ACENTDFB, AHMADU BELLO UNIVERSITY, ZARIA

COST ALLOCATION AND OVERHEAD RECOVERY POLICY

Document No: ACENTDFB/FIN/POL/003

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Prepared By: Finance Officer

Approved By: Centre Leader

Applies To: All Projects, Grants, Consultancies and Internally Generated Revenue

1. Purpose

This Policy defines how shared costs are allocated across projects and funding sources in ACENTDFB, how overhead is recovered, and what controls prevent duplicate charging of the same cost to multiple grants.

It ensures that:

Every cost is charged once, to the correct project, on a fair and auditable basis of Donor and National financial regulations are complied with Financial reports to funders that are accurate, consistent and verifiable.

2. Scope

This Policy covers all funds managed by ACENTDFB, including:

World Bank / ACE Impact and other donor grants, TETFund, Federal Government and ABU grants, Collaborative research grants, Consultancy and short courses, and Internally Generated Revenue (IGR). It applies to all staff: project coordinators, procurements, Audit, store and finance officers.

3. Key Definitions

- Direct Cost: Cost that can be specifically identified with one project, e.g. personnel cost, project equipment, direct supplies, workshop/training/conferences, consultancy, project field work, travels, and other expenses.

- Indirect Cost: Cost that benefits more than one project and cannot be directly traced to one project, e.g. rent, electricity, internet, centre administrative staff salaries, audit fees.
- Cost Pool: Group of similar shared costs collected for allocation, e.g. Utilities Pool, Admin Personnel Pool.
- Allocation Base: Measurable driver used to share a cost, e.g. staff time, floor space, number of staff, direct cost.
- Overhead / Indirect Cost Recovery (ICR): Amount charged to a project to cover its share of centre indirect costs.
- Duplicate Charging: Charging the same invoice, timesheet or activity to two or more grants.
- 4. Guiding Principles
- Allowability: Cost must be allowed by the specific grant agreement and ACENTDFB-ABU regulations.
- Reasonableness: Cost must be reasonable in amount and nature.
- Allocability: Cost must benefit the project charged, in proportion to benefit received.
- Consistency: Same type of cost must be treated the same way across all projects.
- Documentation: No allocation without supporting evidence.

No Double Charging: No cost shall be charged to more than one funding source.

5. Classification of Costs

Cost Category	Examples of Expenditures	Charging / Treatment Method
Direct Costs	Project Coordinator allowance, Research Assistants on project, Lab. consumables for project, Project workshop, Project vehicle fuel	Charge 100% to benefiting project with source document

Shared Direct Costs	Laboratory shared by 2 projects, Driver serving 2 projects, Internet for centre	Allocate using approved base in Section 6
Indirect / Overhead Costs	Centre finance officer, Centre Leader admin time, Office rent, Electricity, Water, Security, Cleaning, Audit, Bank charges, Stationery for admin	Recover through overhead rate or allocation pool
Ineligible Costs	Alcohol, Fines, Penalties, Entertainment without approval, Costs outside grant period, Costs already paid by another grant	**Never charged to any grant**

6. Allocation Methodologies

Only one methodology shall be used per cost pool per financial year, unless the funder requires otherwise and Centre Leader approves in writing.

6.1 Direct Allocation

Used when cost benefits specific projects and can be measured.

Formula: Project Share = Total Shared Cost x (Project Usage / Total Usage)

Example: Electricity for labs used by 3 projects based on meter readings or lab hours.

6.2 Staff Time / Full Time Equivalent (FTE)

Used for admin salaries, shared support staff.

Formula: Project Share = Total Pool x (Project FTE / Total FTE)

Evidence: Approved monthly timesheets.

6.3 Direct Cost Base

Used for general overhead where time tracking is not practical.

Formula: Project Share = Total Overhead Pool x (Project Direct Cost / Total Direct Cost of All Active Projects)

This is the default method for ACENTDF-ABU unless a grant specifies otherwise.

6.4 Floor Space / Headcount

Used for rent, cleaning, security, utilities for office space.

Formula: Project Share = Total Cost x (Project Staff / Total Staff) or (Project Sq Metres / Total Sq Metres)

6.5 Number of Transactions

Used for procurement, finance processing, audit.

Formula: Project Share = Total Cost x (Project Vouchers / Total Vouchers)

Approved Allocation Bases Summary

Cost Pool	Allocation Base	Review Frequency
Admin Salaries	Staff Time / FTE	**Monthly**
Utilities, Internet, Rent	Headcount / Floor Space	**Quarterly**
General Overhead	Direct Cost Base	**Quarterly**
Vehicle Running Cost	Kilometres / Logbook	**Monthly**
Lab Consumables Shared	Lab Hours / Usage Log	**Monthly**
Audit and Bank Charges	Direct Cost Base	**Annually**

7. Overhead Recovery

7.1 Overhead Rate

ACENTDFB-ABU shall apply an overhead recovery rate as agreed with each funder and ABU, typically 5% to 25% of Total Direct Cost, unless the grant agreement states a different rate or disallows overhead.

