

# Expenditure Monitoring, Review, and Approval on Sponsored Awards

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Responsible Office: Office of Sponsored Programs

Effective Date: January 20, 2025

Revision Date: March 19, 2025

## Guidance for Expenditure Monitoring

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### Context

Monitoring expenditures for compliance with sponsor policies and procedures is an ongoing set of activities conducted by many different people and departments and takes place at different stages of a transaction's lifecycle. Responsibilities for expenditure monitoring vary based on an individual's or department's first-hand knowledge of or distance from the work; the individual's role in creating and maintaining processes and systems that enable compliant grant spending; and the individual's or department's subject matter expertise.

### Summary of Stages of Expenditure Monitoring

At a minimum, expenditure monitoring takes place at least three times during a transaction's life: before the transaction has been incurred, during the processing of the transaction, and after the transaction has posted.

#### Pre-Incurrence

In general, emphasis should be placed on the planning of a transaction to ensure that the expense to be incurred follows the cost principles and gets posted correctly the first time. Focusing on preventing errors and inappropriate charges reduces risk and rework, increasing the effectiveness and compliance of the research operation overall.

## Transaction Processing

As an expense is being processed, there are multiple stops to validate the transaction's validity on the grant. Grant expenses should be carefully reviewed at this stage, before the expense is incurred and accumulated on the general ledger.

## Post-Incurrence

Despite best efforts, errors can and do occur. Grant ledgers and other documents such as effort certification statements should be regularly monitored for accuracy and completeness.

## Roles and Responsibilities Summary

Monitoring expenses is an activity undertaken by various individuals and groups. Researchers and their support staff hold primary responsibility for ensuring that transactions are incurred on and post appropriately to their account(s) and that policies and procedures are adhered to. Leadership and management of research areas have responsibility for directly reviewing higher risk transactions and for ensuring that local processes, tools, and organizational structures adequately support the research and compliance activity. Some departments function as process enablers or provide oversight or subject matter expertise.

### Principal Investigator (PI)

As the person with primary responsibility for the grant overall as well as first-hand knowledge of the grant's expenses, the PI has the most important role in expense monitoring. In addition to the compliance aspect of spending, correctly charging grants is essential to projecting research expenses and planning future work. Since the PI is not directly involved in every transaction route in Workday, the focus should be on properly initiating transactions.

### Department/College Administrative Staff

People who provide administrative and financial management support to PIs and researchers have the most contact with expense transactions, as well as financial reporting and sponsor and university policies and expectations. These individuals are highly influential in all aspects of grant expenditures: at the pre-incurrence phase, they provide information and context to PIs to ensure that expenses comply with policy; during transaction processing, they review most or all of the expenses prior to posting; post-incurrence, they have the most direct access to reports on the general ledger.

### Deans, Directors, Department Heads/Chairs

Although some transactions route to department and college leadership during their lifecycle – and should be reviewed with questions directed to the PI or department/college support staff – the primary function of local leadership is to establish organizational structures and processes that effectively and compliantly support sponsored research, while monitoring metrics to ensure effectiveness.

### Office of Sponsored Programs (OSP)

As the subject matter experts in grant policy, OSP has broad oversight responsibility at the transaction, account, and policy/procedure levels. Before expenses are incurred, OSP ensures that the processes for doing so are appropriate and that the right people are involved. Certain transactions, based on risk to the institution, thresholds, the nature of the transaction, and other factors, are reviewed directly by OSP during

processing. As the office responsible for certifying expenditures to sponsors, OSP also conducts post-incurrence reviews of grant transactions.

### Other Individuals and Departments

By accepting sponsored funds, the university agrees to structure its processes and functions to accommodate sponsor expectations. This requires process partnership across the administrative pillars of the university. Functional areas such as Human Resources, Procurement, Travel, Finance, and others must coordinate with OSP in enabling sponsored compliance. Some departments and/or individuals may have an oversight role more closely aligned with auditing or specific compliance areas.

# Guidance for Expenditure Review and Approval

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## Context

The university has a responsibility to provide proper stewardship of funds awarded to it for work conducted under sponsored awards. In order to fulfill those responsibilities, the university has established review processes and policies that aim to ensure that the appropriate people are reviewing and approving transactions as they post to various funding sources, including grants. Separation of duties is also built into the systematic review processes.

