

Office of Sponsored Programs  
Procedure 30002 Accounts Receivable  
Associated with Sponsored Awards



Revision Date: 09/01/2016

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## 1. Introduction

**Responsible Official:** Senior Director of Post Award

**Effective Date;** July 15, 2003

**Revision Date:** September 1, 2016

**IMPORTANT:** For federal awards/subawards issued to Virginia Tech with a start date prior to December 26, 2014, 2 CFR Part 215 (OMB Circular A-110) and 2 CFR, Part 220 (OMB Circular A-21) apply. For all new funds (new awards and new monies, such as continuation awards, supplements, etc. received for existing awards) with a start date on or after December 26, 2014, these new funds are subject to 2 CFR Part 200 (commonly referred to as Uniform Guidance—Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards) but hereinafter referred to as “2 CFR Part 200”).

Due to the change in federal regulations the language in this procedure specific to the new regulations, 2 CFR Part 200, is highlighted in red font below.

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## 2. Scope

This procedure sets forth requirements for authorizing, identifying, treating, recording, reporting, collecting and writing off accounts receivable associated with sponsored projects. The procedure applies to all principal investigators, university departments and offices that are involved in the administration or use of sponsored award funds.

### 3. Procedure Statement

The management and collection of accounts receivable in connection with the Office of Sponsored Programs (OSP) will be accomplished in a businesslike manner and in conformance with the guidance set forth by the university and any applicable federal or state regulations and laws. Should any inconsistencies arise between this procedure and any university policy, the university policy shall prevail.

The Director of Post Award shall have primary responsibility within OSP for ensuring that procedures and actions in the area of management and collection of accounts receivable are in accordance with industry best practice, are adequate and in compliance with this procedure and the university's [Accounts Receivable Policy 3605](#).

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### 4. Reason for the Procedure

The purpose of this procedure is to inform the community of the requirements associated with sponsored program accounts receivable and collections. Accounts Receivable, or billing, must be properly documented and accounted for in accordance with the terms and conditions of the award, this revenue must be recorded in a Banner fund established and administered by OSP. This procedure also provides for those circumstances where certain sponsors lose their ability to pay or do not honor the financial responsibility regarding their sponsorship of an award often referred to as a bad debt. Reserve limits for bad debt (Reserve for Uncollectables) are established herein. Additionally, handling of unallowable or dis-allowed costs is covered. Specific procedural information is available in the OSP [Billing and Accounts Receivable Manual](#).

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### 5. Definitions

**Accounts receivable** or billings are monies due to the university for effort performed under sponsored awards which have not yet been received but have been invoiced or had a cash drawdown initiated. Receivables include billings for expenditures on a reimbursement basis, for a prepaid contract or a fixed price contract. Credit which has been extended to funding agencies of sponsored awards is a receivable regardless of federal, commercial, foundation or other non-federal stature.

**Credit worthiness** is defined as the ability of the agency, person or company to pay for the good or service under negotiation.

**Delinquent receivables** are those receivables that remain unpaid 91 days and beyond the initial due date.

**Dunning letter** is a notification sent to a sponsor, stating that the sponsor is overdue in paying an accounts receivable with the university. Dunning letters typically follow a progression from polite reminders to much stronger in tone as deadlines for payment approach or are passed. Dunning is also the process of methodically communicating with individuals to ensure certain requested action is taken. It follows a similar process of progressive moving from gentle reminders to firmer communications as due dates approach or pass.

**Past Due receivables** are those receivables that remain unpaid from 1 to 90 days beyond the initial due date.

**Reserve for Unallowable** is a reasonable estimate based on historical experience and/or other rationale used to record a conservative estimate of the amounts charged to governmental accounts that will potentially be deemed unallowable costs. This is done for U.S. state and federal accounts.

**Reserve for Uncollectable** is a reasonable estimate based on historical collections and/or other rationale used to record a conservative estimate of the invoiced amounts that will become uncollectible. This is done for non-governmental (U.S. federal and state) accounts.

**Unallowable or Dis-allowed costs** are costs expressly unallowable or mutually agreed to be unallowable. Such costs shall be identified and excluded from any billing, claim, application, or proposal applicable to a federal sponsored award administered under the provisions of [2 CFR Part 200.410](#). Similarly, costs which specifically become designated as unallowable as a result of a written decision furnished by an auditor or official pursuant to the sponsored award shall be identified if included in or used in the computation of any billing, claim, or proposal applicable to a sponsored award.

**Write-off** of receivables is the transaction which removes a receivable that management has determined to be uncollectible from the university's active accounts receivable balance on the accounting records. This does NOT discharge the debt owed to the university, the Bursar's Office will continue to track the amount in the event that it can be collected from tax set off or other means. This process is only performed after a thorough collection process is followed.

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## 6. Sponsor Credit Worthiness Determination during Contract Negotiation

During the contract negotiation phase, efforts will be made by designated OSP associates to determine the credit worthiness of all commercial and flow-through sponsors. When Virginia Tech has prior experience with a sponsor, payment timeliness on earlier contracts will be a primary determining factor of credit worthiness, and long term satisfactory performance will serve as sufficient evidence in many cases.

