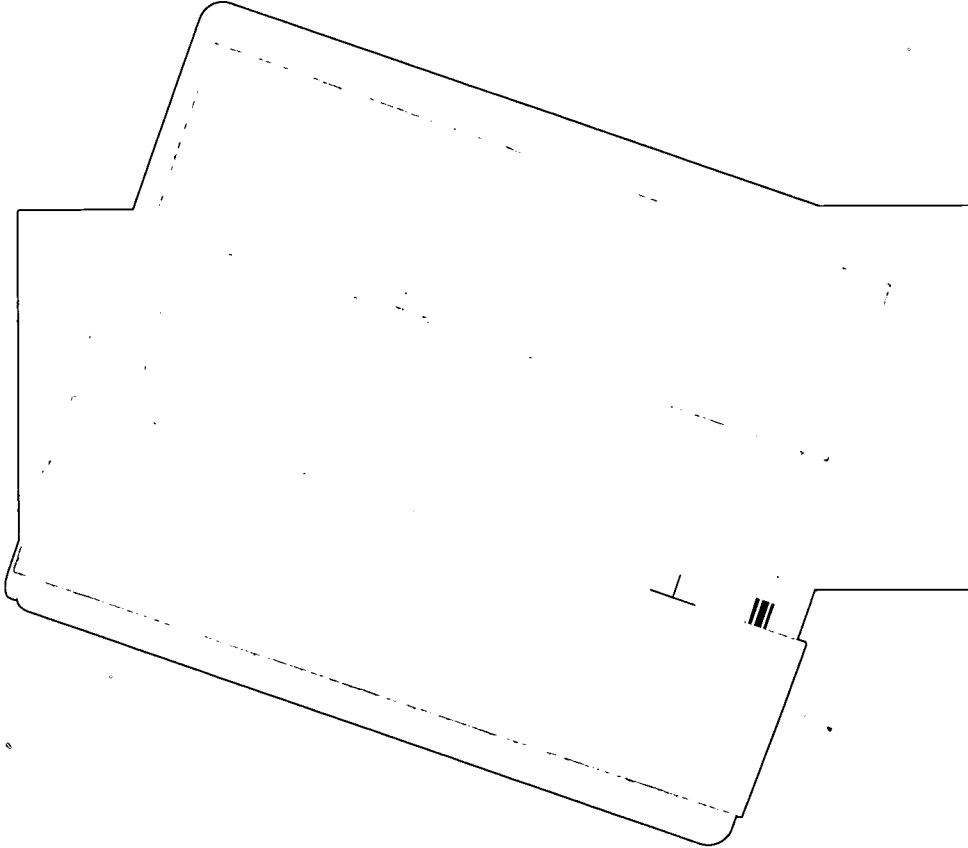
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