

Payment Terms for Privately Sponsored Awards

Last Revised: New 07/09/10

1.0 Background

The University's usual practice for billing sponsored awards is based on actual expenditures incurred, which are invoiced after-the-fact, including overhead. The sponsor is to remit payment upon receipt of the invoice. This practice was established primarily because it is the standard when dealing with federal or state agencies.

The University also engages in sponsored awards with private sponsors. The number of privately sponsored awards has increased in recent years, including the dollar value of each award. This leads to an increase in the inherent risk associated with the collectability of accounts when dealing with certain privately sector sponsors.

2.0 Purpose

This procedure outlines the process for assessing risk and establishing payment terms with private sponsors.

3.0 Responsibility

The Director of Research and/or Division of Research (DoR) personnel are expected to follow the process described in this procedure when negotiating agreements with private sponsors.

4.0 Definitions

None

5.0 Procedure

5.1 Sponsor Assessment

- 5.1.1 As privately sponsored research contracts enter the negotiation phase, a collectability risk assessment may be performed. Information considered when performing assessments includes:

- Previous payment record, if one exists;
- Liquidity;
- Size and structure;
- Closely held or public; and
- Other, as applicable.

5.1.2 After the collectability risk assessment is performed, the sponsor is ranked as a low or high risk and identified as such on the *Preaward Activity Checklist* (blue sheet) under his or her review comment line.

Note: Risk assessments are typically entered into CURDIMS under the agency information by the Award Administrator, as necessary.

5.1.3 Once identified as a low or high risk, the appropriate assessment outcome is initiated, as described in Section 5.2 of this procedure.

5.2 Assessment Outcomes

5.2.1 Low Risk Sponsors

Payment terms are established similar to past practice, which usually includes billing based on monthly or quarterly expenditures.

5.2.2 High Risk Sponsors

All efforts are made to negotiate advance or incremental payments, based on percentage of work, milestones, or another reasonable methodology. If unsuccessful, the Director of Research may consult with the Comptroller's Office, Principal Investigator, Chief Financial Officer, or the Provost, prior to executing the agreement.

Example

"SPONSOR shall provide research support to CLARKSON for the Research Program at a fixed amount of \$_____ for the Contract Period in advance of performance [or another methodology], according to the Research Program budget ..."

6.0 References

None

7.0 Approvals

Prepared By: K. Klutt Date: 07/09/10

Approved By: [Signature] Date: 9 July 10
Director of Research

Approved By: [Signature] Date: 07/09/10
Grant & Contract Administrator

Approved By: [Signature] Date: 07/09/10
Award Administrator

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