In the absence of satisfactory performance, the individual designated by the Director of Post Award will perform a sponsor worthiness check to recommend acceptable payment terms, which are approved by the Assistant Vice President of Sponsored Programs. When there is no successful payment history with a sponsor or credit worthiness is not clear, efforts by an OSP Contracts Associate will be made to obtain an upfront payment of 10-25% of the award. This demonstrates that the sponsor has reasonable cash flow at the time the contract is initiated. After the upfront funds are exhausted on cost reimbursable contracts, billing by the Post Award Team will resume according to the approved schedule in the contract. Awards may also be broken into subtasks to limit the university's exposure.

Where none of the above provisions are possible and credit worthiness is still in doubt, the Assistant Vice President of Sponsored Programs will discuss with the appropriate Principal Investigator, Department Head, and/or Dean whether to accept the award. If accepted, the award will be flagged for continuous monitoring by the committee. Funds will be budgeted and released either on a task-by-task basis or in increments of 90 day's needs, but generally not to exceed \$100,000 available at any time. With consultation of the Sponsored Programs Credit Oversight Committee, funds up to \$250,000 can be released under special circumstances. These limits may be set lower whenever warranted based on the judgment of the Assistant Vice President of Sponsored Programs.

## 7. Monitoring and Treatment of Sponsored Awards Accounts Receivables

Upon receipt of a new/incremental sponsored award, a fund is established or a fund budget increased in the university's Banner accounting system. New funds are coded to identify whether or not the account is billable and, if billable, to identify the correct billing cycle. The system will then require certain demographic data to be completed by the Post Award Associate (PA). See the [OSP Billing and Accounts Receivable Manual](#) for further information on this process.

The OSP Banner Accounts Receivable module will provide an Accounts Receivable Delinquency report (FZRGBAG report) which is reviewed and summarized monthly on the OSP Accounts Receivable Spreadsheet as designated by the Director of Post Award. The spreadsheet is reviewed, summarized and distributed to associates monthly as designated. PAs will use the spreadsheet to document follow-up efforts on outstanding invoices.

Utilizing the OSP Accounts Receivable Spreadsheet, each PA shall make monthly follow-ups on outstanding invoices > than 60 days. The follow-ups will conform to the deadlines outlined below in ¶8 and ¶9, unless otherwise approved by the Director of Post Award or Assistant Vice President of Sponsored Programs. This spreadsheet is reviewed monthly by the Sponsored Programs Credit Oversight Committee.

Separate procedures have been established for the treatment of Federal and State government awards versus other awards (commercial, foundation, and other governments) due to the differing business risks associated with each. Whereas compliance and allowability are considered the primary risks for federal and state government awards, collectability is the primary identified risk for other awards.

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## 8. Handling of Collections for Federal and State Government Sponsors

- a) **Thirty-one Days after Issuance of an Invoice (1 – 30 days past due)**
  - The PA may conduct telephone or email follow-up with the sponsor.
  - The project billing file should be documented noting the date and the nature of the follow-up as well as information provided by the sponsor asserting when the invoice will be paid or why the invoice is not being paid.
  
- b) **Sixty-one Days after Issuance of an Invoice (31 – 60 days past due)**
  - The PA will conduct telephone or email follow-up with the sponsor.
  - The project billing file should be documented noting the date and the nature of the follow-up as well as information provided by the sponsor asserting when the invoice will be paid or why the invoice is not being paid.
  - Confirmation of receipt and acceptability of the invoice should be obtained and documented by the PA.
  - The anticipated date of payment should also be obtained, and it should be pointed out that the invoice has been outstanding for up to sixty days and is beyond the account due date.
  
- c) **Ninety-one Days after Issuance of an Invoice (61 – 90 days past due)**
  - The PA will conduct follow-up on the invoice(s) with the sponsor.
  - The follow-up may be via telephone, email or letter to ensure the sponsor is aware that invoice(s) is past due and payment is required from the sponsor.

- The project billing file should be documented noting the date and the nature of the follow-up as well as information provided by the sponsor asserting when the invoice will be paid or why the invoice is not being paid.
  - If the invoice is being held for some non-performance issue on the part of the university, the PA will work with the PI to resolve the issue.
- d) **One Hundred Twenty-one Days after Issuance of an Invoice (91 – 120 days past due)**
- The invoice is now delinquent.
  - Collection efforts will be managed by the Director of Post Award, which may include additional verbal and/or written communication with the sponsor.
  - As directed by the Assistant Vice President of Sponsored Programs, determine disposition in consultation with University Legal Counsel when and only if contractual disputes or solvency issues are involved.
  - The “OSP Accounts Receivable Spreadsheet” will also be updated with the projected status.
  - The sponsor and university department involved in the research will be notified that the research fund is at risk of being frozen if payment is not received in the next 30 days.
  - A letter notifying the project’s PI, relevant Department Head/Center Director/Dean’s Office, and the Departmental Administrator/Business Support Center/Fiscal Officer will be sent at the discretion of the Assistant Vice President for Sponsored Programs.
  - If the award is frozen, a Stop Work notice may also be included.
  - The project billing file should be documented noting actions taken and the response of the sponsor regarding payment.
  - Should the invoice payment be delayed for some non-performance issue on the part of the university, the PA will work with the PI to resolve the issue.
- e) **One Hundred Fifty-one Days after Issuance of an Invoice (121 – 180 days past due)**
- The invoice is delinquent.
  - Additional collection efforts may include verbal and written communication with the sponsor.
  - As directed by the Assistant Vice President of Sponsored Programs, determine disposition in consultation with University Legal Counsel when and only if contractual disputes or solvency issues are involved.
  - All collection efforts will be managed by Director of Post Award, which includes additional verbal and/or written communication with the sponsor.
  - The “OSP Accounts Receivable Spreadsheet” will also be updated with the projected status.
  - The sponsor and university department involved in the research will be notified that the research fund is at risk of being frozen and payroll transferred if payment is not received in the next 30 days.
  - A letter notifying the project’s PI, relevant Department Head/Center Director/Dean’s Office, and the Departmental Administrator/Business Support Center/Fiscal Officer may be sent at the discretion of the Assistant Vice President for Sponsored Programs indicating a warning of possible loss of Indirect Costs and the likelihood of a need to mitigate the award’s unrecovered Direct Costs.
  - If the award is frozen, a Stop Work notice may also be included.

