



RESEARCH FINANCE PROCEDURE

Collection Procedure for Research Finance (Awards with Past Due payments)

Responsible Office: Research Finance

Policy Contact: Assistant Director of Research Finance-Accounting

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PROCEDURE PURPOSE

Vanderbilt receives sponsored project awards from various governmental and private entities. As a recipient of federal, state, and privately sponsored grants and contracts, the University is required to comply with all policies and regulations set forth by the federal and state government and private sponsors, including compliance with the Office of Management and Budget (OMB) Uniform Guidance. Sponsors generally require an invoice or Letter of Credit drawdown request before paying the University for an award. Invoices/LOC drawdowns are generated in accordance with the requirements set forth by the sponsor in the agreements. The Research Finance-Accounting team manages the billing and collections activities for all sponsored projects while working closely with the Principal Investigator (PI), department, and the Office of Sponsored Programs Pre- and Post-Award Administration teams.

While most sponsors pay invoices reliably, occasionally a sponsor is unable to fund the award they made to the University. This procedure provides guidelines for collecting accounts receivables and writing off uncollectible balances.

THIS PROCEDURE APPLIES TO

This procedure applies to all sponsored projects and programs as of January 1, 2022. Affected parties within the university include Principal Investigators (PIs), Department/School Managers and Staff, Department Chairs, Deans, and Research Finance. All University faculty, staff, and students who are responsible for administering federal, state and privately sponsored grants/contracts should be familiar with this collection procedure.

DEFINITIONS

- **Grants Receivable** — Any amounts billed for a sponsored award by means of an invoice/LOC drawdown. Receivables include billings for expenditures on a cost reimbursement basis, a pre-determined payment schedule, or a fixed price contract. Invoices are generated via the University's financial system in accordance with the award agreements. Once an invoice has been emailed, mailed, or a LOC drawdown has been completed, the Senior Accountant in

Research Finance oversees and tracks the invoice to confirm payment. They are responsible for updating receivable comments within the Aging when a payment is past due.

- **Aging report** — A list of outstanding receivables grouped or summed by category in the financial system. Categories are based on the invoice due dates. These categories include: <30(Current), 31-60, 61-90, 91-120, and >120 (Oracle report contains other aging categories, but for conciseness of reporting, they are grouped into the above categories). For this accounting process, aging is determined by the due date of the invoice. Using the Research Finance Aging Report, collections efforts and comments are logged daily by the Research Finance Billing/Collections team. In addition, the Aging report is sent to the Business Officers each month following close.
- **Write-off of Uncollectible Balances** — If, after a thorough collection process is followed by the University and it is determined that an invoice is not likely to be paid (or to be paid in a reasonable time), the balance is no longer considered collectable. The process of removing this balance from the accounts receivable balance on the financials is called a write-off.
- **Dunning Notice / Notification** — process of methodically communicating with customers to improve the probability of collection of accounts receivable.
- **Immaterial Outstanding Balances** — the University has defined this as any balance outstanding by award less than \$50.00 in aggregate. This threshold only applies to non-federal awards.
- **Project Manager** — the Research Finance Analyst assigned to the award according to Oracle.

COLLECTION PROCEDURE

This section describes the procedures to follow during the collection process. Throughout the process, it is critical that communication between Research Finance, Principal Investigator (PI) and department administrators be both timely and consistent. The steps are designed to obtain uniform results of high collection rates and maintain a positive working relationship with the sponsor.

Research Finance should continue to use prudent judgment in collection efforts until all avenues of resolution have been exhausted. These methods may include phone calls to the sponsor, continued notifications, or other means to continue contact and collect past due invoices. The following procedures should be followed based upon the aged date of the receivable.

At any time, subject to applicable federal laws and regulations, the department may order the work stopped or to proceed at risk. If the decision is made to continue the project while collections are in doubt, the PI and his/her department will become wholly responsible for all additional deficits that occur after the date of the stop work order. For state or federally funded awards, ceasing work will be evaluated on a case-by-case basis. This information will be relayed to the Dean of Research, Chief Business Officer, and Senior Director of Research Finance. The department, along with PI will be responsible for making this determination.

Note the collection process starts when an invoice is over 60 days outstanding.

1. 61 to 90 Days Outstanding

When a receivable has been outstanding for 61-90 days, the following steps should be taken by the Research Finance – Senior Accountant:

