

SESSION TITLE: Understanding Indirect Costs

SESSION HANDOUT

KEY POINTS:

The Basics of Federal Cost Principles:

2 CFR 200, Subpart E presents the unified policy guide for federal cost principles. Cost principles define:

- What Is an Allowable Cost
- What Is a Reasonable Cost
- How Costs Will Be Allocated Among Programs
- The difference between Direct and Indirect Costs

2 CFR Part 200.405 describes the principles that should be applied when dividing up shared costs.

Different cost types may be divided using different methods, which should be:

- Clearly spelled out,
- Reasonable for the cost type and program environment, and
- Followed consistently.

Appendix IV to Part 200 lays out three alternative methods that nonprofit HOPWA Project Sponsors are most likely to use:

- **Simplified** Allocation Method
- **Direct** Allocation Method
- **'De Minimis'** Indirect Cost Rate

All staff members billed to HOPWA should be completing both timesheets and activity logs.

For those engaging directly with clients, these records should also cross reference with parallel systems, such as case management notes, etc. In this way, time sheets, activity logs and documentation on interactions with clients on a given date and for specific staff members should all reflect comparable information, thereby providing the three-way match required for HOPWA reimbursement

RELEVANT HOPWA TECHNICAL ASSISTANCE MATERIALS:

CPD's Financial Management Curriculum:

<https://www.hudexchange.info/trainings/financial-management-curriculum/>

HOPWA Financial Management Online Training Course:

<https://www.hudexchange.info/trainings/courses/hud-hopwa-financial-management-online-training/>

HUD Integrity Bulletins

<https://www.hudexchange.info/resource/5065/hud-integrity-bulletins/>



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