- Should the invoice payment be delayed for some non-performance issue on the part of the university, the PA will work with the PI to resolve the issue.
- f) **Two Hundred Eleven Days after Issuance of an Invoice (181 – 365 days past due)**
- The invoice is severely delinquent and likely to be classified as a bad debt.
  - Additional collection efforts include verbal and written communication with the sponsor.
  - As directed by the Assistant Vice President of Sponsored Programs, determine disposition in consultation with University Legal Counsel when and only if contractual disputes or solvency issues are involved.
  - All collection efforts will be managed by Director of Post Award, which includes additional verbal and/or written communication with the sponsor.
  - The “OSP Accounts Receivable Spreadsheet” will also be updated with the projected status.
  - The sponsor and university department involved in the research will be notified that the research fund is frozen and payroll has been transferred with all current expenditures disallowed.
  - An update letter notifying the project’s PI, relevant Department Head/Center Director/Dean’s Office, and the Departmental Administrator/Business Support Center/Fiscal Officer will be sent at the discretion of the Assistant Vice President for Sponsored Programs indicating the imminent return of allocated but uncollected Indirect Costs and the requirement to mitigate the award’s unrecovered Direct Costs.
  - A Stop Work notice is also be included or will continue in force.
- g) **Three Hundred Ninety-five Days after issuance of an Invoice (> 365 days past due)**
- Additional collection efforts include verbal and written communication with the sponsor.
  - As directed by the Assistant Vice President of Sponsored Programs, determine disposition in consultation with University Legal Counsel when and only if contractual disputes or solvency issues are involved.
  - If so directed, collection efforts may continue to be managed by Director of Post Award, which includes additional verbal and/or written communication with the sponsor.
  - The “OSP Accounts Receivable Spreadsheet” will also be updated with the projected status.
  - The sponsor and university department involved in the research will be notified that the research fund is frozen and future expenditures are not authorized.
  - The Stop Work notice continues.
  - An update letter notifying the project’s PI, relevant Department Head/Center Director/Dean’s Office, and the Departmental Administrator/Business Support Center/Fiscal Officer will be sent at the discretion of the Assistant Vice President for Sponsored Programs. The letter serves as notice that OSP will immediately reclaim allocated but uncollected Indirect Costs and ultimately charge off unrecovered Direct Costs as a bad debt, pending approval by the Board of Visitors.
  - Writeoffs are unlikely in this area, but if necessary, the steps outlined in [9.9](#). Handling of Delinquent Accounts Receivable for Commercial, Nonprofit (including Foreign, Local Government, etc.) are used as appropriate.

## **9. Handling of Collections for Commercial, Nonprofit (including Foreign, Local Government, Flow-Through, etc.), and All Other Sponsors**

- a) **Thirty-one Days after Issuance of an Invoice (1 – 30 days past due)**
- The PA may conduct telephone or email follow-up with the sponsor.
  - The PA may mail a dunning letter to the sponsor, if appropriate, and maintain a copy of the letter in the project billing file.
  - A copy of the dunning letter will be provided to the project's PI, relevant Department Head/Center Director/Dean's Office, and the Departmental Administrator/Business Support Center/Fiscal Officer.
  - Should the invoice payment be delayed for some non-performance issue on the part of the university, the PA will work with the PI to resolve the issue.
- b) **Sixty-one Days after Issuance of an Invoice (31 – 60 days past due)**
- The PA will mail a dunning letter to the sponsor, if appropriate, and maintain a copy of the letter in the project billing file.
  - A copy of the dunning letter will be provided to the project's PI, relevant Department Head/Center Director/Dean's Office, and the Departmental Administrator/Business Support Center/Fiscal Officer.
  - Further awards from the sponsor, prior to collection of the debt, may be rejected at the direction of the Assistant Vice President for Sponsored Programs or the Sponsored Programs Credit Oversight Committee.
  - The Director of Post Award monitors Accounts Receivable action by this sponsor closely to limit potential exposure.
- c) **Ninety-one Days after Issuance of an Invoice (61 – 90 days past due)**
- The Director of Post Award directs communication with the sponsor.
  - As directed, a dunning letter will be sent to the sponsor, if appropriate, and a copy of the letter maintained in the project billing file.
  - A copy of the dunning letter will be provided to the project's PI, relevant Department Head/Center Director/Dean's Office, and the Departmental Administrator/Business Support Center/Fiscal Officer.
  - The sponsor and university department involved in the research will be notified that the research fund is at risk of being frozen and payroll transferred if payment is not received in the next 60 days.
  - If circumstances indicate that further collection efforts by OSP with the sponsor are not likely to succeed, the Assistant Vice President of Sponsored Programs may request legal assistance from University Legal Counsel.
  - Further awards from the sponsor, prior to collection of the debt, may be rejected at the direction of the Assistant Vice President for Sponsored Programs or the Sponsored Programs Credit Oversight Committee.
  - Follow-up actions will be documented in the project billing file.
  - Accounts Receivable in this category will be closely monitored by the Director of Post Award to limit potential exposure.
- d) **One Hundred Twenty-one Days after Issuance of an Invoice (91 – 120 days past due)**

