PURPOSE:

To establish a policy to provide for those circumstances where certain sponsors lose their ability to pay or do not honor the financial responsibility regarding their sponsorship of a project.

DEFINITIONS:

Bad Debts: When payment for actual costs incurred on any given sponsored project is deemed uncollectible.

POLICY:

The university will recognize bad debts arising from sponsored program account receivables after all appropriate, internal and external collection efforts have proven unsuccessful. Sponsored Programs (SP) Financial Administration is responsible for collecting payments on all awards, recommending the status and continuation of projects where payment receipt is doubtful, and recording the appropriate accounting entries for the bad debt. Interest will be charged by the Controller’s Office to sponsored accounts deemed uncollectible.

PROCEDURES:

1. Invoices are submitted to sponsors as shown in Sponsored Programs Policy/Procedure H1, “Billing/Invoicing.” The invoiced amount is recorded as a charge to the sponsored programs accounts receivable (see Sponsored Programs Policy/Procedure H3, “Contracts & Grants Receivable”). SP Financial Administration monitors receipt of payment from sponsors.

2. When the recorded receivable remains unpaid after 120 days, SP Financial Administration contacts the sponsor in regards to the payment. If this proves unsuccessful, additional contacts are pursued with the sponsor requesting payment, or reason for nonpayment. Copies of all correspondence between SP Financial Administration and the sponsor can be shared with the award’s principal investigator.

At this time, SP Financial Administration, after consultation with the Controller, may place a “freeze” on the award account to stop future expenditures from occurring. If the principal investigator/project director (PI) wishes to continue incurring expenditures on the award account, he/she must seek the approval of the chair and dean and provide SP Financial Administration with a guarantee account.

3. If nonpayment is due to nonperformance on the part of the university (i.e. technical report not completed), the PI, the department chair, and the dean of the school are contacted to solve the nonperformance problem. If the problem continues to exist, and payment is
ultimately not received, the department chair and the dean of the school are responsible for the deficiency in the award account caused by the nonpayment.

4. If nonpayment is due to refusal or inability of the sponsor to pay, SP Financial Administration must contact Legal Counsel to assist in its collection efforts after consultation with the Controller. If the university still does not receive payment, the department chair and the dean of the school are held ultimately responsible for the deficiency in the award account caused by the nonpayment.