In Workday, expenditure routes are determined by thresholds set by the university ([Transaction Approval](#)), consistent with expectations of sponsored award financial management ([University of Arkansas Roles and Responsibilities for Financial Administration of Sponsored Programs](#), [Sponsored Programs – Financial Responsibility](#)). Decisions about how to fulfill these expectations are made locally within each department and/or college; however, the following guidelines should be considered.

Individuals administering sponsored awards should have knowledge of sponsored projects administration. For those initiating transactions, individuals should have first-hand knowledge of the transaction themselves or have received instructions from someone with first-hand knowledge of the transaction.

In Workday, most roles are assigned to a position rather than to a person. This means that when a position is vacated and re-used, the role assignments that the former incumbent had will be automatically available to the newly hired employee. Therefore, roles assigned to temporarily vacant positions and new hires should be carefully reviewed and adjusted timely, so that the employees review transactions that are appropriate to their level of experience and training.

Although transactions are routed through Workday where each is reviewed by multiple parties according to the business process configuration and [university policies](#), this review sometimes happens after a cost has been incurred by the university (e.g., credit card purchases), at which point the review process mostly deals with how the transaction is costed and which source of funds can pay for it. Because of this, it is important to use the planning process and other processes upstream of transaction processing to ensure that costs are appropriate and allowable for the work being done and the funding source paying for the work. By doing so, inappropriate costs can be avoided entirely and/or the approach to purchasing can be adjusted to be compliant.

## Transactional Review and Approval

Although transactions run a gamut of characteristics from payroll to procurement and therefore require different reviews depending on the nature and type of transaction, there are some common characteristics to verify during transaction review that apply to most kinds of expenses. Each transaction should be reviewed using the 5 Ws – the who, what, where, when, and why for the transaction.

- **Who:** Does the person who initiated the transaction have first-hand knowledge of the work and need for the purchase? Do they have first-hand knowledge of the requirements of the sponsored award? If not, is evidence (such as an email) that a person who does have this first-hand knowledge included in the transaction's documentation?

- **What:** Is the item or person being paid for clearly documented in the transaction? Are itemized receipts or invoice(s) included, if applicable?
- **Where:** Particularly for travel expenses, is it clear where the travel took place? For supplies and equipment purchases, is it clear where the item(s) will be used?
- **When:** Particularly for travel, is it clear that the trip took place during the timeframe of the award? For effort, does the timeframe of the effort charged match the timeframe in which the work was performed?
- **Why:** Does the transaction contain a clear explanation of how the expense benefits the award being charged?

Beginning with these five basic questions can help uncover other requirements of the transaction that should be documented according to sponsor or agency guidelines. The explanations and support documentation for the transaction should be constructed so that a person without knowledge of the transaction can understand it without additional assistance. To this end, avoid using undefined acronyms and other terminology that most people who do not directly participate in the activities under the sponsored award would not understand.

### Grant-Specific Considerations

Transactions posting to sponsored awards must additionally follow the principles included in [Allowability of Costs](#). The [Uniform Guidance](#) (2 CFR Part 200) requires grant transactions to follow not only federal regulations, but state, local, and campus policies and regulations as well.