- All collection efforts will be handled by Director of Post Award, which may include additional verbal and/or written communication with the sponsor.
  - The “OSP Accounts Receivable Spreadsheet” will also be updated with the projected status.
  - If circumstances indicate that further collection efforts by OSP with the sponsor are not likely to succeed the Assistant Vice President of Sponsored Programs may request legal assistance or action against the sponsor from University Legal Counsel.
  - The sponsor and university department involved in the research will be notified that the research fund is at risk of being frozen if payment is not received in the next 30 days.
  - A letter notifying the project’s PI, relevant Department Head/Center Director/Dean’s Office, and the Departmental Administrator/Business Support Center/Fiscal Officer will be sent at the discretion of the Assistant Vice President for Sponsored Programs.
  - If the award is frozen, a Stop Work notice may also be included.
  - The project billing file should be documented noting actions taken and the response of the sponsor regarding payment.
  - Typically (unless otherwise directed by the Assistant Vice President for Sponsored Programs, 50% of Direct Costs are encumbered in the Reserve for Uncollectible, fund 324918. The source of revenue/fund balance for the reserve fund is fund 324921 (Residual Reserve Rev./Exp.). The total amount reserved for uncollectible amounts will be reevaluated monthly by the Sponsored Programs Credit Oversight Committee.
  - Should the invoice payment be delayed for some non-performance issue on the part of the university, the PA will work with the PI to resolve the issue.
- e) **One Hundred Fifty-one Days after Issuance of an invoice (121 – 180 days past due)**
- The invoice is delinquent.
  - Additional collection efforts may include verbal and written communication with the sponsor.
  - All collection efforts will be managed by Director of Post Award, which includes additional verbal and/or written communication with the sponsor except in cases where the Sponsored Programs Credit Oversight Committee has determined that University Legal Counsel will handle the collection.
  - The “OSP Accounts Receivable Spreadsheet” will also be updated with the projected status.
  - If circumstances indicate that further collection efforts by OSP with the sponsor are not likely to succeed the Assistant Vice President of Sponsored Program may request legal assistance or action against the sponsor from University Legal Counsel.
  - The sponsor and university department involved in the research will be notified that the research fund is frozen, payroll transferred and any future expenditures are disallowed.
  - A letter notifying the project’s PI, relevant Department Head/Center Director/Dean’s Office, and the Departmental Administrator/Business Support Center/Fiscal Officer is issued at the direction of the Assistant Vice President for Sponsored Programs indicating a warning of loss of Indirect Costs and the need to mitigate the award’s unrecovered Direct Costs.
  - With the award frozen, a Stop Work notice is included.
  - Typically (unless otherwise directed by the Assistant Vice President for Sponsored Programs, 75% of Direct Costs are encumbered in the OSP fund, Reserve for



Uncollectible. The total amount reserved for uncollectible amounts will be reevaluated quarterly by the Sponsored Programs Credit Oversight Committee.

- f) **Two Hundred Eleven Days after Issuance of an Invoice (181– 365 days past due)**
- The invoice is severely delinquent and likely to be classified as a bad debt.
  - Additional collection efforts may include verbal and written communication with the sponsor.
  - All collection efforts will be managed by the Director of Post Award, which includes additional verbal and/or written communication with the sponsor except in cases where the Sponsored Programs Credit Oversight Committee has determined that University Legal Counsel will handle the collection.
  - The “OSP Accounts Receivable Spreadsheet” will also be updated with the projected status.
  - The sponsor and university department involved in the research will be notified that the research fund remains frozen with all current expenditures disallowed.
  - Typically (unless otherwise directed by the Assistant Vice President for Sponsored Programs, 75% of Direct Costs are already encumbered in the OSP fund, Reserve for Uncollectible. The total amount reserved for uncollectible amounts will be reevaluated quarterly by the Sponsored Programs Credit Oversight Committee.
  - An update letter notifying the project’s PI, relevant Department Head/Center Director/Dean’s Office, and the Departmental Administrator/Business Support Center/Fiscal Officer will be sent at the discretion of the Assistant Vice President for Sponsored Programs indicating the imminent loss of Indirect Costs and the requirement to mitigate the award’s unrecovered Direct Costs.
  - A Stop Work notice is also be included or will continue in force.
- g) **Three Hundred Ninety-five Days after Issuance of an invoice (> 365 days past due)**
- The invoice is typically classified as a bad debt.
  - If so directed, collection efforts may continue to be managed by the Director of Post Award, which includes additional verbal and/or written communication with the sponsor, but usually, University Legal Counsel is involved and collection efforts are being handled by other university or contractual entities when debts reach this stage. OSP collection efforts should cease once University Legal Counsel has assumed responsibility for collecting a specific debt.
  - The “OSP Accounts Receivable Spreadsheet” will be updated with the projected status.
  - The sponsor and university department involved in the research will be notified that the research fund is frozen and future expenditures are not authorized.
  - Stop Work notice continues.
  - An update letter notifying the project’s PI, relevant Department Head/Center Director/Dean’s Office, and the Departmental Administrator/Business Support Center/Fiscal Officer will be sent at the discretion of the Assistant Vice President for Sponsored Programs indicating the loss of Indirect Costs and the award’s unrecovered Direct Costs being charged off as a bad debt.
  - Typically (unless otherwise directed by the Assistant Vice President for Sponsored Programs), 100% of Direct Costs are now encumbered in the OSP fund, Reserve for Uncollectible. The total amount reserved for uncollectible amounts will be reevaluated monthly by the Sponsored Programs Credit Oversight Committee.

