

University Of Pennsylvania **Sponsored Programs** Accounts Receivable Process

Updated 05/18/2020

Values/Attributes assigned to 5-FUNDS used to Identify Billing and Revenue Recognition

Billing Rules define the method that will drive invoicing activity for a project.

Cost Billing Distribution Rule: Invoices generated for a project are based on the actual expense post to a 5-fund.

Event Billing Distribution Rule: Invoices generated for a project are based on either the completion of a milestone, such as patient enrollment or submission of a technical report, or a specific date outlined in the Payment Schedule in the agreement / contract.

Revenue Rules: The revenue recognition principle states that, under the [accrual basis](#) of accounting, you should only record [revenue](#) when an entity has substantially completed a revenue generation process; thus, you record revenue when it has been earned. Under the accrual basis of accounting, if an entity receives payment in advance from a customer, then the entity records this payment as a [liability](#), not as revenue. Only after it has completed all work under the arrangement with the customer can it recognize the payment as revenue.

Cost Revenue Recognition Rule: Revenue is recognized as expenditures are recorded/posted to a 5-FUND up to the dollar amount of funding for the project (PBIL) . As costs/ expense are accumulated the revenue has been “earned” and should be recorded.

Event/Milestone Revenue Recognition Rule: Revenue is recognized when a milestone or deliverable that was defined in the agreement has been completed, regardless of when expense is recorded. **It is appropriate to use this method with 5-funds associated with most Clinical Trial Agreements and some Contracts, Foundation Funded Projects and Sponsored Research Agreements.**

Values/Attributes assigned to 5-FUNDS used to Identify Billing and Revenue Recognition Continued

Billing Format Codes: Value/code assigned to each 5-FUND to identify how a project is billed and the Office at Upenn responsible for generating and submitting the invoice to a sponsor. The Billing Format Code assigned to a 5-FUND is displayed on the Fund Summary Report.			
Billing Format Code	Billing Format Desc	Office Responsible for Billing	Billing Based On Costs or Events/Milestone
01	ORS STANDARD INVOICE (TEMPLATE 1)	ORS	Cost
02	ORS STANDARD INVOICE MULTIPLE PROJECTS/FUNDS (Template 2)	ORS	Cost
03	FEDERAL 270	ORS	Cost
04	FEDERAL 1034	ORS	Cost
05	FEDERAL OTHER	ORS	Cost
06	SPONSOR FORMAT	ORS	Cost
07	AUTOMATIC PAYMENT	No Invoice Submitted	Event
08	INVOICED BY DEPARTMENT (EVENT Billing)	Resp Org for the FUND	Event
09	NO INVOICE REQUIRED	No Invoice Submitted	Event
10	FOREIGN CURRENCY BILLING	ORS	Event
11	ONLINE INVOICE SUBMISSION	ORS	Event
13	MILESTONE BASED PAYMENT (Event Billing)	Resp Org for the FUND	Event
14	LOC (LETTER OF CREDIT)	ORS	Cost
15	ORS PER TERM (TEMPLATE 4)	ORS	Event
16	Clinical Trial Billing (Event Billing)	Resp Org for the FUND	Event
17	REV ACCURAL EXCLUDED (CTA) (Event Billing)	Resp Org for the FUND	Event
18	LOC (NRSA PROJECT)	ORS	Cost

Recording Expenditures

Under the accrual basis of accounting, revenues are considered earned at the time when the services are provided. Expenses are accumulated in the University's Financial System (BEN Financials) via expense feeder or manual journal entry. This activity is extracted from the general ledger into BBR (BEN Billings and Receivable System) on a nightly basis. Before the revenue is recognized the indirect cost recovery process will generate the overhead associated with the expense (only on allowable object codes). The Revenue Recognition process will then record the earned revenue (object Code 4600) and a unbilled receivable (object code 1222) in BBR. The Indirect Costs/ Overhead and Revenue transactions are then fed back into the University's general ledger:

Revenue: Journal Transactions

Example: Salary transaction:

Expense Transactions (post to GL and imported to BBR)

- Debit: XXX-XXXX-4-5XXXXX-5010-XXXX-XXXX (Salary Expense) \$100.00
- Credit: XXX-0000-1-000000-1110-0000-0000 (University Operating Cash) \$100.00

Indirect Costs: (Generated in BBR)

- Debit: XXX-XXXX-4-5XXXXX-5282-XXXX-XXXX (indirect cost expense) \$100.00
- Credit: XXX-XXXX-1-000000-5510-0000-0000 (indirect cost recovery, posted to the CNAC for the School) \$100.00

Earned Revenue (Generated in BBR)

- Debit: 000-0034-4-599999-1222-0000-0000 (Unbilled Receivable) \$100.00
- Credit: XXX-XXXX-4-5XXXXX-4600-XXXX-XXXX (Earned Grant Revenue) \$100.00

Custom Allocation to 5-FUND (completed in GL)

- Debit: 000-0034-4-5XXXXX-1222-0000-0000 (Unbilled Receivable) \$100.00
- Credit: 000-0034-4-599999-1222-0000-0000 (Unbilled Receivable) \$100.000

Generating Invoices:

Cost/Expense Based Invoicing: Invoices generated for these projects are based on actual expense posted to the 5-FUND

1) Non Letter of Credit, Billing Format Codes 01 to 06 Invoices for these projects are typically generated on a monthly basis (sometimes quarterly) . Expense transactions are extracted from the GL into BBR on a daily basis. On a monthly basis the invoicing process is run creating a draft invoice in BBR. These draft invoices are imported into a Workflow process which is used by ORS to review, approve and release the invoices transactions before sending out to the sponsor of the project. If during the review process an expense item is identify as unallowable the expenditure is removed or adjusted from the invoices and is then forwarded to the sponsor.

