

**University of Rhode Island
Office of the Controller**

Management of Research Receivables
Revised 8/2/2013

The management of research receivables at the University of Rhode Island consists of granting credit, billing accounts, making collections, analyzing and aging outstanding receivables, providing for bad debts, and charging expenses to deans' accounts for over-expenditures, unallowable expenses on Dean's pledges or failure by Principal Investigators (PI) to meet the requirements of the grant/contract.

I. Guidelines:

A. Granting Credit:

The granting of credit is normally not a function of the University or the State of Rhode Island; therefore, credit will be granted to sponsors as outlined below:

1. Credit to research sponsors from the U.S. government, foundations, municipalities, state agencies, and agencies from the State of Rhode Island is granted during the period claims for reimbursement are outstanding.
2. Credit should normally not be extended to for profit corporations. Payment options should be limited to one third upon signing the contract, one third upon two thirds of project completion and the final one third, thirty days after the completion of the project.
3. Monthly cost reimbursement to for profit companies should only be offered with the approval of the Vice-President for Research & Economic Development.
4. Credit for deans' pledges is given only when a dean pledges facilities and administrative funds (overhead), with the understanding that any expenditure not chargeable to the award will be charged to the appropriate dean's/department's overhead account.

B. Billing:

Prompt billing for the reimbursement of expenses is the single most important factor in managing receivables. Information must be maintained for all unbilled receivables and deans' pledges to be sure that every required effort has been taken in order that bills may be issued as soon as possible.

1. For awards that are billed by tasks or milestones, it shall be the responsibility of the principal investigator to advise in writing the office of Sponsored & Cost Accounting that a particular milestone or task has been met.

- a. An e-mail reminder should be sent by the accountant to Principal Investigator periodically to find out if the milestone of task has been reached.

C. Collection of Receivables:

The Office of Sponsored & Cost Accounting (SCA) is primarily responsible for the collection of research receivables. Receivables not collected through standard routine follow-up may be referred for collection after approval by the university Controller.

D. Aging Analysis:

Adequate information concerning the age of outstanding receivables is vital for the proper management, controls and reserves for bad debts.

1. Information on aging of billed/unbilled receivables must be collected, maintained, and used in a consistent manner.
2. Every effort in record keeping and collection of receivables must be utilized to achieve success.

E. Provision for Bad Debts:

In order to properly reflect realized revenues in the university's books, bad debts must also be recognized.

1. The university should establish and maintain a reserve for bad debts and write-off any accounts deemed uncollectible.

II. Control Procedures:

A. Billing Sponsored Projects and Contracts:

1. Expenses originating from Sponsored Projects and contracts must be billed promptly and accurately. After each monthly closing, priority must be given to billing tasks, whether done via letter of credit, WAWF billing, and standard university invoices or by other means.
2. Final claims for reimbursable expenses must be submitted within 90 days of the completion of the term of the grant, contract or other agreement.
3. Unbilled expenditures for Sponsored Projects, contracts or other instruments should normally exist only under the following circumstances:
 - Deans' pledges in anticipation of receiving awards.
 - Awards that come under tasks, milestones, quarterly billing or similar circumstances.

B. Collection:

The prompt collection of these receivables is important because they represent substantial amounts of money, therefore, a definite sequence of collection efforts must be followed. Billing records should be checked for accuracy before the outlined collection process begins:

1. When an account becomes over 30 days overdue, a phone call should be made, or a letter/e-mail similar to the one in exhibit 1 should be sent.