- When all reasonable collection efforts have been exhausted, a write-off will be recommended jointly by the University Controller and the Assistant Vice President for Sponsored Programs, in consultation with University Legal Counsel. Write-offs must be first approved by the Vice President for Finance and Chief Financial Officer and then presented to the Board of Visitors for concurrence at their final full meeting of each calendar year.

**h) Once a write off is approved by the Board of Visitors**

- Any unfunded indirect costs associated with the direct costs charged off as a bad debt should first be recovered. The original indirect charges should be reversed in the sponsored fund and the corresponding credits in the indirect costs clearing funds should be reversed in turn.
- Once the associated unfunded indirect costs reversed, the remaining unfunded direct costs should be covered via a debit to the Reserve for Uncollectibles fund using the account code 8552E (Non-Mand Transfer-OSP Write-off CFR) and a credit to the same account in the sponsored fund with the bad debt.

**10. Chart Summarizing Collections Timeline and Actions**

This chart is presented for ease of finding a brief summary of actions over the timeline of an invoice through issuance to collection or write-off to the Allowance for Doubtful Accounts. The full explanation of actions for a federal or foundation sponsor can be found above in [¶8. Handling of Delinquent Accounts Receivable for Federal and State Government Sponsors](#). Likewise the full explanation for all other sponsors can be found above in [¶9. Handling of Delinquent Accounts Receivable for Commercial, Nonprofit \(including Foreign, Local Government, etc.\), and All Other Sponsors](#). Please refer to ¶8 or 9 for the full details.

| Timeline  | Invoice Status | Federal or State Government <a href="#">¶8</a>  | Commercial, Nonprofit and Federal Flow-through (including Foreign, Local Government, etc.), and All Other Sponsors Action <a href="#">¶9</a>   |
|---|----------------|---|--|
| 1-30 days since invoice date<br><b>zero days past due</b>       | Current        | No Action Required  | No Action Required   |
| 31-60 days since invoice date<br><b>1-30 days past due</b>      | Past Due       | Follow up with Sponsor  | <ul style="list-style-type: none"> <li>• Dunning letter may be mailed to Sponsor by PA</li> <li>• Copies to PI &amp; Dept.</li> </ul>  |
| 61-90 days since invoice date<br><b>31-60 days past due</b>     | Past Due       | Follow up with Sponsor by PA  | <ul style="list-style-type: none"> <li>• Dunning letter to Sponsor from PA</li> <li>• Copies to PI &amp; Dept.</li> <li>• Further awards may be rejected</li> <li>• Director or designee monitors A/R closely</li> </ul>   |
| 91-120 days since invoice date<br><b>61-90 days past due</b>    | Past Due       | Follow up with Sponsor by PA  | <ul style="list-style-type: none"> <li>• Director or designee handles communication with Sponsor</li> <li>• Dunning letter may be sent to Sponsor</li> <li>• AVP of OSP may involve Univ. Legal Counsel</li> <li>• Letter to PI &amp; Dept. may be issued</li> </ul>   |
| 121-150 days since invoice date<br><b>91-120 days past due</b>  | Delinquent     | <ul style="list-style-type: none"> <li>• AVP for OSP may involve Univ. Legal Counsel</li> <li>• AD of F&amp;QC handles communication with Sponsor</li> <li>• AD of F&amp;QC documents on OSP A/R Spreadsheet</li> <li>• Funds may be frozen and payroll transferred</li> <li>• Stop Work notice may be issued to PI &amp; Dept.</li> <li>• Letter to PI &amp; Dept. issued at direction of AVP for OSP</li> </ul>   | <ul style="list-style-type: none"> <li>• Director or designee handles communication with Sponsor</li> <li>• Director or designee documents on OSP A/R Spreadsheet</li> <li>• AVP of OSP may involve Univ. Legal Counsel</li> <li>• Fund(s) may be frozen and payroll transferred</li> <li>• Stop Work notices may be issued to PI &amp; Dept.</li> <li>• Letter to PI &amp; Dept. issued at direction of AVP for OSP</li> <li>• 50% of Direct Costs is encumbered in Reserve for Uncollectable (at 91 days)</li> </ul>   |
| 151-210 days since invoice date<br><b>121-180 days past due</b> | Delinquent     | <ul style="list-style-type: none"> <li>• AVP for OSP may involve Univ. Legal Counsel</li> <li>• AD of F&amp;QC handles communication with Sponsor</li> <li>• AD of F&amp;QC documents on OSP A/R Spreadsheet</li> <li>• Funds may be frozen and payroll transferred</li> <li>• Stop Work notice may be issued to PI &amp; Dept.</li> <li>• Letter to PI &amp; Dept. may be issued at direction of AVP for OSP with warning of possible loss of Indirect Costs and possible need to mitigate Direct Costs</li> </ul> | <ul style="list-style-type: none"> <li>• Director or designee handles communication with Sponsor unless oversight committee determines legal counsel will</li> <li>• Director or designee documents on OSP A/R Spreadsheet</li> <li>• AVP of OSP may involve Univ. Legal Counsel</li> <li>• Fund(s) are or remain frozen with all expenditures disallowed</li> <li>• Stop Work is issued or continues</li> <li>• Update letter to PI &amp; Dept. issued at direction of AVP for OSP with warning concerning loss of Indirect Costs imminent and requirement to mitigate Direct Costs.</li> <li>• 75% of Direct Costs is encumbered in Reserve for Uncollectable (at 121 days)</li> </ul> |