- If previously non-responsive, email or mail dunning notification/correspondence to Sponsor
 - Copy the PI and Department/ Administrator(s)
 - Copy Project Manager if final invoice is outstanding
- If the sponsor refuses to pay
 - Due to work performance (deliverables, reports, and other technical functions).
 - Email the PI, Department Administrator and copy Assistant Director of Research Finance-Accounting and CBO via email or memorandum. If either party feels the situation warrants it, a meeting will be scheduled with the department to discuss the account status before any decision regarding further collection is made. All account receivables balance will continue to age and be subject to all other collection procedures as stated below, even if collection efforts with the sponsor have been suspended. The Research Finance - Senior Accountant will be notified when collection efforts with the sponsor can resume.
 - Due to unallowable activity or non-obligation of balance
 - Email the Project Manager, Department Administrator(s) and copy Assistant Director of Research Finance-Accounting and CBO via email or memorandum. If either party feels the situation warrants it, a meeting will be scheduled with the department to discuss the account status before any decision regarding further collection is made. All accounts receivables will continue to age and be subject to all other collection procedures as stated below, even if collection efforts with the sponsor have been suspended. The Research Finance - Senior Accountant will be notified if the invoice needs to be updated and when collection efforts with the sponsor can resume.
 - Due to inability to make payment of balance
 - Email the PI, Department Administrator and Assistant Director of Research Finance-Accounting via email or memorandum. If either party feels the situation warrants it, a meeting will be scheduled to discuss the account status before any decision regarding further collection is made.
 - The department should immediately assess and determine if they should order the work stopped or to proceed at own risk.
- Document the steps taken in the award file using the Aging Report/Accounts Receivable Collection Efforts Log.

2. 91-120 Days Outstanding

When a receivable has been outstanding for 91-120 days, the following steps should be taken by the Research Finance – Senior Accountant:

- If previously non-responsive, email or mail second dunning notification/correspondence to Sponsor
 - Copy the Project Manager, PI, and Department Administrator(s)
 - Refer to VERA or the agreement to determine if there are any additional Sponsor contacts that can be included to get further attention.
- If Sponsor refuses to pay, refer to the '61 to 90 Days Outstanding' section for how to proceed. If awaiting department or Project Manager response or action, follow up to ensure they are working towards resolution.
- Document the steps taken in the award file using the Aging Report/Accounts Receivable Collection Efforts Log.

3. After 120 Days Outstanding

When a receivable has been outstanding for more than 120 days (greater than 120 days), the following steps should be taken by the Research Finance – Senior Accountant:

- If previously non-responsive, email or mail third dunning notification/correspondence to Sponsor
 - Email the Project Manager, PI, Assistant Director of Research Finance – Accounting, and Department Administrator(s) to assess continuation of work given the risk and request help with correspondence to sponsor.
- If Sponsor refuses to pay, refer to the '61 to 90 Days Outstanding' section for how to proceed. If awaiting departments or Project Manager response or action, follow up to ensure they are working towards resolution.
- Call the sponsor to ensure they received prior collection attempts.
- Email the CBO informing them of the various collection attempts.
 - Provide any dunning notifications/correspondence with the Sponsor or department to date.
 - Copy Assistant Director of Research Finance – Accounting and Senior Director of Research Finance, and Project Manager
- Document the steps taken in the award file using the Aging Report/Accounts Receivable Collection Efforts Log.
- Depending on scenario and materiality of outstanding balance and at the discretion of Research Finance, Office of General Counsel may be consulted on further action, such as sending a legal notice to collect. This will be assessed case by case. Office of General Counsel will not be involved if there is question on performance or deliverables.

Balances over 120 days are considered doubtful to be collected and will be assessed for write-off and allowance may be created for the balance no later than the end of the then-current fiscal year. Refer to the Allowance and Write-off Policy for Research Finance.

WRITE-OFF PROCEDURE

Uncollectible Accounts

The following details the accounting treatment of amounts identified as uncollectible:

- Uncollectible extramurally funded awards arising from:
 - Non-performance issues, including the failure of the Principal Investigator (PI) to prepare interim and final reports or overspending by the PI
 - Administrative issues and late ledger entries or adjustments resulting in late or inaccurate billing.

Amounts will be charged to another chart of account string and/or project as determined by the department and revenue adjusted accordingly. Note the chart of account string and/or project must be approved by the CBO.

- Uncollectible extramurally funded awards, where the university has met all its contractual requirements:

- The nonpayment may arise from the third party having insufficient funds to meet its commitment or for other reasons resulting in the university not being reimbursed for amounts due.

Amounts will be written off to the department as bad debt or to the allowance account if established. The chart of account string, excluding natural account used will be determined by the department and must be approved by the CBO.

- Uncollectible extramurally funded awards arising from administrative errors made by Research Finance arising from:
 - The nonpayment would arise if Research Finance overlooked a final invoice deadline to send within closeout period.

Amounts will be written off to Research Finance department as bad debt or to the allowance account if established. Note this must be agreed upon and approved by the Senior Director of Research Finance.

Exceptions to Write Offs

- In the event of a No-Cost Extension, Research Finance will review and take the appropriate internal actions to update the receivables.
- If an invoice is outstanding due to an unfinished task or un-met deliverable(s), Research Finance will review and take the appropriate internal actions to update the receivables within the University's financial system. Department may be forced to move cost if not resolved within the award closeout period. The chart of account string and/or Project used is at the discretion of the department and must be approved by CBO.
- If costs post late and/or the invoice is sent outside the award close-out period, the department must move cost as it is automatically not deemed collectible unless the sponsor pre-approves, which is the department's responsibility to obtain. The chart of account string and/or Project used is at the discretion of the department and must be approved by CBO.
- If a balance is immaterial, Research Finance may use independent discretion to write-off or cost share the balance.

ADDITIONAL CONTACTS

Subject	Contact	Office	Phone	Email
Research Finance-Accounting	Research Finance	Research Finance	N/A	Postaward-accounting@vanderbilt.edu
