



TEXAS TECH UNIVERSITY

Operating Policy and Procedure

OP 65.15: Accounts Receivables on Sponsored Projects

DATE: January 29, 2018

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 and the Managing Director of the Office of Research Services with substantive revisions forwarded to the Senior Associate Vice President for Research, the Vice President for Research, the Assistant Vice President for Business Services, 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 and considers the risk of continuing work with delinquent sponsors when negotiating sponsored agreements to minimize financial loss. Accounting Services (AS) 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 AS in accordance with the award billing terms and conditions, which identifies the project, billing period, current amount due, and charges
- 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 AS 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

- e. **High-Risk Sponsors** – Sponsors classified as high-risk by ORS based on collection risk and payment history and considered when negotiating billing and payment terms

3. Collection Procedures

- a. **30 Days** – For **high-risk** receivables, AS contacts the sponsor to determine if an administrative, procedural, or billing problem exists and issues a late payment notice.
- b. **60 Days** – For **high-risk** sponsors, AS contacts the sponsor again, issues a second late payment notice, and considers (with consultation with ORS and notification to the PI) suspending further charges on the project.
- c. **90 Days** – For **high-risk** sponsors, AS again considers (with consultation with ORS and notification to the PI) suspending further charges on the project. For all other sponsors, AS contacts the PI sponsor to determine if an administrative, procedural, or billing problem exists and issues a late payment notice.
- d. **120 Days** – AS issues subsequent late payment notices. AS, 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, AS escalates to the department chair/director and later to the college dean if needed.
- 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. AS coordinates with the PI to transfer the charges in accordance with [OP 65.04, Cost Transfers Involving Sponsored Projects and Cost Share Funds](#).
- b. If the sponsor withholds payments due to non-performance by the principal investigator (PI), AS 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 AS 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 AS 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, AS determines whether to write off the bad debt or to pursue collection efforts in accordance with [OP 62.31, Debt Collection](#). Bad debt write-offs are approved by the Managing Director of AS; write-offs exceeding \$25,000 are also approved by the Assistant Vice President and Controller.