

**Procedures to Reduce the Financial Risk of
Nonpayment on Sponsored Awards**

Introduction

Nonpayment of externally sponsored projects can seriously impact the University's financial resources. Invoices for sponsored work remain unpaid for many reasons, including sponsor problems (e.g., bankruptcy), execution problems (e.g., university lack of performance or communication problems that lead to disputes with sponsors), and internal administrative problems (e.g., university contract or invoicing problems). When sponsored work is done but invoices are not paid, costs must be covered from other sources and overhead charges have to be reversed. Nonpayment of sponsored programs is, therefore, a liability that can pose considerable financial risk to academic units.

Successful sponsored projects depend on effective coordination among the following three university parties: (1) personnel in the unit who execute the work (including PI's, business managers, and department heads or directors); (2) the pre-award Sponsored Programs Office (contracts and grants administration) under the Vice President for Research; (3) Sponsored Programs Accounting (post award activities in the Controller's office) under the Vice President for Business and Finance.

These procedures are intended to minimize the risk of nonpayment in sponsored programs, especially with regard to industry sponsored or international research, where nonpayment risk is elevated.

Invoicing and Follow-Up for all Sponsors

Monthly Cost Reimbursable Invoices: Invoices are prepared according to the instructions in the individual awards.

1. Invoices are prepared using month end e-print reports.
 - a. Each invoice will remind the sponsor of all outstanding payments.
 - b. Accountants will continue their collection efforts by calling sponsors and working with Business Managers and PI's.
2. When preparing a 3rd invoice, if the first two monthly invoices have not been paid, a memo will be sent to the PI, Department Head/Center Director, Dean, Business Manager, SPA, and SPO.
 - a. Notify that USU has not received payment
 - b. Request the PI to use their influence by asking their sponsor contact to help collect payment.
 - c. Accountants will continue contacting the sponsor for payment.
3. When preparing the 4th invoice where 3 previous monthly invoices have not been paid, a meeting will be called with the PI, Department Head/Center Director, Dean, and Directors of SPO and SPA to determine under what circumstances work could be continued. If work is to continue, the Guarantee of Expenditures form (see attached Determination of Project Status) will be completed and signed by the PI, Department Head/Center Director and Dean. If work will not continue, the Work Stoppage form will instead be completed and SPO will notify the sponsor that work has been stopped. SPA will notify SPO and the PI/department head if sponsor payments become current.

Quarterly Cost Reimbursable Invoices

1. An invoice is prepared at the end of the quarter using e-print reports. Follow-up by the accountants will be the same as for monthly invoices (see # 1 above).
2. When preparing a 2nd quarterly invoice where the first quarterly invoice has not been paid, a meeting will be called with the PI, Department Head/Center Director, Dean, and Directors of SPO and SPA to determine under what circumstances work could be continued. If work is to continue, the Guarantee of Expenditures form (see attached Determination of Project Status) will be completed and signed by the PI, Department Head/Center Director and Dean. If work will not continue, the Work Stoppage form will instead be completed and SPO will notify the sponsor that work has been stopped. SPA will notify SPO and the PI/department head if sponsor payments become current.

Fixed Price invoices

1. Invoices will be prepared according to the instructions in the individual awards.
2. Follow-up by the accountants will be the same as for cost reimbursable invoices.

Additional Considerations for Industry (Commercial/for-profit) Sponsored Research

Utah State University is a public institution that cannot subsidize research for private companies. Therefore, an advance payment is required for Industry (for-profit) projects, unless alternative arrangements have been made and documented through the use of a Guarantee of Expenditures Form. Research Centers that engage in high-volume contract research may choose to utilize an “umbrella” Guarantee of Expenditures Form to simultaneously guarantee multiple sponsor agreements; this form should be developed in collaboration with the Sponsored Programs Office.

Payment Options:

Fixed Price

- a. 100% payment of task, phase or project in advance. The company will issue payment in full upon execution of the agreement. It is appropriate to withhold 5% – 10% of total project cost until completion.
- b. 50% payment of task, phase or project in advance, 50% at completion. 50% payment due upon execution of the agreement, 50% due upon completion of final report or deliverable. (Used only for short (1-2 months) and low cost (< 15K) projects)
- c. 25% payment of task, phase or project in advance. 25% Payment upon execution of agreement, followed by periodic (monthly/quarterly/milestone) payments that keep pace with estimated rate of expenditures.

Cost Reimbursement

If an advance payment is not agreed to, a signed Guarantee of Expenditures Form will be required to set the project up on cost reimbursement terms.

A project index # will not be assigned by the USU Controller’s Office until advanced payment, or signed Departmental/College Guarantee of Expenditures Form, is received by the USU Controller’s Office.

Additional Considerations for International Sponsored Programs

Contract Set-Up

1. Require binding elements of contractual documents to be in English or to be translated into English. Translations need to be done by 3rd party (Include translation costs of 3rd party translator).
2. Negotiate language to address the process of dispute resolution and, if necessary, project cessation and re-start.

Currency and Exchange Rates

1. Preference is to have all payment, business, and budget related issues expressed and agreed upon in US Dollars.
2. Negotiate mutually agreeable standard for determining the exchange rate (i.e. National Central Bank).
3. Negotiate language to address the impact of currency fluctuations.
4. Negotiate contract language that identifies the process associated with re-baseline activities as a result of currency fluctuations.
5. Acquire additional information related to hedging contracts and the possibility of using these financial instruments to mitigate the impact of currency fluctuations on international projects.
6. Identify resources to understand country specific currency risk at the proposal stage and plan accordingly.

F&A Rate and Fees

1. All international projects should include a management/administration fee in addition to F&A charges. The baseline rate is 10%; however, based on risk, history and issues such as additional administrative travel and translation needs for legal documents, the fee rate could be higher.

Utah State University
Departmental/Research Center and College Determination of Project Status

Payment has not been received for the project noted below. This form is to be completed by the PI and counter-signed by the department head or center director and college dean to determine whether work on this project should continue or be terminated. The completed form must be delivered to the USU Sponsored Programs Office and a copy provided to Sponsored Programs Accounting in the Controller's Office.

Project Information

Principal Investigator _____ Index No. _____
 USU Control # _____ Sponsor/Agency _____
 Project Start Date _____ Project End Date _____
 College _____ Dept/Research Center _____

Financial Information

Budget \$ _____ Expenditures as of Date _____ \$ _____
 Outstanding Invoices:
 Date of Invoice _____ Amount of Invoice \$ _____
 Date of Invoice _____ Amount of Invoice \$ _____
 Date of Invoice _____ Amount of Invoice \$ _____
 Date of Invoice _____ Amount of Invoice \$ _____

Guarantee of Expenditures for Work Continuation		
_____ The Department/Research Center and College guarantee payment of all charges, including any unpaid balance, and will allow the project to continue until: _____ (date)		
Signature of PI	Date	Printed Name
Signature of Dept. Head/Center Director	Date	Printed Name
Signature of Dean	Date	Printed Name

OR

Order for Work Stoppage		
_____ No further expenses will be made on the index noted above:		
Signature of PI	Date	Printed Name
Signature of Dept. Head/Center Director	Date	Printed Name
Signature of Dean	Date	Printed Name