| Timeline  | Invoice Status | Federal or State Government <a href="#">18</a>   | Commercial, Nonprofit and Federal Flow-through (including Foreign, Local Government, etc.), and All Other Sponsors Action <a href="#">19</a>  |
|---|----------------|--|---|
| 211-395 days since invoice date<br><b>181-365 days past due</b> | Delinquent     | <ul style="list-style-type: none"> <li>• AVP for OSP may involve Univ. Legal Counsel</li> <li>• AD of F&amp;QC handles communication with Sponsor</li> <li>• AD of F&amp;QC documents on OSP A/R Spreadsheet</li> <li>• Delinquency Resolution enforced</li> <li>• Fund(s) remain frozen with all expenditures disallowed</li> <li>• Stop Work continues</li> <li>• Update letter to PI &amp; Dept. issued at direction of AVP for OSP with warning concerning loss of Indirect Costs imminent and requirement to mitigate Direct Costs</li> </ul>   | <ul style="list-style-type: none"> <li>• Director or designee handles communication with Sponsor unless oversight committee determines legal counsel will</li> <li>• Director or designee documents on OSP A/R Spreadsheet</li> <li>• AVP of OSP may involve Univ. Legal Counsel</li> <li>• Fund(s) remain frozen with all expenditures disallowed</li> <li>• Stop Work continues</li> <li>• Update letter to PI &amp; Dept. issued at direction of AVP for OSP with warning concerning loss of Indirect Costs imminent and requirement to mitigate Direct Costs</li> <li>• 75% of Direct Costs is already encumbered in Reserve for Uncollectable</li> </ul>   |
| > 395 days since invoice date<br><b>&gt;365 days past due</b>   | Bad Debt       | <ul style="list-style-type: none"> <li>• AVP for OSP may involve Univ. Legal Counsel</li> <li>• AD of F&amp;QC handles communication with Sponsor</li> <li>• AD of F&amp;QC documents on OSP A/R Spreadsheet</li> <li>• Delinquency Resolution enforced</li> <li>• Fund(s) remain frozen with all expenditures disallowed</li> <li>• Stop Work continues</li> <li>• Update letter to PI &amp; Dept. issued at direction of AVP for OSP with notice concerning loss of all associated Indirect Costs and instructions on mitigation of Direct Costs</li> <li>• Write-offs are unlikely in this area, but if necessary, the steps outlined in <a href="#">19</a>. Handling of Delinquent Accounts Receivable for Commercial, Nonprofit (including Foreign, Local Government, etc.) are used as appropriate.</li> </ul> | <ul style="list-style-type: none"> <li>• Legal Counsel handles communication with Sponsor unless OSP is otherwise directed</li> <li>• Director or designee documents on OSP A/R Spreadsheet</li> <li>• Fund(s) remain frozen with all expenditures disallowed</li> <li>• Stop Work continues</li> <li>• Update letter to PI &amp; Dept. issued at direction of AVP for OSP with notice concerning loss of all associated Indirect Costs and instructions on mitigation of Direct Costs where unrecovered Direct Costs are charged off as a bad debt.</li> <li>• Write-off is recommended to VP for Fin &amp; CFO and after approval BOV concurrence requested.</li> <li>• After write-off is approved, 100% of unfunded Direct Costs are moved via debit to Reserve for Uncollectable (at <b>365 days</b>) and offset using the sponsored fund/account code 8552E (Non-Mand Transfer-OSP Write-off CFR)</li> <li>• After write-off is approved, 100% of Indirect Costs are reserved in the sponsored award fund(s) and the corresponding activity in the indirect costs clearing funds are the offset.</li> </ul> |

## 11. Oversight Committee

The Sponsored Programs Credit Oversight Committee will generally meet monthly to evaluate the status of and identify action plans for overdue billings, deficit cash balances, and credit flagged sponsored funds. In addition, the committee will periodically evaluate and ensure that the amount encumbered in the Reserve for Uncollectible fund is sufficient to meet the standards set forth in this procedure. The committee will consist of the Assistant Vice President for Sponsored Programs, the Assistant Vice President for Finance and University Controller, the Senior Director of Post Award, and others that are assigned by the Vice President for Research and Innovation and/or the Vice President for Finance and Chief Financial Officer. The committee determines any additional collection efforts that may be necessary with the advice of University Legal Counsel and/or the Vice President for Finance and Chief Financial Officer when appropriate. The “OSP Accounts Receivable Spreadsheet” is part of the information to assist the evaluation. The committee must approve in advance any departures from the above procedures.

