Accounts Receivable Policy

Policy Number: 600-032
Effective Date: April 3, 2007
Last Updated: March 10, 2010
Issuing Authority: Vice President for Research and Compliance
Responsible Offices: Office of Sponsored Programs/Research Administration and Grants and Contracts Accounting

Purpose:

To monitor accounts receivables (A/R) for sponsored program invoices at Howard University and all related entities, business units, subsidiaries and affiliated organizations including, but not limited to, Howard University Hospital (hereinafter referred to collectively as "Howard University") to ensure timely and accurate payment and minimize write-offs.

Policy

Howard University monitors A/R to ensure timely and accurate payment by external sponsors. Grants and Contracts Accounting (GCA) is responsible for monitoring A/R and, as necessary, resolving outstanding invoices.

Business Process Description:

A payment due to Howard University from a sponsored program is considered A/R (see Invoicing Policy for further guidance on invoicing). On a periodic basis, no less frequently than monthly, GCA generates a report of all invoices that have not been paid in full. The follow-up is prioritized by the number of outstanding days (i.e. follow-up begins with oldest invoice). However, other criteria for prioritization are considered, such as the invoice amount (i.e., greater priority to high dollar invoices) and sponsor (i.e., follow-up with sponsors who have a history of delinquent payment should start early).

GCA is responsible for sponsor follow-up regarding payment and for documenting the progress toward resolution. Since sponsor payments are not submitted to collection agencies, GCA is responsible for discussing a payment schedule directly with the sponsor.

The following milestones provide the necessary and appropriate measures to address delinquencies.

- Invoices 3 Months Past Due: The responsible Accountant contacts the sponsor regarding the status of the outstanding payment(s). Following this initial contact, the Accountant follows-up with the sponsor on a bi-weekly basis until payment is received.

- Invoices 6 Months Past Due: The Assistant Director of GCA (Assistant Director) contacts the sponsor regarding the status of the outstanding payment(s) over 6 months past due. The Assistant Director aids the sponsor in developing a payment plan for the outstanding payment. The payment plan is then presented to the Assistant Controller for approval.
- Invoices 1 Year Past Due: The Director of GCA (Director) reports delinquencies with accounts over 1 year past due to the Assistant Controller. The report to the Assistant Controller outlines an action plan for addressing the delinquent accounts. After a review of the files and

documentation related to the follow-up conducted thus far, an attorney in the Office of the General Counsel (OGC) is requested to contact the sponsor (via telephone or mail). Within 20 business days of receiving the file and making contact with the sponsor, the OGC discusses appropriate legal action with the Senior Vice President for Research and Compliance (SVPRC) and the Assistant Director. OGC coordinates legal action as agreed upon. OGC provides periodic status reports to the Director of GCA, the Assistant Controller and the SVPRC.

Write-off for Bad Debt

Bad debt is defined as "payment for actual costs incurred on any given sponsored award that is deemed uncollectible." Howard University recognizes bad debts arising from sponsored award A/R after all appropriate internal and external collection efforts have proven unsuccessful. GCA is responsible for collecting payments on all awards, recommending the status and continuation of sponsored programs where payment receipt is doubtful, and recording the appropriate write-off accounting entries for bad debt.

1. If nonpayment is due to performance on the part of Howard University (e.g., technical report not completed), the Assistant Director contacts the PI/PD to resolve the performance problem. If the problem continues and payment is not received, the Assistant Director works with the Assistant Controller and the PI/PD to address the issue. In circumstances when payment is withheld due to PI/PD performance, the PI/PD's Dean who endorsed the *Application to Seek of Campus Funds Form* is fiscally responsible and must provide an appropriate account to which the write-off can be applied. The Dean must provide the account within 10 business days of the write-off notification.

2. If nonpayment is due to refusal or inability of the sponsor to pay, the Director contacts OGC to assist in the collections efforts as described in the Collections section above. If Howard University still does not receive payment, the Director forwards a request for a write-off, approved by the Assistant Controller, to the Controller or his/her designee for the unpaid expenses.

3. The Controller approves all write-offs. After write-offs are reviewed and approved, the Controller directs General Accounting to perform the appropriate journal entry to record the write-off in the general ledger system.

Roles and Responsibilities:

Grants and Contracts Accounting (GCA)

- **Accountant:** The Accountant is responsible for creating all A/R reports relating to sponsored projects, monitoring invoice payments, and sending late payment notification letters to sponsors with outstanding invoices. The Accountant is also responsible for collections that are 90 days delinquent and conducts an investigation to determine why the sponsor did not pay the invoice.
- **Assistant Director:** The Assistant Director maintains an Accounts Receivable Aging Report and coordinates the accounts receivable collection of outstanding invoices older than 60 days.
- **Director:** The Director has primary responsibility for monitoring and managing the A/R process with respect to sponsored programs and coordinates with OSP/RA to determine the best approach to obtain payment from sponsors for old outstanding A/R. He/she reports delinquencies on accounts over one year past due to the Assistant Controller and provides recommended action plans for collection. He/she also coordinates the bad debt write-off process.

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- **Assistant Controller:** Upon receipt of write-off documentation, approves the write-off and forwards to the Controller for approval. The Assistant Controller follows up with General Accounting to record the write-off in the general ledger.

Office of the Senior Vice President, Chief Financial Officer and Treasurer

- **Controller:** Upon receipt of write-off documentation, the Controller directs General Accounting to record the write-off in the general ledger.
- **General Accounting:** Upon receipt of write-off documentation, General Accounting performs the appropriate journal entry to record the write-off in the general ledger system.

Academic Department

- **Principal Investigator/Project Director (PI/PD):** The PI/PD works closely with GCA to collect payments for their sponsored program awards. In addition, PI/PDs are required to meet sponsor requirements and award agreement terms and conditions (i.e. submits timely technical reports) to ensure timely payments are made to Howard University.

Related Processes/Events:

- Invoicing Policy
- Records Retention Policy
- Accounts Receivable Procedure

Forms and Links:

- OVPRC Website: http://ovprc.howard.edu