Operating Policy and Procedure

OP 65.15: Accounts Receivables on Sponsored Projects

DATE: July 21, 2015

PURPOSE: The purpose of this Operating Policy/Procedure (OP) is to set forth the institutional policy for managing accounts receivables on sponsored projects.

REVIEW: This OP will be reviewed in February of odd-numbered years by the managing director of Accounting Services with substantive revisions forwarded to the senior associate vice president for research, the vice president for research, the assistant vice president and controller, and the vice president for administration & finance and chief financial officer.

POLICY/PROCEDURE

1. Policy Statement

The Office of Research Services (ORS) establishes risk-based payment terms in sponsored agreements to minimize financial loss. Accounting Services monitors aged accounts receivable balances to pursue collection in accordance with the terms and conditions of the award and the policy and procedures herein.

2. Definitions

a. Sponsored Project – A project funded by a grant, contract, or cooperative agreement and accounted for in Banner funds 21, 22, and 23

b. Invoice – The formal document prepared by Accounting Services in accordance with the award billing terms and conditions, which identifies the project, billing period, current charges, and cumulative amounts due

c. Uncollectible Accounts Receivables – Costs charged to a sponsored project and billed to the sponsor but, subsequent to the billing, are determined to be uncollectible. Amounts billed could be:

   (1) Disallowed by the sponsor due to non-compliant charges;

   (2) Withheld by the sponsor for failure to meet project deliverables; or

   (3) Deemed uncollectible by Accounting Services after the sponsor has demonstrated inability or unwillingness to meet financial obligations.
d. Notice of Late Payment – A formal notice to the sponsor specifying outstanding amounts

3. Collection Procedures

   a. **30 Days**– For **high-risk** receivables, Accounting Services contacts the sponsor to determine if an administrative, procedural, or billing problem exists and issues a late payment notice.

   b. **60 Days** – Accounting Services contacts the sponsor to determine if an administrative, procedural, or billing problem exists and issues a late payment notice. For **high-risk** sponsors, Accounting Services contacts the sponsor again, issues a second late payment notice, and considers (with consultation among ORS and the PI) suspending further charges on the project.

   c. **90 Days**– Accounting Services issues subsequent late payment notices. For **high-risk** sponsors, Accounting Services again considers (with consultation among ORS and the PI) suspending further charges on the project. If payments are being withheld for non-performance by the PI, Accounting Services escalates to the department chair/director.

   d. **120 Days**– Accounting Services issues subsequent late payment notices. Accounting Services, ORS, and the PI consult to determine whether to suspend further charges on the project. If payments are being withheld for non-performance by the PI, Accounting Services escalates to the college dean.

   e. **180 Days**– Although every effort is made to collect amounts owed to TTU, write-offs are carefully considered for delinquencies after 180 days (see 4.d below).

4. Accounting Procedures

   a. If non-payment is a result of unallowable costs identified by the sponsor, charges are transferred to a non-sponsored FOP. Accounting Services coordinates with the PI to transfer the charges in accordance with OP 65.04. In the event an alternate FOP is not provided by the PI in a timely manner, Accounting Services escalates to the department chair/director as necessary.

   b. If the sponsor withholding payments due to non-performance by the principal investigator (PI), Accounting Services notifies the PI, department, and dean as set forth above. It is the PI’s responsibility to work directly with the sponsor and to keep Accounting Services informed. If the PI is not able to comply with the sponsor’s requirements and TTU will not be fully reimbursed, balances are the responsibility of the PI and/or department/college.

   c. Uncollectible amounts arising from non-performance by Accounting Services are written off to central administration funds.

   d. In circumstances where the sponsor is unable or unwilling to meet the financial obligations of the sponsored project, Accounting Services determines whether to write off the bad debt or to pursue collection efforts in accordance with OP 62.31. Bad debt write-offs are approved by the managing director of Accounting Services; write-offs exceeding $25,000 are also approved by the assistant vice president for financial and managerial reporting services.
5. **Roles and Responsibilities**

a. Principal Investigator

   (1) Submit all required deliverables and technical reports to the sponsor in accordance with the agreement.

   (2) Inform Accounting Services of all contact with the sponsor concerning unpaid invoices.

   (3) Provide alternative sources of funding in a timely manner upon notice that amounts billed will be uncollectible due to unallowable charges or non-performance.

b. Accounting Services

   (1) Review accounts receivables monthly, follow up on delinquent balances, and issue late payment notifications in accordance with this policy.

   (2) Evaluate risk of continuing work with a delinquent sponsor.

   (3) Process write-offs or pursue collection efforts in accordance with this policy.

   (4) Prepare all related accounting entries.

   (5) Maintain all correspondence, including late payment notices, in the project file.

c. Department Chair/Director/Dean

   (1) Ensure the availability and authorize the use of non-sponsored funds to cover uncollectible costs.

   (2) Provide oversight and take corrective action, as needed, to resolve issues concerning uncollectible costs.

d. Office of Research Services

   (1) Evaluate the risk of continuing work with a delinquent sponsor.

   (2) Assist Accounting Services in pursuing collection efforts and in making write-off determinations.

   (3) Evaluate collection risk and sponsor payment history when negotiating and establishing billing and payment terms.