In its deliberations, the committee should take into consideration the total amount due from any sponsor across all projects and outstanding invoices. Attention should also be paid to deficit cash balances to ensure that invoicing is occurring on a timely basis as outlined in the contract. Action plans should be developed by the committee with consideration given to issues of the total amount due, sponsor payment history, etc.

When the university is unable to collect due to non-performance such as failure to submit a technical report or otherwise achieve project objectives on schedule, the Assistant Vice President for Sponsored Programs and Senior Director of Post Award will consult with the committee. It may be determined by the committee that it is appropriate to charge back selected expenditures to an alternative fund provided by the university department that conducted the project or program, or to fund 324921 “Residual Reserve Rev./Exp.” in order to close out the project.

## 12. OSP Uncollectable Status

When the Sponsored Programs Credit Oversight Committee determines that further collection efforts should be lifted to University Legal Counsel, the invoice and associated documents of collection will be referred to counsel by the Senior Director of Post Award for the initiation of formal collection procedures. The file forwarded for this action will be organized in a manner acceptable to University Legal Counsel.

Once the file is forwarded to University Legal Counsel the PI, relevant Department Head/Center Director/Dean's Office, the Departmental Administrator/Business Support Center/Fiscal Officer, and Bursar's Office will be advised (as applicable) about the change in collection proceedings. OSP is to cease attempts at collection once the file is turned over to University Legal Counsel. The project file and responsibility for such will be reassigned to the Senior Director or Associate Director of Post Award.

As this could result in a double counting on university level summary reports, care should be taken to ensure the Office of Budget and Financial Planning, University Bursar, Controller's Office and/or other central reporting offices are aware of the possible duplication.

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## 13. Write Off

The Sponsored Programs Credit Oversight Committee will consult with University Legal Counsel as needed to stay apprised of the status of accounts in OSP Uncollectible status. If it is determined that counsel has exhausted all reasonable and cost effective methods for collection, the committee will annually (each spring) make recommendations for write off to the Vice President for Finance and Chief Business Officer. Those recommendations which are accepted will be taken to the Board of Visitors annually (generally November meeting) for final review/approval.

Typically, the invoice remains in the OSP Banner Sponsored Programs Accounts Receivable module until it is written-off or collected. Immediately after the recommendation but prior to board approval, the Bursar's Office will often proceed to input a duplicate of the invoice in their Banner General Accounts Receivable module. These are specially coded to avoid double counting. The record will remain in the General Accounts Receivable system indefinitely, but not be reported as an active receivable, in case an amount can be recovered via state tax set off or other means.

When the Board of Visitors has approved an account for write off, the invoices will be reversed in the Sponsored Programs Accounts Receivable system by the Senior Director of Post Award or designee. The Senior Director or designee will prepare a journal entry reversing the indirect cost portion of the uncollected amount to the original indirect costs accounts used in the project fund and the associated clearing fund. The system will thus reclaim the amounts to the clearing fund at month-end according to the normal indirect cost allocation percentages. They will also prepare a journal entry transferring the direct cost portion of the uncollected amount (as a single amount) to fund 324918 "Residual Reserve for Uncollectible" using account code 8552E "Non-Mand Transfer-OSP Write Off CFR" for both the debit and credit side of the entry. For large amounts, the fund encumbrance may have to be adjusted downward to reflect the already anticipated and encumbered write off. Journal entries will be reviewed and approved by the Assistant Vice President for Sponsored Programs and forwarded to the Controller's Office for processing. Cost transfers to complete approved write offs are NOT subject to the time limits in university policy 3255: [Cost Transfers on Sponsored Projects](#).

## 14. Overdrafts

PIs and departments should monitor sponsor award activity monthly at a minimum. Overdrafts on sponsor awards should be identified and rectified quickly, transferring the costs to the appropriate fund. Care should be taken to ensure the costs are identified and moved in a timely manner. Cost transfers in general, and late cost transfers in particular (those occurring more than 90 days after the original expenditure was posted to the fund), are heavily scrutinized by auditors. Cost transfers to correct an overdraft are subject to the university policy 3255: [Cost Transfers on Sponsored Projects](#).

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## 15. Unallowable or Dis-allowed Costs

Costs expressly unallowable in [2 CFR Part 200 Subpart E, General Provisions for Selected Items of Cost 2 CFR Parts 200.420-475](#); unallowable costs mentioned in any other section of the guidance; or otherwise agreed to be unallowable shall be identified and excluded from any billing, claim, application, or proposal applicable to a federal sponsored award. Unrecovered direct costs on an award having invoices classified as bad debt or uncollectable are unallowable costs. Unallowable costs must be transferred from the associated federal sponsored fund(s) to another non-sponsored departmental fund and may not be transferred to another sponsored fund.

Costs which specifically become designated as unallowable as a result of a written decision furnished by an auditor or official pursuant to the sponsored award shall be identified if included in or used in the computation of any billing, claim, or proposal applicable to a sponsored project. Audit disallowances must be transferred promptly from the sponsored fund to another non-sponsored departmental fund and may not be transferred to another sponsored fund.

