Guidance:  Sponsored Programs Administration
Cash Management

PURPOSE

The purpose of this document is to provide guidance for the monitoring and collection of cash and accounts receivable on sponsored awards in accordance with Federal and other non-Federal sponsor requirements. The objective is to ensure consistent and timely processing of sponsored program revenues as well as reducing the University’s exposure to delinquent or uncollected funds.

GUIDANCE

The University (UNH) receives external funding from various sources for sponsored programs, with the largest funding source being the Federal government. UNH must comply with Federal regulations including those from the Office of Management and Budget (OMB). OMB’s 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards requires recipients of Federal funds to maintain a system of internal controls that documents and supports the individual distribution of activities and associated costs charged to sponsored programs.

UNH requires all individuals who receive sponsored funding to comply with UNH’s policies and procedures, the sponsor’s terms and conditions, and any regulations regarding the charging, and reporting of costs on sponsored awards.

UNH is required to provide accurate, timely, and complete disclosure of the financial results of sponsored awards. Timely recording of transactions to awards is critically important, especially as an award’s end date approaches, and UNH must adhere to final reporting, cash management/collection, and sponsor closeout requirements.

DEFINITIONS

Accounts Receivable (A/R) is funds owed to UNH by another entity based on invoices for goods supplied and services rendered.

Invoice is a document issued by UNH to another entity based on goods supplied and services rendered.

Letter-of-Credit (LOC) is a payment method specified by a sponsor in their award agreement, which guarantees UNH will receive payment in full provided that the sponsor’s terms and conditions of the award have been met.

Cost Reimbursable/Task Based/Milestone Billings/Fixed Amounts are types of payment method specified by a sponsor in their award agreement. UNH will receive funds from the sponsor after UNH provides the sponsor with documentation (e.g. invoice) evidencing costs/expenses have been incurred or tasks have been completed.

Drawdown is the process for receiving funds from a Letter-of-Credit.
**Aging** is the tracking of days since an invoice has been issued (the accounts receivable was created) and payment has not been received from the sponsor.

**Refund** is a remittance of funds from UNH to a sponsor.

**Write-off** is the removing of funds from a sponsored award by SPA.

**Over-expenditure** is when costs charged to an award exceed the amount of funds from the sponsor (a negative balance).

**Under-expenditure** is when costs charged to an award are less than the amount of funds from the sponsor (surplus or a positive balance).

**Sponsored awards** or the term sponsored programs, may be used in this document interchangeably and mean any agreement, contract, or grant that is funded by a source other than UNH.

**Guidance**

The responsibility for cash and accounts receivable management for sponsored awards is shared by the Principal Investigator (PI's), the Business Service Center (BSC) and the Office for Sponsored Programs Administration Accounting and Financial Compliance (AFC).

AFC performs many of the duties associated with cash and accounts receivable management which includes:

- Performing letter of credit drawdowns
- Submission of invoices to sponsors for payment
- Following up on outstanding receivables and delinquent accounts
- Identifying issues causing delays in payment and working to correct such issues
- Recording payments to sponsored awards
- Preparing and submitting financial reports to sponsors detailing payments/revenues and expenses
- Scheduling and tracking of payment terms.

**PI/BSC**

- Respond to inquiries made by AFC on a timely basis
- Provide any sponsored required reporting on a timely basis
- Inform AFC as milestones are completed

**Letters-Of-Credit**

Most Federally-funded sponsored awards received by UNH are cost reimbursable. AFC is responsible for preparing and performing Letter-of-Credit (LOC) drawdowns, which are processed through the respective Federal agencies’ online payment system(s). The Federal agencies authorize a line of credit for UNH to utilize for the purpose of drawing down funds. Funds drawn must agree to the aggregate expenditure activity of the sponsor’s award(s). AFC submits an LOC payment request (drawdown) generally on a monthly basis for reimbursement of expenditures made on the award(s) in the previous month. AFC runs a report showing unbilled amounts for LOC grants, i.e., actual expenses that have not been drawn down, which is maintained along with a copy of the
actual draw in the AFC folder on the SPA server. Typically payments from Federal sponsors are made to UNH via direct deposit within a few days.

