Challenges and Lessons Learned from Substantiating a 12-Month Cost Recovery Claim on an Externally Funded Project

Your ledger knows when you paid. Your claim depends on when the work was done.

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ABSTRACT

Externally funded projects commonly encounter reporting obligations that their information systems were never designed to satisfy. This paper describes a cost recovery claim assembled under a government co-funding programme, where eligibility depended on the date work was *performed* rather than the date it was invoiced or paid. It sets out five categories of failure encountered during retrospective substantiation, the intake control that resolved them prospectively, and a nine-point checklist for organisations entering externally funded capital programmes. The project functioned as an unintended natural experiment: costs incurred before a controlled invoice intake existed required four months of forensic reconstruction and still lost claim value, while costs incurred afterwards substantiated themselves from records already held.

1. The arrangement

Selection in the funding programme's first round carried a contingent entitlement. If the project did not progress through the second assessment stage, the proponent could recover 50% of eligible project costs incurred between the date of selection and the date of the stage two outcome. The project did not progress. The entitlement was triggered.

That arrangement sounds administratively simple. It defines a window with two dates and a percentage; everything else appears to be arithmetic.

The organisational setting matters for what follows. The proponent was a lean owner organisation taking a first-of-a-kind development towards a final investment decision. Delivery sat almost entirely with external parties — consultants, engineers and a technology licensor. The business ran a capable accounting system and no project management system, on the reasonable-sounding view that where the work is performed by contracted parties, what the owner principally needs to track is what it pays them. That view is common among developers and early-stage ventures, and it is not obviously wrong — until an external party asks a question the ledger was never built to answer.

It is not arithmetic. It is an audit of the organisation's project information architecture, conducted retrospectively, with money attached.

2. The question nobody could answer

Eligibility turned on a single question: was this work performed inside the window? Not invoiced inside the window. Not paid inside the window. *Performed.*

Every system in the business answered a different question. The accounting ledger recorded when a transaction occurred. The approval trail recorded when someone exercised authority. Neither recorded when the work was done, because until the claim arose, nothing had required them to.

The first instinct was the obvious one — ask finance. Finance produced a complete export from the accounting system, and it was genuinely complete. It was also close to useless for the purpose. Invoices raised and paid inside the window covered work performed months earlier. Work performed in the final weeks of the window had not been invoiced at all. The two timelines overlapped enough to look similar and diverged enough to be dangerous.

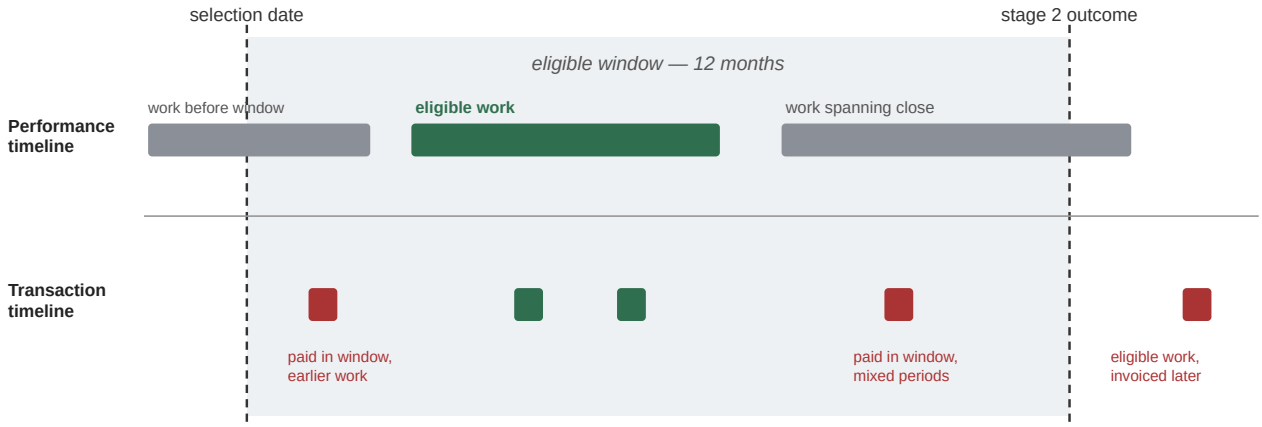


Figure 1. Eligibility is set by the performance timeline. Every available system recorded the transaction timeline. Records marked in red are correct in the ledger and wrong for the claim.

12	792	~30	4
month eligible window	records in scope: 344 supplier invoices, 448 employee expense claims	suppliers, including consultants, engineers and a technology licensor	months to assemble and conclude the claim

3. Five categories of failure

3.1 Irregular invoicing blurred both boundaries

Several consultants invoiced sporadically — sometimes quarterly, sometimes when they remembered. A single invoice could straddle the start of the window, the end of it, or both. There was no reliable way to establish from the invoice itself what proportion of the work it covered fell inside the eligible period.

