

## Overhead Costs

Overhead costs are those involved in the ongoing operations of a business. Some common types of overhead costs include utilities, rent, liability insurance, workers' compensation insurance, disability insurance, cleaning costs and repair and maintenance costs. Overhead costs can be billed as part of a vendor's fee, as a percentage of direct costs, as a fixed amount or as direct costs. Generally, contracts specify whether and how vendors can bill for overhead costs. Accounts payable staff should ensure they are familiar with the contract terms to validate these costs. In cases where overhead costs or their allocation methodologies are not explicit or are complex, accounts payable staff should consult their internal audit department for assistance.

| <b>Type of Information</b>  | <b>Source of Information</b>  | <b>Intended Use of Information</b>  |
|---|---|---|
| <ul style="list-style-type: none"> <li>• Receipts or proof of payment for reimbursable costs</li> </ul> | <ul style="list-style-type: none"> <li>• Agency program staff</li> <li>• Vendor</li> </ul>                                    | <p>Verify the amount invoiced does not exceed the amount on the receipt or other proof of payment.</p> <p>Verify the cost is allowable under the enabling agreement, if applicable.</p>   |
| <ul style="list-style-type: none"> <li>• Invoice or claim for payment</li> </ul>                        | <ul style="list-style-type: none"> <li>• BSC (where applicable)</li> <li>• Agency Finance Office</li> <li>• Vendor</li> </ul> | <p>Verify the following through the enabling agreement:</p> <p>Type of overhead costs billed for on the invoice are allowable.</p> <p>Rates charged on the invoice are allowable.</p> <p>Allocation methodologies (if applicable) are correctly applied.</p> <p>Ensure the same overhead costs are not billed in more than one place on the claim for payment. For example, an enabling agreement may specify the salary of an administrative assistant is a cost included in the indirect overhead rate. However, the vendor might bill for all or a portion of the salary directly on the invoice in addition to the overhead rate. The portion of the salary billed directly on the invoice would be an unallowable cost.</p> <p>For more information, please refer to <a href="#">Chapter XI, Section 11.F - Contract Monitoring</a>.</p> |