



Accounts Receivable for Sponsored Research Programs

Issuing Department:
Office of Research
Policy Number: 3.4

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I. Policy Summary

This policy establishes NJIT's policies and procedures for monitoring of accounts receivables for sponsor program invoices to ensure timely and accurate payment including reconciliation of unrecoverable balances. This policy also addresses the process for recovery of funds in the event of non-payment from the sponsor.

II. Policy Purpose

The purpose of this policy is to:

- Establish proper management and monitoring of accounts receivables related to sponsored programs
- Establish financial responsibilities of the Office of Research, Principal Investigator, Department and/or College for uncollectible receivables

III. Policy Scope and Applicability

This policy applies to all Sponsored Research Projects conducted at or under the auspices of the New Jersey Institute of Technology (NJIT). This Policy will be administered consistently across all funds and project accounts.

IV. Definitions

A. "Accounts Receivable" means any payments due to NJIT from a sponsor with respect to grants or contracts awarded based on the completion of work performed and commitments met in accordance with the award requirements.

B. "Allowable Costs" means those costs that can be charged against a Sponsored Research Project pursuant to NJIT's *Policy on Charging Direct Costs to Sponsored Research Programs*. To be an allowable cost, the cost must be (*Please see CFR 200 Subpart E – Cost Principles*):

- Reasonable - The cost must be necessary for the performance of the Sponsored Project and reflect the action that a prudent person would have taken.
- Allocable - The cost can be identified specifically with the Sponsored Project(s) in reasonable proportion to the benefit provided or other equitable relationship.
- Consistently Applied – All costs incurred for the same purpose, in like circumstances, must be treated consistently as direct costs only or F&A costs only. Particular types of costs must always be treated as direct costs or F&A costs for all Sponsored Projects.

C. “Bad Debt” means a monetary amount owed to NJIT that is unlikely to be paid by a sponsor and/or which NJIT is not willing to take action to collect for various reasons.

D. “Deliverables” or “Milestones” or “Tasks” means the programmatic and/or financial outputs due to the sponsors to satisfy specific grant requirements defined in the award. Some examples include progress or technical reports, invoices or financial reports, data outcomes/sets, lab results, etc.

E. “Fiduciary Responsibility(ies)” refers to the obligation of an authorized person to effectively manage their commitment in accordance with all applicable policies, procedures, and related regulations and in the best interest of the NJIT.

F. “NJIT” includes all NJIT Colleges, Departments, Centers and all entities that are controlled by any of them, except where specifically excluded.

G. “NJIT Award” means a formal written grant, contract or agreement made between NJIT and a Sponsor to perform a Sponsored Project. The NJIT Award provides important guidance for managing the Sponsored Project and must be closely reviewed by the principal investigator, the administrator, ambassador and personnel in the Office of Research.

H. “Principal Investigator” or “PI” means the lead on the project who holds fiduciary responsibility on the Sponsored Project.

I. “Sponsor” means a federal, state or local government agency, foundation, or private organization that is providing financial support of a Sponsored Project.

J. “Sponsored Project” means an externally funded activity conducted at or under the auspices of NJIT that is governed by specific terms and conditions. Sponsored Projects are usually separately budgeted and accounted for. Sponsored Projects may include projects funded for research, training, education, and other NJIT purposes.

K. “Unreimbursable or Unallowable expenses” means costs that cannot be charged either directly or indirectly to a grant or contract or billed either as a result of the grant terms and conditions, applicable regulations, and/or sponsor decision.

V. Policy Statement

A. Invoicing/Billing/Financial Reporting. When new awards are received by NJIT, the Office of Research (OR) will review the award documentation and identify how funds will be received and document the billing/invoicing schedule as per agreement. The post-award management unit manages the invoicing and/or financial reporting for awards.

To prepare these, the post award unit will follow these general invoicing guidelines:

- a. For cost reimbursement invoices, the billing will be based on transactions that have posted to the general ledger account for the sponsored project for the applicable invoicing period as of the most recent closed accounting month. In some cases, this may be quarterly if monthly is not accepted by the sponsor. *Encumbrances will not be included.*
 - For final invoices, we have a closeout period ranging from 90-120 days depending on the due date for the final invoice. During this period, all financial reconciliation of the expenses on the award must be completed prior to the due date of the invoice to the sponsor.

- The PI and their departments are responsible for ensuring that costs are allocated timely to the award and are allowable, reasonable and allocable to the project prior to the submission of invoices to the sponsor.
- b. For milestone/task based invoicing, the post award unit will work with the PI to confirm invoicing can occur if the deliverables have been met. In these instances, support documentation may be requested.

