

## Accounts Receivables Management on Sponsored Projects

### 1. Overview

A payment owed to Rutgers University from an external sponsor in support of a sponsored project activity is considered an Accounts Receivable (A/R). Research Financial Services (RFS) is responsible for monitoring A/R on sponsored projects to facilitate timely and accurate payments by sponsors and resolving payment issues.

### 2. Purpose

To provide guidance for the proper monitoring and timely collection of sponsored projects A/R. Invoicing and Cash Application practices are related but separate procedures from A/R. For complete detail, please reference the Invoicing and Cash Application procedures.

### 3. Who Must Comply

Principal Investigators  
Department Administrators  
Research Financial Services  
Office of Research & Sponsored Programs

### 4. Definitions

**Accounts Receivable:** AR is a legally enforceable claim for payment on research or services performed by the university for the sponsor yet remains unpaid

**Aging Report:** A list of outstanding A/R for sponsored projects grouped by date ranges (e.g. 0-60 Days, 61-90 Days, 91-120 Days, 120-180 Days, 180+ Days).

**Allowance for Bad Debt:** A valuation of the A/R that may ultimately be uncollectable and will require a write-off.

**Doubtful Account:** Aged A/R greater than 180 days and expected to be uncollectable.

**Uncollectible Accounts Receivable:** Costs billed to a sponsor, later determined to be uncollectible. The reasons may be due to a sponsor's inability or unwillingness to meet obligations, failure of a Principal Investigator (PI) to meet project deliverables or disallowance of specific unallowable costs.

**Write-Off:** A reduction of the recognized value of A/R deemed uncollectible.

### 5. Procedure

#### Collecting Open Receivables

##### Initial Invoice Email to Sponsor

When emailing invoices to sponsors, RFS Accounting Specialists will copy the [rfsinvoices@research.rutgers.edu](mailto:rfsinvoices@research.rutgers.edu) mailbox. They will also include in either the subject line or body of the email the project and invoice number.

##### First 60 Days of bills sent

RFS Accounting Specialists will send courtesy follow-up emails within 60 days after the initial invoice email to sponsors. This action will not be necessary if a sponsor replies upon receipt of their bill from RFS.

#### 60 Days after sending bills

If, after 60 days, Rutgers does not receive either correspondence or payment from a sponsor, RFS AR will send request/demand for payment of late invoices. These additional emails are vital for they serve as dated documentation of collection progress. RFS AR will monitor the outstanding receivables with system reporting and email tracking.

In certain instances, it may be beneficial for the PI to contact the award's Program Officer if the sponsor is failing to meet payment obligations. The AR should discuss this option with the PI's Project Manager.

If the PI or department receives notice of a sponsor's intent to withhold payment (due to a contested deliverable, lack of performance, or questionable invoiced expense), they must inform RFS immediately. This action is to ensure timely and appropriate measures occur to recover balances due. Dependent upon RFS's discussions with the sponsor, the PI may be required to cease project spending until both parties reach an amicable resolution.

#### **Uncollectable Receivables**

A receivable is considered uncollectible after meeting specific criteria.

Sponsors can determine costs as unallowable based on Uniform Guidance or the award's NOA, or there was non-performance by the Principal Investigator. Receivables resulting from these issues will transfer to the Principal Investigator's discretionary account.

In all other cases, RFS will create a write-off to the university's bad debt reserve per appropriate authorization levels.

#### **Write-Off Memos**

After it is determined a receivable is uncollectable and, therefore, a bad debt, a memo will be drafted to write-off the receivable. All write-offs memos will include the following information:

- Sponsor name
- Project Detail (title, budget, project beginning/end dates, PI)
- Write-off amount (total, direct, F&A)
- Justification for write-off
- Collection timeline/action steps
- Appropriate signature authorizations

RFS will maintain and monitor all projects written off and the circumstances surrounding the decisions. At times, recovery of write-offs, either full or partial, may occur. When this happens, the amount of the write-off affected by the recovery will reverse. **Recovery reversals cannot backdate into prior fiscal years.**

#### **High-Risk Sponsors**

The classification of high-risk will be determined based on a sponsor's payment history and collection risk. The Office of Research and Sponsored Programs (ORSP) will receive a listing of these sponsors, so additional reporting terms and conditions can be included in the award agreements if required. In certain instances, the requirement of advanced or milestone payments may be necessary. Awards from non-government foreign sponsors are high-risk. If a sponsor has a documented history of unrecovered write-offs to the university, the sponsor may be required to resolve the debt issue before the awarding of a new project.

## 6. Responsibilities

#### **Principal Investigators**

- Ensure all expenses charged are appropriate and consistent with the terms and conditions of the sponsored agreement.
- Submit all necessary reports (i.e. project progress reports) to meet sponsor obligations and ensure timely payment.
- Take appropriate actions to resolve delinquent outstanding receivables.

**Department Administrator:**

- Monitor financial health of all projects and assist PI(s) in resolving related issues.
- Collaborate with the PI to ensure the submission of all necessary reports to meet sponsor obligations.

**Research Financial Services**

- Monitor invoice payments, send late payment notifications to sponsors with outstanding invoices.
- Track aging A/R, assess risk, and provide information to PIs, Department Administrators and University leadership.

**Research & Sponsored Programs (RSP)**

- Identify high risk sponsors at the time of the award and, when necessary, include additional requirements such as advance payments.

**7. Resources**

## Related Procedures

- Sponsored Projects Invoicing
- Sponsored Projects Cash Application
- Write-Offs on Sponsored Programs