## Expenditure Monitoring Roles & Responsibilities

Person, Group, Entity	Pre-Incurrence	Transaction Processing	Post-Incurrence
Principal Investigator (PI)	<ul style="list-style-type: none"> <li>Initiate grant-related charges, verifying allowability, allocability, and reasonableness <ul style="list-style-type: none"> <li>Follow local processes for setting up procurement, internal service, travel, reimbursement, and other transactions</li> </ul> </li> <li>Initiate hiring processes for grant-related work <ul style="list-style-type: none"> <li>Follow local processes for budgeting for, obtaining approvals for, and beginning the hiring process</li> </ul> </li> <li>In Workday, review and approve subaward agreements, ensuring that the contracts will enable the work to be performed by the subawardee</li> <li>Maintain oversight of subrecipient progress relative to proposed work</li> <li>Initiate costing allocation (effort/labor allocation) changes <ul style="list-style-type: none"> <li>Follow local processes for communicating effort changes and initiating them in Workday</li> </ul> </li> <li>Assist department/college staff with cost transfer justifications and documentation</li> </ul>	<ul style="list-style-type: none"> <li>Based on business process condition rules and thresholds determined by the university, approve, deny, or send back grant transactions in Workday, verifying accuracy, allowability, allocability, and reasonableness, including costing allocations (effort/labor allocations), accounting adjustments, and certain payroll accounting adjustments</li> <li>In Workday, review and approve subaward invoices, ensuring that the expenses are reasonable compared to the work that has been performed</li> </ul>	<ul style="list-style-type: none"> <li>Participate in and provide information related to after-the-fact grant cost reviews following local processes</li> <li>Ensure that all <a href="#">effort certifications</a> related to the PI's own grants are completed</li> <li>Communicate with department and/or administrative staff regarding questions for costs appearing on grant ledgers; follow local processes for resolving questions</li> <li>Report instances of financial non-compliance to the appropriate compliance officer</li> </ul>
Department/College Administrative Staff	<ul style="list-style-type: none"> <li>Provide information to PI regarding policies and procedures related to grant purchasing and personnel in accordance with local purchasing processes and hiring processes</li> <li>Provide information about the budget and available funds to the PI; maintain local</li> </ul>	<ul style="list-style-type: none"> <li>Create and submit requested transactions in Workday, verifying that the transaction occurs during the period of performance, is reasonable, allowable, and properly allocated, treated consistently with</li> </ul>	<ul style="list-style-type: none"> <li>Using RPT – Grant Budget Vs Actuals, review assigned grants at least monthly, comparing budgets to actuals including obligations to ensure that adequate funding remains</li> </ul>

	<p>records of planned budgetary deviances that do not require sponsor approval; work with OSP to obtain sponsor pre-approval for <a href="#">budget revisions</a> where required</p> <ul style="list-style-type: none"> <li>• Work with PI to understand and document needs for cost transfers, consistent with university and sponsor policies and following local processes for initiating cost transfers in Workday</li> </ul>	<p>university and sponsor policy with respect to whether it is a direct or indirect cost, and that project funds are available to support the transaction</p> <ul style="list-style-type: none"> <li>• Based on assigned security roles (e.g., Cost Center Sponsored Program Manager, Cost Center Fiscal Specialist) and thresholds determined by the university, approve, deny, or send back grant transactions in Workday, using university and sponsor policies to determine the appropriateness of the charge</li> <li>• Prepare and submit cost transfers in Workday, including all documentation necessary per sponsor and university policy</li> </ul>	<p>following local processes for initiating and following through on the results of the reviews</p> <ul style="list-style-type: none"> <li>• Using RPT – Grant Budget Vs Actuals, review assigned grants at least monthly to ensure that posted transactions are reasonable, allowable, allocable, and consistently treated following local processes for initiating and following through on the results of the reviews</li> <li>• Discuss results of review with PI and develop remediation plans, if needed, following local processes to execute remediation plans</li> <li>• Report instances of financial noncompliance with applicable award terms and conditions, institution policies, and/or regulations to the appropriate compliance officer</li> </ul>
Dean/Director/Department Head or Chair	<ul style="list-style-type: none"> <li>• Ensure adequate local oversight of sponsored project funding is available</li> <li>• In conjunction with the PI, implement and ensure oversight of sponsored funds to comply with applicable policies and regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Based on assigned security roles (e.g., Manager, Cost Center Manager) and thresholds determined by the university, approve, deny, or send back grant transactions in Workday, using university and sponsor policies to determine the appropriateness of the charge</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure <a href="#">effort certifications</a> for the scope of oversight are completed timely by the appropriate personnel</li> <li>• Report instances of financial noncompliance with applicable award terms and conditions, institution policies, and/or regulations to the appropriate compliance officer</li> </ul>