Post Award will not invoice if:

- The award is not fully executed, ie final agreement is not signed (unless the sponsor specifically requests an invoice prior to execution of agreement);
 - The budget period or performance period has ended and an expected extension or renewal has not been received (unless sponsor specifically requests an invoice prior to execution of the extension or renewal);
 - The total expenses for the billing period are zero or a net credit (unless sponsor specifically requests an invoice or due date are specified in the agreement schedule);
 - The cumulative expenditures exceed the budget (unless specifically requested by the sponsor); or
 - Other requirements need to be completed before an invoice can be submitted
- B. Performance requirements.** Aside from invoicing/billing, the PI is responsible for complying with all the programmatic requirements of the award such as submitting timely technical or progress reports, or other necessary deliverables to ensure that payment will be forthcoming.
- C. Payment Collection.** The accounting and treasury management office will be responsible for collecting payments on all awards except drawdowns. The guidelines for follow-up on non-payment by accounting are:
- For most federal awards, the post-award unit will drawdown the funds on a monthly basis from the payment management system based on ledger expenditures. The drawdown will occur within the first ten business days of the month.
 - For non-federal or federal awards not susceptible to the drawdown process,
 - Dependent on the agreement and payment terms, at 31 to 60 days after the initial date of the invoice submission, a follow-up will be sent to the sponsor with a copy to the Principal Investigator.
 - At 60 days after the invoice date, a second follow-up request will be sent to the sponsor for payment. The accounting unit may ask the PI to intervene in reaching out to their contact for payment status.
 - At over 90 days, the accounting unit will work with the PI/Department to determine if the balance is uncollectible.
- D. Recovery of funds due to non-payment from sponsor.** During the collection process, the accounting unit may discover that there are specific reasons why the sponsor has not issued payment. In coordination with the post award unit, we will make all efforts to work with the PI to ensure that all sponsor concerns are addressed. If final decision from the sponsor results in unrecoverable costs, the guidelines for recovering the funds are as follows:

i. If the payment is uncollectible due to:

- untimely allocation of expenditures
- unallowable expenditures (*See Policy on Charging Direct costs to Sponsored Research Programs*);
- unsatisfactory work;
- sponsor disallowance;
- budget overage (deficit);
- dispute with sponsor; or
- unmet programmatic deliverables,

The PI, department, and college may be held responsible for covering these expenditures and must provide an alternative funding source to cover these such as a Indirect Cost Return, Residual Fund, Start Up, unrestricted gift or other discretionary account.

Upon notification from the post award unit regarding sponsor's final decision, a reconciliation must be completed within 10 business days and a cost transfer request must be submitted to the appropriate post award grant accountant (Please see *Cost Transfer Policy on Sponsored Research Programs*).

Another federal grant award may not be used to cover these expenses as this would be non-compliant. (See CFR 200.405). Any transfers to non-federal awards must be within the limitations of the specific grant agreement and other University policies.

The post-award unit will review all cost transfers and can request more information or reject the recording of a cost to a grant fund if there is inadequate evidence to support the allowability of the cost. In this case, the cost must be recorded to a departmental, college or university fund.

ii. If the payment is uncollectible due to:

- improper invoicing due to missed deadlines
- central office administrative error

the Office of Research will reconcile unrecoverable expenses in conjunction with other central administrative offices, as applicable.

iii. If the payment is uncollectible due to sponsor delinquency or bankruptcy, these may be classified as bad debt and the Office of Research in conjunction with the Finance Division will reconcile unrecoverable expenses.

The sponsor may be flagged as high risk and not be considered as a funding source for future opportunities.

iv. In some cases, it may be determined that a legal course of action may be pursued and this will be decided with the Office of Research, Finance Division, PI/Department/College and Office of Legal Counsel.

v. The Office of Research will seek approval for any write-off accounting entries from the Finance Division as applicable.

- vi. In the case that there are outstanding issues or disputes with the sponsor on an active grant award whereby payments are not being released, the Senior Vice Provost for Research has the authority to request the PI to stop work order on the award to avoid continued spending on the grant and risk of non-payment.
- vii. In some cases, the sponsor may request a stop work order on the grant award. The PI must immediately notify the pre award office to officially document and consider the next course of action on the sponsor's decision in consultation with the Senior Vice Provost for Research.

VI. Roles & Responsibilities

- A. **Principal Investigator (or designee)** – has fiduciary responsibility for proper and regular financial management of the award to ensure timely and appropriate allocation of expenses. The PI/Department/College will also be responsible for recovery of funds in the event of uncollectible payment from the sponsor as described in Section V. D.
- B. **Office of Research (OR)** – is responsible for the management of invoicing and/or financial reporting. The Office of Research will also be responsible for recovery of funds in the event of uncollectible payment from the sponsor as described in Section V. D.
- C. **Accounting and Treasury Management** – is responsible for collections from sponsors and will coordinate with the post-award unit and PI as needed to resolve the outstanding payments.

VIII. Authority and Responsibility

The Office of Research has institutional authority for the matters addressed in this policy. Questions related to this policy are to be directed to the executive director, sponsored research programs administration.

Related Policies and Regulations

Policy on Charging Direct Costs to Sponsored Research Projects
Cost Transfer Policy on Sponsored Research Programs
Fiduciary Responsibilities Policy

OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (also commonly called the Uniform Guidance)