3.2 Some money moved without an invoice at all

Payments to the technology licensor were made against commercial contract milestones. The contract entitled the licensor to payment on milestone achievement, payment was made, and no invoice was ever issued. The cost was real, incurred and eligible — and had no substantiating document of the kind the funding body expected. Invoices were eventually obtained retrospectively on request, but only because the relationship was sound and the licensor was willing. A contractual entitlement to payment is not a substantiating document.

3.3 Approval authority lived in people, not in records

A number of invoices had been approved during the window by workstream owners who had since left the organisation. Their successors could not say what had been delivered against them. Neither could finance — finance had confirmed that an approver with authority had approved a payment, which is a different assertion from knowing what was bought. In several cases nobody in the business could state with confidence what scope a paid invoice covered, or where the supporting documentation had been filed.

One example illustrates the problem better than any general statement. A single invoice covered work that belonged to two different workstream owners. There was no agreed split of the scope between them, and the invoice itself carried no breakdown against which a split could be made. Each owner could speak to part of the work and neither could assess the document as a whole, so the invoice had been approved on the basis that the supplier was legitimate and the amount looked reasonable. That is a solvency check, not a substantiation record — and at claim time it produced a line item that could not be allocated to a performance period at all.

3.4 Currency was used as a proxy for tax treatment, and it is not one

GST had to be separated and substantiated line by line. With suppliers across the United States, the United Kingdom and Europe, the tempting shortcut was a blanket rule: non-AUD invoices carry no GST. It held until it did not. One offshore owner's engineer had contracted in Australian dollars, bearing the exchange risk themselves — an AUD invoice from a supplier for whom GST did not apply. One exception invalidates a blanket rule, and the only remedy was the one taken: open and assess every pre-existing invoice individually.

3.5 More than half the records carried no project dimension

This was the most instructive failure. Employee expenses — travel, workshops, meetings — were captured through a mobile expense application that pushed directly to the accounting system. It was quick, staff liked it, and reimbursements were fast. It also had no meaningful project attribution. A flight booked by someone working across several initiatives arrived in the ledger as a cost of the business, not a cost of a project. Of the 792 records in the window, 448 entered through that channel.

> **The tool was doing exactly what it was designed to do. It was designed to reimburse employees quickly, and it did. It was not designed to attribute cost to a project, and it did not — because nothing had ever depended on it.**

4. What reconstruction actually costs

The work that followed was forensic rather than financial. Matching performance periods to approved invoices meant going back to scopes of work, correspondence, deliverable registers and, in several cases, individual recollection. Where recollection was the only source, the claim line was weak by definition.

One tactical decision made a disproportionate difference, and it is the least expensive measure described in this paper. Every service provider was directed, through the Project Director, to issue a partial invoice at the close of the qualifying period, cutting off at that date regardless of their normal billing cycle. That single instruction converted the closing boundary from something that had to be proven forensically into something true by construction. The instruction belongs at the *start* of a window, not the end.

5. The control that changed the second half

Midway through the window, cost control was consolidated and a project controls and governance procedure implemented with the support of the Project Director and Chief Executive. The substantive change was not a system. It was a rule about where invoices enter the organisation.

Until that point, invoices arrived at finance. Finance was the entry point for every supplier document, and finance therefore carried a question it was not equipped to answer: who in the project owns this work? Resolving it meant canvassing the team for each invoice — establishing who the scope belonged to, who was competent to confirm the work had been delivered, and who held authority to approve it — largely by email, without a standing record of

scope ownership. The invoice then went back to finance for payment. The process worked, in the sense that suppliers were paid. It simply produced no durable record of what had been bought.

Under the revised procedure, every project invoice was routed to a single controlled intake point. It landed first with the responsible workstream owner — not with finance, which was acknowledged rather than actioned. The workstream owner confirmed what had been delivered and against which scope item. Only then did the invoice pass to finance for payment under executive approval.