Office of Sponsored Programs (OSP)	<ul style="list-style-type: none"> <li>• Interpret applicable federal, state, local, and sponsor policies and procedures</li> <li>• Ensure university policies and procedures support applicable federal, state, local, and sponsor grants management needs</li> <li>• Train researchers and departmental/college staff in managing sponsored funds</li> <li>• Sets up sponsored awards to enable effective management and oversight of the funds</li> <li>• Coordinate and submit requests for <a href="#">budget revisions</a> requiring sponsor approval, or requests for additional sponsor time and/or funding</li> </ul>	<ul style="list-style-type: none"> <li>• Based on assigned security roles (i.e., Grant Manager) and thresholds determined by the university (i.e., cost transfers older than 90 days; all costing allocations; all requisitions; etc.), approve, deny, or send back grant transactions in Workday, ensuring transactions are allowable and consistently treated as either direct or indirect costs</li> </ul>	<ul style="list-style-type: none"> <li>• Ensures PI approval of subaward invoices</li> <li>• Using RPT – Grant Budget Vs Actuals, quarterly review grants to ensure adequate funding to support existing expenses and obligations and to ensure expenses comply with sponsor regulations</li> <li>• Distribute <a href="#">effort certifications</a> and monitor for completion</li> <li>• Working with the appropriate compliance officer, resolve instances of actual or potential financial noncompliance</li> </ul>
Other (compliance functions, administrative pillars, transactional support units)	<ul style="list-style-type: none"> <li>• Ensure university policies and procedures are compatible with grant-related policies and procedures and provide an effective mechanism for grant spending (e.g., travel policy/procedure, hiring policy/procedure)</li> </ul>	<ul style="list-style-type: none"> <li>• Based on the transaction type and characteristics (e.g., invoices outside of a Purchase Order and/or over \$45,000) and given an assigned security role (e.g., Accounts Payable Manager), approve, deny, or send back grant transactions in Workday</li> <li>• Based on assigned security roles (e.g., Compliance Manager) and thresholds determined by the university (e.g., subaward invoices over \$25,000), approve, deny, or send back grant transactions in Workday</li> </ul>	





# Review Process and Considerations for Key Transaction Types

## Context

Because of their varied natures, the specific components of a transaction's review will depend on the kind of transaction presented for review. Some of the specific components are best addressed by specific people, groups, or entities.

## Process

### Transaction Processing Review

*Relevant to: Principal Investigator, Department/College Administrative Staff, Dean/Director/Department Head or Chair, OSP, Others*

When a transaction is routed in Workday, use the guidelines below to evaluate whether the transaction should be approved or sent back.

### Post Incurrence Review

*Relevant to: Department/College Administrative Staff, OSP*

Obtain a report of journal lines resulting from transactions posted to grants by:

1. Run RPT – Grant Budget Vs Actuals
  - a. Use the Cost Center filter to get results for all awards in a specific department
  - b. Use the Grant and/or Award filter to get results for a specific grant or award or population of grants or awards
2. Review the line-item balance (budget less actuals less commitments and obligations) against expectations, following up on any unexpected or unusual variances
3. Review the overall balance by grant and/or award for accelerated or decelerated spending, following with the Principal Investigator or department/college administrative staff as appropriate
4. At the bottom of the report, click on the total in the Actuals column to view the details for all grants and awards
5. Export the results to Excel to enable formatting and better on-screen filtering
6. Filter the results by Accounting Date to limit the journal lines to the period under review

Use the guidelines below to evaluate each journal line depending on the type of transaction that originated the journal lines.

## Considerations for Key Transaction Types

### Payroll

*Originating Business Processes: Costing Allocations (for regular payroll), Period Activity Pay, Payroll Accounting Adjustments*

*Relevant to: Principal Investigator, Department/College Administrative Staff, Dean/Director/Department Head or Chair, OSP*

Ensure:

1. The person is being/was paid the right amount of money
2. The salary has been allocated or moved in compliance with the [effort policy](#)
3. The type of pay complies with the [cost principles](#)
4. Particularly for payments to individuals with administrative responsibilities, the allocation or adjustment complies with the [direct costs policy](#)
5. For Payroll Accounting Adjustments, the transaction complies with the [cost transfer policy](#)
6. The payroll transaction is expected and within budget

Pay special attention to:

1. Payroll originating outside of the award or grant's home department or unit
2. Payroll outside of the normal payroll cycle, such as retroactive pay, overtime, and extra compensation
3. Payroll related or adjacent to a change in employment status, such as new hires, terminations, promotions, and leaves of absence
4. Payroll accounting adjustments that are considered late according to the [cost transfer policy](#)
5. Large or unexpected variances from recent trends
6. Participant support costs relate to allowable costs to support grant participants and are categorized as such

## Reimbursements and Credit Cards

*Originating Business Processes: PCard Verifications, Expense Reports, Accounting Adjustments for Expense Reports*