7.2 How Overhead Is Charged

Overhead is calculated only on allowable direct costs actually incurred. Overhead is NOT charged on equipment above the funder threshold, sub-grants passed through, or unallowable costs, unless the agreement allows it. Overhead shall be posted monthly as a journal, not as a lump sum at project end.

7.3 Use of Recovered Overhead

Recovered overhead shall be credited to ACENTDFB-ABU Centre Overhead Account and used only for:

- Centre administration and sustainability
- Maintenance of shared facilities
- Audit, compliance and reporting costs
- Co-funding of approved centre activities

No overhead shall be used for personal benefit or outside approved budget.

8. Documentation Requirements

No allocation or overhead charge is valid without the following:

- For Direct Costs: Approved budget, invoice / receipt, payment voucher, delivery note, and project code.
- For Shared Costs: Cost Allocation Schedule signed by Accountant and Centre Leader, showing total cost, base, calculation and project shares.

- For Staff Time: Monthly timesheet signed by staff and supervisor, showing hours per project, total hours, and percentage.
- For Overhead: Grant agreement clause allowing overhead, calculation sheet, and monthly journal voucher.
- For All Charges: Unique project code, grant code, budget line, and reference to source document number. All documents must be filed by project code and retained for a minimum of 7 years or as required by the funder, whichever is longer.

9. Approval Process

Step	Action	Responsible Officer	Timeline
1	Prepare Allocation Schedule and Journals	Centre Accountant	By 7th working day of following month
2	Review Allocation Base and Calculations	Project Coordinator / Head of Admin	Within 2 working days
3	Approve Allocation and Overhead Charge	Centre Leader	Within 3 working days
4	Post to Ledger and Notify Projects	Centre Accountant	Within 1 working day after approval
5	Quarterly Review and Reconciliation	Centre Accountant and Internal Audit	Quarterly, within 15 days of quarter end

No allocation shall be posted without Centre Leader approval. Any change in allocation base or overhead rate must be approved in writing before implementation.

10. Controls to Prevent Duplicate Charging

These controls are mandatory and will be tested by External Auditors:

- Single Project Code Rule: Every voucher, invoice and timesheet shall carry only one project code. Split costs must use separate vouchers with allocation schedules attached.
- Unique Document Number: Every source document shall be stamped PAID - Project Code - Date and entered once in the accounting system. The system shall reject duplicate invoice numbers.
- Cost Allocation Register: The Accountant shall maintain a central register of all shared costs allocated, showing date, invoice number, total amount, projects charged, and amounts. The register shall be reconciled monthly to the ledger.
- Timesheet Control: Total hours claimed across all projects for one staff member shall not exceed total hours worked in the month. Any staff on 100% on one project cannot charge time to another project.
- Vendor and Invoice Verification: Before payment, Accountant shall verify that the same invoice has not been paid before by checking the register and accounting software.
- Segregation of Duties: Officer who prepares allocation shall not approve it. The officer who approves payment shall not be the beneficiary.
- Monthly Reconciliation: Total allocated cost must equal total cost in the pool. Any difference must be investigated and cleared before month-end closure.
- Prohibition: Photocopied invoices without original, or invoices without project code, shall not be processed.
- Exception Reporting: Any suspected duplicate charge shall be reported immediately to the Centre Leader and reversed within 5 working days.

11. Budgeting and Reporting

Each project budget must show direct costs, shared costs and overhead separately. Quarterly financial reports to funders must disclose the allocation method used and total overhead recovered. Variances above 10% between budgeted and actual allocation must be explained in the quarterly report.

12. Roles and Responsibilities

- Centre Accountant: Maintains allocation schedules, registers, journals, reconciliations, and ensures compliance with this Policy.
- Project Coordinators: Certify timesheets, usage logs and that costs benefited their project.
- Centre Leader: Approves allocations, overhead rates and policy changes.
- Internal Audit: Provides oversight, quarterly review and annual audit of allocations.
- All Staff: Comply with timesheet, procurement and documentation rules.

13. Non-Compliance and Sanctions

Unapproved or undocumented allocation shall be reversed. Duplicate charging, if confirmed, shall be refunded to the affected grant immediately and reported to the funder.Repeated non-compliance shall be reported to ACENTDFB-ABU management for disciplinary action.

14. Review

This Policy shall be reviewed annually by the Centre finance officer and Centre Leader, or immediately when a new major grant with different cost rules is signed.

Prepared By: _____ Finance Officer, Date: _____

Approval Date: November 13, 2026

Signature: 

Name and Status of Approving Officer: Prof Y.K.E. Ibrahim, Centre Leader