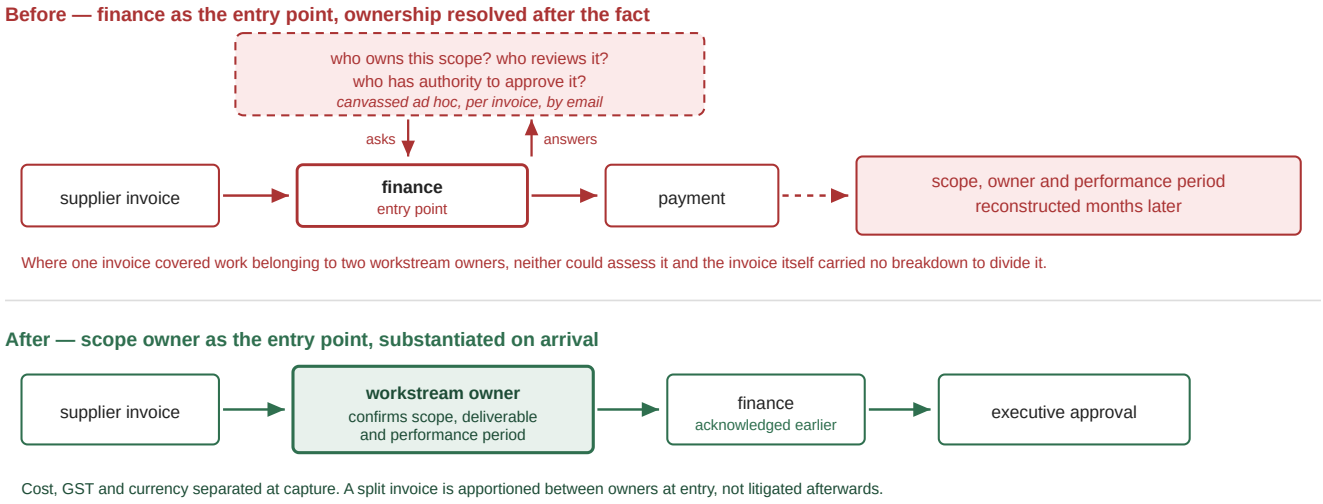


Figure 2. The change was the order of the sequence, not the technology. Where finance is the entry point, it must canvass the organisation to establish who owns the scope, who can assess the work and who may approve it — separately, for every invoice. Routing to the scope owner first binds the invoice to an owner, a scope item and a performance period at the moment of entry.

Three consequences followed from that sequence. Every invoice arrived bound to a named owner and a scope item at the moment of entry, rather than being reconnected to them later. Cost, GST and currency were separated at capture instead of being unpicked afterwards. And the person best placed to know what had been delivered was the first to see the invoice, rather than the last.

Alongside the routing change, workstream owners were taken through budget ownership and the relationship between a scope of work and the invoices raised against it — which in practice meant requiring service providers to break their invoices down in sufficient detail to map cleanly to the SOW. That was a training exercise as much as a procedural one, and it required repetition.

The contrast is the finding worth attention. The half of the window that ran under this arrangement substantiated itself: claim lines were assembled from records that already carried the information the funding body wanted. The half preceding it had to be rebuilt by hand over several months. Same project, same organisation, same people. The only variable was whether the information had been captured at the point of entry or reconstructed at the point of need.

The single gap the control did not close was employee expenses, which continued to flow through the separate application. That remained a manual exercise to the end.

6. Ambiguity at the funder's end is normal — plan for it

The funding body's guidance was not fully settled at the outset, particularly on what constituted an eligible project cost and on the treatment of GST. Questions raised early went unanswered. A great deal was clarified only after a draft claim was submitted, at which point specific positions came back promptly and clearly.

That is not a criticism; it is a pattern, and the useful response is tactical. Submit a draft or partial claim early, deliberately, to force clarification. A draft is a better instrument for resolving ambiguity than a written question, because it puts concrete lines in front of an assessor rather than a hypothetical. Build the claim schedule so there is time for one.

7. What was still lost

A number of claim lines were abandoned for insufficient supporting evidence — under $100,000 in value. Against the total claim it was a modest amount, and it would be straightforward to present the exercise as a success and stop there.

It is more useful to note what that figure represents. It is the price of information that was never captured, paid at the moment it turned out to matter. None of it was recoverable by effort. By the time the claim arose, the records either existed or they did not.

8. What to require from day one

On any project carrying an external funding relationship, before the first invoice arrives:

1. **Capture period of performance on every invoice**, separately from invoice date and payment date. If a submission carries only one date, the wrong one will be recorded.
2. **Route invoices to the responsible scope owner before finance, not after.** The person who knows what was delivered should be the first to see the claim for it, not the last.
3. **Make the scope reference mandatory at submission.** Every invoice states which SOW item it covers and what was delivered. Retrofitting this is the most expensive item on this list.
4. **Separate cost, GST and currency at capture.** Never infer tax treatment from currency; record the supplier's place of supply as an attribute in its own right.
5. **Give expense capture a project dimension**, or accept the reconciliation will be manual. If the expense channel cannot attribute a cost to a project at the point of claim, no downstream report will repair it.
6. **Instruct all service providers, at the start of the window, to cut off with a partial invoice at its close.** One email; removes an entire category of forensic work.
7. **Require invoices where contracts pay on milestones.** A contractual entitlement to payment is not a substantiating document.
8. **Keep the deliverable register current and linked to payments.** It is the only artefact that survives a workstream owner leaving the organisation.
9. **Submit a draft claim early** to bring the funder's positions into writing while there is still time to act on them.

None of this requires a particular system. All of it requires deciding, before the work starts, that the question *"when was this performed, and against what scope?"* will be answerable without a forensic exercise.

The uncomfortable part is that most organisations discover whether they can answer that question at the moment money depends on the answer — by which point the window has already closed.

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Director of Project Controls and Governance at SkillPros Pty Ltd, Australia. This paper describes an engagement in anonymised form; no client, project or funding programme is identified.