*Relevant to: Principal Investigator, Department/College Administrative Staff, Dean/Director/Department Head or Chair, OSP*

Ensure:

1. The expense complies with the [cost principles](#) in nature and allocation
2. Particularly for expenses that may be indirect costs, the expense complies with the [direct costs policy](#)
3. For Accounting Adjustments, the transaction complies with the [cost transfer policy](#)
4. The expense complies with any special restrictions set by the sponsor or award documents
5. For travel, the expense complies with the expectations set by the [travel office](#) including the [travel policy](#), [unallowable travel expenses](#), and [receipts](#)
6. Reimbursements comply with the [procurement policy](#)
7. PCard transactions comply with the [PCard policy](#) including the [unallowable purchases](#) policy
8. The transaction is expected and within budget

Pay special attention to:

1. Aging unprocessed and in-process transactions
2. Questionable transactions or vendors
3. Improper use of preferred university procurement methods as per the [procurement policy](#)
4. Personal expenses

5. Expenses that may have been submitted for reimbursement more than once or through different means (e.g., an expense reimbursement and pcard charge for the same expense)
6. Possible related Spend Authorizations
7. Transactions originating outside of the award or grant's home department or unit
8. Transactions expensed to "other" categories that may be better reflected under a different category
9. Transactions posted in the last 90 days of the period of performance
10. Participant support costs relate to allowable costs to support grant participants and are categorized as such

## Procurement Activity

*Originating Business Processes: Requisitions, Purchase Orders, Change Orders, Supplier Contracts other than subawards, Supplier Invoices, Supplier Invoice Requests, Accounting Adjustments for Supplier Invoices*

*Relevant to: Principal Investigator, Department/College Administrative Staff, Dean/Director/Department Head or Chair, OSP*

Ensure:

1. The purchase complies with the [cost principles](#) in nature and allocation
2. Particularly for expenses that may be indirect costs, the purchase complies with the [direct costs policy](#)
3. For Accounting Adjustments, the transaction complies with the [cost transfer policy](#)
4. The purchase complies with any special restrictions set by the sponsor or award documents
5. The purchase is completed in accordance with the [procurement policy](#), noting that:
  - a. Procurement transactions must comply with Arkansas state law including ethics requirements and conflict of interest rules
  - b. Specific items or commodities have specific purchasing rules
  - c. The [procurement policy](#) references the Office of State Purchasing which is abbreviated in the policy as OSP; this is not the Office of Sponsored Programs (OSP) at the University of Arkansas
6. The purchase is expected and within budget

Pay special attention to:

1. Aging unprocessed and in-process transactions
2. Questionable transactions or vendors
3. Improper use of preferred university procurement methods as per the [procurement policy](#)
4. Invoices requiring verification of receiving goods or services
5. Invalid invoices, invoices addressed to organizations other than the University of Arkansas, duplicate invoices that need to be cancelled, or invoices requiring further research
6. Unexpected or unusual transactions based on recent trends
7. Purchases originating outside of the award or grant's home department or unit

8. Transactions expensed to “other” categories that may be better reflected under a different category
9. Transactions posted in the last 90 days of the period of performance
10. Participant support costs relate to allowable costs to support grant participants and are categorized as such

## Subawards

*Originating Business Processes: Supplier Contracts, Supplier Contract Amendments, Supplier Invoices*

*Relevant to: Principal Investigator, Department/College Administrative Staff, Dean/Director/Department Head or Chair, OSP*

Ensure:

1. The subaward agreement or amendment is permitted according to the sponsor and award guidelines and any prior approvals have been obtained
2. Invoices are addressed to the University of Arkansas
3. The period of performance on the invoice is within the period of performance of the subaward
4. The invoice is signed and has the correct certifications
5. All prior invoices have been accounted for and submitted
6. The cumulative costs do not exceed the amount of the subaward
7. The costs on the invoice are reasonably in line with the budget and add up correctly
8. The costs on the invoice reasonably reflect the work being performed or the deliverables submitted
9. The costs on the invoice comply with the [cost principles](#) and the [direct costs policy](#)

Pay special attention to:

1. Proper, accurate invoices are paid within 30 days
2. Improper or inaccurate invoices are documented and resolved with the subrecipient
3. Timely approval and payment of invoices for awards and grants are ending to ensure that the costs are correctly reflected on the award or grant for closeout