2. When an account becomes 60 days overdue, a letter/e-mail similar to the one in exhibit 2 should be sent.
3. When an account becomes 90 days overdue, a letter/e-mail similar to the one in exhibit 3 should be sent. A copy of the letter/e-mail should be sent to the principal investigator, with the understanding that the account might be frozen and no further expenses will be allowed if a satisfactory response is not received from the delinquent party.
 - Non-respondents, other than state and federal accounts, should be reported to the university's Controller.
 - The Controller will send a final letter demanding payment with a copy to the Principal Investigator and Legal Counsel.
 - If payment or a satisfactory answer is not received, the Controller may decide to freeze the account and not allow any further expense.
 - Additionally, all other means of obtaining payments, where the costs of collection do not exceed the collectible, must be fully exhausted before the university determines the receivable uncollectible.
4. The Controller shall recommend whether the delinquent account should be turned over to a collection agency or seek a settlement.
5. The university Controller shall have the power to either settle or turn the account over to a collection agency.
6. Collection follow-up procedures for state and federal accounts should take advantage of existing direct contact available including principal investigators involvement before resorting to freezing of accounts.
7. The final decision to freeze the account shall be made by the Controller in consultation with the Assistant Controller for SCA.

III. Write-off Guidelines:

1. The Director of Sponsored & Cost Accounting will prepare a schedule of uncollectible accounts and submit it to the Assistant Controller approval, who will then forward to the Controller for final write-off approval. The schedule should be prepared at a minimum annually.
2. Deans' pledges expenses not allowed by award restrictions shall be written off to the deans/departments overhead as soon as possible after advising the dean in writing, department chair and the principal investigator.
3. If for any reason, the principal investigator does not fulfill the terms of the award, any outstanding receivable will be written off to the relevant dean's or departments overhead account.
4. If the award is overspent then the Office of Sponsored Projects (OSP) will e-mail the PI and Business Manager a deficit/write off notice (Exhibit 4). Upon its return the deficit will be written off to the chartfield outlined on the form. If the form is not returned in the prescribed time (30 days), then OSP will prepare a journal entry to write off the deficit

to the college and department where the F&A was originally distributed and will provide to SCA for posting to the general ledger.

IV. Collection Agencies:

Before an account (other than federal or state) is referred to a collection agency, a determination should first be made as to whether the amount to be collected exceeds \$1000 and no response has been received by Controller. The SCA shall submit the account to a collection agency via the University receivables office after receiving approval by the University Controller.

V. Analysis of Receivables:

SCA shall prepare a monthly aging analysis of the following schedules and send to the Assistant Controller:

1. Billed receivables
2. Unbilled receivables
3. Deans' pledges
4. Deferred revenue

VI. The appropriate billing staff will prepare a report that will outline the steps taken for collection follow-up and reasons for nonpayment.

1. A copy should be sent to the Assistant Controller SCA for further review.

EXHIBIT 1.

Letter 1- Friendly Reminder

Dear.....

A review of our records shows the enclosed invoice(s) regarding the contract/grant number have not been paid.

Since they remain outstanding beyond 30 days, we are providing you with this reminder and ask that you bring your account current by returning your payment of the enclosed invoice(s).

If our records are not correct or if there are any other problems that need to be discussed do not hesitate to call or contact this office.

Thank you for your attention and cooperation.

EXHIBIT 2

Letter 2 – Firm Request

SECOND REQUEST

Dear

Our records show that the enclosed invoice(s) regarding grant/contract numberremain unpaid for more than 60 days.

You have ignored the reminder and request for payment previously mailed to your office.

We must insist on full payment of the enclosed invoice(s) within (10) days from the date of this letter.

We prefer to resolve this letter amicably and therefore ask for your immediate attention to this urgent matter.

Your failure to return payment or contact this office as requested will result in further steps being taken to protect this institution. These measures may include withholding services as well as referral to our legal counsel.

cc. Principal Investigator

EXHIBIT 3.

Letter 3 – Nasty Gram (A/K/A Referral to Legal Counsel) **THIRD REQUEST**

Dear

You have failed to make payments or payment arrangements as previously requested by this office.

Notwithstanding our efforts, your account remains seriously delinquent.

Unless full payment in the amount of \$is received by this office within (10) days from the date of this letter, this matter will be forwarded to our legal counsel for further action.

Further contract services will be terminated immediately and the results of any progress will also be withheld pending resolution of this matter.

We regret the necessity of these measures but your failure to live up to the terms of the contract or to act responsible leaves us no alternative.

cc: Principal Investigator