**Non Letters-Of-Credit Payment Methods**

For non-Federal sponsors, and Federal sponsors with whom UNH does not have a LOC relationship, AFC submits invoices for an award. The invoice frequency is based upon the billing terms established by the sponsor and are documented in the sponsor’s award agreement. The AFC team prepares and submits the invoices and monitors sponsors’ payments to ensure they are received and processed timely and accurately. Other payment methods for an award may exist and are based upon the terms and conditions noted in the award agreement (such as milestones, deliverables, or scheduled periodic payments). For milestone payments AFC relies on the PI and BSC to communicate when the milestones have been completed. AFC will contact the PI/BSC regularly for confirmation of what milestones have been completed so they can process invoices. AFC will monitor the award and funding on an on-going basis to ensure that payments are received from the sponsor in a timely fashion, and are in accordance with the terms of the award agreement.

**Payments**

**Electronic Payments (e.g. wires, ACH)** On a daily basis, the AFC team logs into the bank’s system to look for any electronic payments for sponsored awards. AFC team reviews the data and identifies any applicable payments with the award (project/grant number) and invoice number as applicable. The AFC team “claims” the payment(s) and records dates of payment on the ACH log, and posts to Banner. The log is provided to the USNH Controller’s office each month to aid in reconciliation.

**Physical Payments (e.g. checks received by mail)** UNH may receive payments from sponsors in the form of a physical check which is mailed to UNH. AFC will identify the check with the award (project/grant number) and invoice number as applicable, and makes deposits into UNH’s bank account electronically. There is a separation of duties, for depositing checks; one FRA receives payments and makes deposits, and another FRA will apply payments in Banner.

**Documentation of Bank Deposits**

AFC maintains physical checks and an electronic copy of daily bank statements showing all electronic payments made.

**Refunds**

When award closeout procedures are being performed, it may be determined by AFC that there are funds remaining that will not be spent (under-expenditure) prior to the project end date. If there is still work to be completed on the project, a no cost extension (NCE) may be requested to allow additional time to expend the funds and complete the project. Research Administration will work with the PI and the BSC to prepare a request for a no-cost extension and will contact the sponsor and make the request.

When an extension is not an option and there are funds remaining, AFC will review the terms of the award to determine the sponsor’s policy on the disposition of the remaining funds. If the terms specify that the remaining funds must be returned to the sponsor then AFC will process a refund. AFC will inform the PI and/or BSC when AFC initiates the refund to return the remaining funds to the sponsor.
If an award is a fixed price agreement, then the remaining funds are not refundable to the sponsor, and will be distributed per the current RCM manual.

If the award terms do not specify disposition, then AFC will transfer the balance to the write-off account.

The Senior Director for Research reviews and approves all sponsored programs refunds greater than $100. Disbursement Services is responsible for cutting the refund check.

**Write-Off Account**

As noted above in the Refund section of this policy, there may be circumstances when funds are removed from a sponsored award and go to the write-off account. Write-off decisions are made on a case by case basis by SPA. The Senior Director for SPA reviews and approves all write offs. The write-offs are made after consultation with the Associate Vice President for Finance and Administration.

- a. For balances less than $10 no collection work is necessary before writing off balances, but CFO or designee advance approval is still required. For balances of $10 or more but less than $100, the collections department must make at least 2 good faith efforts to collect by letter or telephone. For balances of $100 or more, at least 3 good faith efforts to collect must be made and documented.
- b. If an account remains unpaid 45 days after the collection process described above begins (i.e. 135 days past the original due date), the account should be evaluated for transfer to an appropriate collection agency or collection attorney.
- c. If the account is returned by a collection agency as uncollectible, the account record should be reviewed again to determine if further collection agency placement or legal action should be taken, before a recommendation to write off the account will be made.

SPA has an account to which all write-offs are processed. This account is reconciled each fiscal year by the UNH Business office.

When award closeout procedures are being performed, it may be determined by AFC that funds have been overspent (over-expenditure). AFC will discuss the situation with the PI and/or BSC. AFC may determine the over-expenditures should be removed from the sponsored award and charged to a non-sponsored account. Once the award is at a zero balance, then AFC can continue the award closeout process.

An Accounts Receivable Reserve Analysis is performed at the end of each fiscal year end AFC reviews all older accounts receivable balances and determines the likelihood that they will be collected and makes the determination to either write-off, fully reserve, or to include an amount in the general reserve requirement. AFC creates a schedule and provides this information to the Business office.