University of Pittsburgh

Research Accounting

Invoicing Sponsors and Receiving Payments

Introduction – Invoicing Practices and Collection of Cash

Every sponsored project needs to have language in the agreement that explains
- how sponsor plans on paying for the agreement (payment schedule)
- where sponsor wants University bills to be mailed and who at the agency can be called for questions regarding billing format
- who at the sponsoring agency is responsible for making payments: information should include name and phone number
- what type of information is to be included on billing

Research Accounting has the responsibility of billing all sponsors except pharmaceutical companies. Billings are done through letter of credit drawdowns three times a week for many federal agencies.

Federal agency contracts, state and local governments and foundations and companies are billed through the Research Accounts Receivable system depending on the terms of the sponsored project agreement. Monthly, automatic installment invoices are printed the second business day of the month and automatic cost reimbursable invoices are printed the day after month end close. Once invoices are reviewed by the Research Accountant in Research Accounting they are mailed directly to the sponsoring agency. Should invoices require the PI’s signature, the invoice is sent to the department. Once the PI signs, the invoice is sent back to Research Accounting, signed for the institution and mailed.

All payments from sponsors are mailed to the Research Accounting (RA) lockbox at University of Pittsburgh, P.O. Box 371220, Pittsburgh, PA 15251-7220. Cash receipts are delivered to RA daily where projects are identified for proper cash application. Any unidentifiable payments are temporarily placed in the Research Accounting holding account.

Departments managing pharmaceutical projects (project numbers 90XXXX) send invoices directly to the pharmaceutical companies as milestones are reached in the studies. Payments are generally sent to the Research Accounting lockbox. In some instances departments receive payments and hand deliver to the Research/Cost Accounting office within 24 hours of receipt.

The Research/Cost Accounting Sponsored Projects Billing Process

Preferred method of payment from sponsors – when writing an agreement with a sponsor, most desirable payment methods in order of preference are as follows:
- Full payment at the beginning of project
- Installment payments either monthly or quarterly
- Cost reimbursable monthly payments
- Cost reimbursable quarterly payments
Receiving as much funding ahead of time as possible reduces the financial burden on the University for financing research.

**Installment Invoices**
Sponsor agreements that are paying in installments are set up in the RA Research Accounts Receivable (RAR) system with method of payments 20, 21, 41, or 51. A schedule is set up for the installment payment times in order for an invoice to print timely. The method of payment code is listed on the RPAR105 Account Activation report mailed to the department at activation time. When the invoice is generated, an automatic journal entry is made to debit subcode 1200 on the project to record the receivable and to credit subcode 4XXX to record the revenue. This information is listed on the monthly financial report RPAR001.

**Cost Reimbursable Invoices**
Sponsor agreements that are paying on a cost reimbursable monthly or quarterly schedule are set up in the accounts receivable system with method of payments 30 or 31. Invoices calculate and print according to the set schedule. The method of payment code is listed on the RPAR105 Account Activation report mailed to the department at activation time. When the invoice is generated, a journal entry is made to debit subcode 1200 on the project to record the receivable and to credit subcode 4XXX to record the revenue. This information is listed on the monthly financial report RPAR001.

**Pharmaceutical Billings**
The 90XXXX pharmaceutical study (drug studies) projects are set up with a method of payment 22. The total amount of expected funds for the study are budgeted into subcode 8120 unless some cash is received upfront. The amount of upfront cash is budgeted in expense categories and the remaining expected budget is placed in subcode 8120. The university department bills the pharmaceutical company as milestones are met in the study. Check payments received by the departments must be delivered to Research Accounting within 24 hours of receipt. When cash is received, it is deposited to subcode 4342 of the project. A budget modification is forwarded to the Research/Cost Accounting office crediting subcode 8120 and debiting expense subcodes to redistribute budget. A department can determine monthly how much cash as been recorded in the University financial system by reviewing the dollar amount in subcode 4342 of the projects monthly RPAR001 report.

**Letter of Credit Projects**
Federal government projects paid through letter of credit are set up with method of payment codes 05 through 19 depending on the agency. A program is run three times a week to calculate expenses that can be drawn from the federal government. Every time this program is run, a credit to revenue subcode 4300 is posted on the project account.

**The Research/Cost Accounting Cash Collection Process**
**Agencies** are given a rating from A to D, when invoice schedules are set up, according to their payment history with the University of Pittsburgh. Collection letters print out every Friday in RA according to the time frames that payment has not been made on a
particular invoice. As many as three collection letters will generate for one invoice that has not been paid over a period of time. The letter generation for each rating is as follows:

<table>
<thead>
<tr>
<th>Rating</th>
<th>Letter 1</th>
<th>Letter 2</th>
<th>Letter 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>90 days</td>
<td>120 days</td>
<td>180 days</td>
</tr>
<tr>
<td>B</td>
<td>90 days</td>
<td>120 days</td>
<td>150 days</td>
</tr>
<tr>
<td>C</td>
<td>70 days</td>
<td>110 days</td>
<td>150 days</td>
</tr>
<tr>
<td>D</td>
<td>40 days</td>
<td>61 days</td>
<td>91 days</td>
</tr>
</tbody>
</table>

Letter 1 is mailed to the sponsor. Letter 2 and letter 3 is mailed to the sponsor and a copy is sent to the PI and the department administrator. RA depends on the department PI and department administrator to help provide pertinent information to the Research Accountant to assist in the collection effort. Assistance may include contacting key personnel at the sponsoring agency as to why payment has not been received, informing RA of problems or deliverables that have to be met before payment will come, or informing RA of any sponsoring agency financial problems.

RA has a staff person dedicated to collecting on unpaid invoices over $30,000 and over 90 days old. All Research Accountants work on collection of unpaid invoices under $30,000 and over 90 days old.

Serious collection problems are referred to legal counsel when determined appropriate by RA.

Expenses incurred on uncollectable invoices due to lack of technical reports from the department PI will become the responsibility of the PI’s department.