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## 16. Reserve for Unallowable Costs Threshold Limits

OSP sets aside and encumbers in fund 324919 a reserve to which may be transferred any unallowable costs that may be identified in an audit or other review. The source of revenue/fund balance for the reserve fund is fund 324921 (Residual Reserve Rev./Exp.). The threshold for the Sponsored Programs Reserve for Unallowable shall be evaluated at the start of a new fiscal year by the Assistant Vice President for Sponsored Programs. As of July 1, 2016, the reserve should be initiated to at least four-tenths of 1% (0.004) of the previous fiscal year's total annual Federal and State combined sponsored research spending, both direct and indirect. By July 1, 2017, the reserve should be initiated to at least one-half of 1% (0.005) of the previous fiscal year's total annual Federal and State combined sponsored research spending, both direct and indirect. This amount shall be calculated and encumbered annually by close of business August 31. As deemed necessary, the Assistant Vice President for Sponsored Programs may choose to increase the threshold above the minimum recommended amount (never below) or otherwise act in accordance with assigned duties and responsibilities over the reserve fund.

The first option for dealing with unallowable costs on a sponsored fund should always be to request that the originating department transfer the costs to another departmental fund. Should this prove impractical or where responsibility resides with OSP, the costs may be transferred to the Reserve for Unallowable, fund 324919. Unallowable costs should be transferred from their original sponsored fund to the reserve fund using the specific transaction amounts and expenditure account codes to which they originally posted.

In order to promote efficiency of the project closeout process, cost overruns of \$25 or less per fund may be similarly transferred in summary (using an account code to which actual costs originally posted) to the Reserve for Unallowable fund.

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## 17. References

- [University Policy 3605](#), Accounts Receivable
  - [University Policy 3600](#), Funds Handling and Deposit of State and Local Funds
  - [Billing and Accounts Receivable Manual](#)
  - [2 CFR Part 200](#), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)
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## 18. Contacts

- **Senior Director of Post Award**  
Office of Sponsored Programs  
North End Center, Suite 4200  
300 Turner Street NW  
Blacksburg, VA 24061  
540.231.9372
  - **Assistant Vice President for Sponsored Programs**  
540.231.5281
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## 19. Roles and Responsibilities

- **Principal Investigators:**
  - Assist Post Award Associate (PA) in determining possible instances where an invoice is being held unpaid by the sponsor for some non-performance issue on the part of the university;
  - Work with the PA to resolve any issues should the invoice be held for some non-performance on the part of the PI or university; and
  - Assist PA in determining possible alternate sponsor contact information to ensure the appropriate individual has been contacted to arrange payment of unpaid invoices due from the sponsor.
- **Department Administrator/Business Support Center/Fiscal Officer:**
  - Assist Post Award Associate (PA) in determining possible instances where an invoice is being held unpaid by the sponsor for some non-performance issue on the part of the university;
  - Assist PA in determining possible alternate sponsor contact information to ensure the appropriate individual has been contacted to arrange payment of unpaid invoices due from the sponsor; and
  - Enforce any Stop Work directive on an award to ensure cost control.
- **Office of Sponsored Programs (Post Award Associate and other staff):**
  - Ensure sponsors are invoiced, monitor aging of sponsor invoices;
  - Review program invoicing to ensure billing is correct and appropriate;

- Contact sponsor to discuss anticipated payment and document all correspondence in OSP project billing file files;
  - Notify PI and department of possible issues of non-payment of invoices;
  - Send dunning letters and legal letters, document reasons for letters not sent;
  - Issue Stop Work directive on award to ensure cost control is initiated;
  - Advise PIs, department administrators and business support centers on steps taken to collect unpaid invoice(s) and if necessary, obtain assistance from departmental personnel or PI in the collections process; and
  - Assist sponsors in follow-up requests for information.
- **Sponsored Programs Credit Oversight Committee**
    - Evaluates the status of overdue billings and credit flagged sponsored funds;
    - Approves, in advance, any departures from this procedure (Accounts Receivable Associated with Sponsored Projects Credit Worthiness & Delinquency); and
    - Determines additional collection efforts to be employed, obtains advice of University Legal Counsel and/or the Vice President for Finance and Chief Financial Officer.
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## 20. Dissemination

This procedure may be posted on a Virginia Tech intranet accessible site. Open public dissemination of this procedure is allowed.

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## 21. Approval and Revisions

This Procedure has been reviewed and coordinated with the University Controller, Legal Counsel, and University Bursar. This procedure was revised on 7/15/03 to reflect accurate days overdue and approved by the Director, Office of Sponsored Programs on 7/15/03.

Revised on 2/3/04 to add reasons for non-payment and to remove the OAG as the primary collection agency.

Revised on 6/8/04 to correct aging category references.

Revised on 11/19/08 to correct OSP position titles and clarify follow-up actions involving Federal and State sponsors.

Revised on 6/16/10 to incorporate credit solvency checks and the Credit Oversight Committee.

Revised on 11/10/11 to reflect current working processes.

Revised on 12/15/2015 to conform to formatting standards, update titles and procedure title, add timeline chart, include [2 CFR Part 200](#) references, add reserve thresholds and add write-off procedures. This procedure was approved by the Assistant Vice President for Sponsored Programs and the Sponsored Programs Credit Oversight Committee.

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The official version of this information will only be maintained in an on-line web format.

Any and all printed copies of this material are dated as of the print date.

Please make certain to review the material on-line prior to placing reliance on a dated printed version.

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