

Cost & Allocation Principles Monitoring Checklist

In the Guide, pages 179-185

This document summarizes key questions for monitoring implementation of cost and allocation principles. Grantees may wish to use this list as a guide, and add additional, more specific, questions to develop their monitoring tools. Each monitoring question references pages in the HOPWA Grantee Oversight Resource Guide that provide additional information.



Additional information & resources can be found here: <https://www.hudexchange.info/resource/1920/hopwa-financial-management-training-manual>

HOPWA Grantee Oversight Resource Guide
<https://www.hudexchange.info/resource/1003/hopwa-grantee-oversight-resource-guide>

Understanding Direct & Indirect Costs—In the Guide, pages 179-183

Are indirect costs charged by the sponsor? If so, are they being charged in compliance with 2 CFR Part 225 and 2 CFR Part 230, that is, do they have an adequate cost allocation plan or an approved indirect rate?

Indirect costs:

- Verify that the sponsor is using only one of the four acceptable methods for calculating indirect allocation and that it is documented in a Cost Allocation Plan
- Verify that the allocation method is applied consistently across all functions and programs
- Review financial records to determine if the project sponsor is correctly charging and allocating indirect costs across programs and revenue sources using a single method
- If the sponsor is using the new “de minimus” indirect rate of 10% allowed under OMB’s Omni-Circular, verify that administrative costs are no more than 7% total and that remaining indirect costs are eligible facilities-related costs only

Direct costs:

- Review financial records to determine if the sponsor is correctly charging direct costs
- Verify that direct costs can be identified with a particular cost objective, program, or eligible activity

Administrative Costs—In the Guide, pages 184-185

Does the sponsor correctly allocate administrative costs?

- Review financial records to determine compliance with HOPWA regulations capping administrative costs at 3% for grantees and 7% for project sponsors
- Review financial records for any evidence of any costs charged as an administrative fee that should be charged as a direct activity
- Verify that all administrative costs are proportionately and reasonably allocated to HOPWA in line with a Cost Allocation Plan