2) Letter of Credit Billing Format Code 14 and 18: Invoices for these projects are generated on a daily basis as allowable expense transactions (based on object code) are posted to the 5-fund and extracted from the GL to BBR. ORS does not review the expense activity included on these invoices. If the activity is posted to an allowable object code and the total expense posted to the FUND is less than or equal to the funding amount for the project (PBUD/PBIL) then the invoice is generated and automatically approved. ORS reviews the receivable balances generated for these projects daily and request cash from the sponsoring organizations payment system on a weekly basis to monthly basis.

Event Based Invoicing : Invoices generated for these projects are not based on actual expense posted to the FUND. These invoice are generated based dates and fixed dollar amounts or the completion of a milestone.

1) Per Terms Invoicing, Billing Format Code 15: Invoice is generated in BBR and submitted to a sponsor based on a schedule defined in the agreement/contract.

2) Automatic Payment, Billing Format Code 07: Invoice is generated in BBR, BUT NOT submitted to a sponsor based on a schedule defined in the agreement/contract.

3) Milestone Invoicing, Billing Format Code 13/, Clinical Trial Agreements, Format Codes 16/17: Invoices are submitted to a sponsor or payment is expected from a sponsor based on the completion of a Milestone. Invoices are generated and submitted by the resp org for a FUND/Project. A copy of the invoice must be forwarded to ORS via email address GCINVOICING-L@LISTS.UPENN.EDU. ORS reviews these emails/invoices and generates an invoice in BBR to record the receivable in the Upenn Financial System.

4) Invoice By Resp Org, Billing Format codes 08: . Invoices are not generated by ORS. These invoices are generated by the business administrator/ grants managers for a FUND and forwarded to ORS for review before submission.

Sponsored Projects Policy 2124 Direct Billing : <https://www.finance.upenn.edu/financial-policies/2124-direct-billing-0>

Invoice: Journal Transactions

Cost/Expense Based Invoice is created (Generated in BBR and imported into the GL)

- Debit: 000-0034-4-599999-1220-0000-0000 (Billed Receivable) \$100.00
- Credit: 000-0034-4-599999-1222-0000-0000 (Unbilled Receivable) \$100.00

Event/Milestone/Schedule Invoice is Generated in advance of expense being posted to the 5-fund: (Generated in BBR and imported into GL)

- Debit: 000-0034-4-599999-1220-0000-0000 (Billed Receivable) \$100.00
- Credit: 000-0034-4-599999-2630-0000-0000 (Deferred Revenue “Unearned Revenue”) \$100.00

Process Cash Receipts:

Types of Payment Receipts:

- **Check Payment:** check mailed from the sponsor to an office at the University of Pennsylvania. These payments should always be mailed directly to the Office of Research Services (ORS). In cases where ORS did not submit the invoice to a sponsor the payment should still be sent directly to ORS. If the payment is not mailed directly to ORS from a sponsor then the payment should be forwarded to ORS immediately for deposit and processing in BBR.
- **LOCKBOX Checks:** these are checks that are mailed directly from a sponsor to a box at Wells Fargo Bank. These checks are deposited immediately by Wells Fargo into the ORS bank account. Information related to the deposit (amount, check Number, check date) are imported directly into BBR.
- **ACH/ Wire Transfer Payments:** These payments are sent electronically from one bank (account) to another. These payments/transfers are sent directly into the ORS bank account at Wells Fargo Bank and import directly into BBR.

For each Payment Type : ORS then reviews the supporting documentation associated with the receipt of cash and applies the payment(s) to invoices generated in BBR to satisfy open receivable balances. The application of cash is imported from BBR to the appropriate 5-FUND in the Upenn general ledger (BEN Financials).

Note: When ORS is not notified when a invoice has been generated/ submitted or when a milestone is met for a project an invoice is generated in BBR the day the payment is received so the payment/receipt can be properly applied to the appropriate 5-fund in BEN Financials (BBR and General Ledger).

If a payment is not applied to the correct FUND please notify the ORS cash management group immediately to correct.

Sponsored Projects Policy 2122 Sponsored Projects Payments: <https://www.finance.upenn.edu/financial-policies/2122-sponsored-project-payments-0>

Cash Application: Journal Transactions

Record the receipt of Cash (deposited into the ORS bank account -Wells Fargo Bank)

- Debit: 000-0001-1-000000-1110-0000-0000 (Operating Cash) \$100.00
- Credit: 000-0034-1-000000-1220-0000-0000 (ORS Cash Suspense) \$100.00

BBR Cash Application on a Cost/Expense Based Invoice (Cash Receipt applied in BBR and imported into the GL)

- Debit: 000-0034-1-000000-1220-0000-0000 (ORS Cash Suspense) \$100.00
- Credit: 000-0034-4-5XXXXX-1220-0000-0000 (Billed Receivable) \$100.00

BBR Cash Application on a Event/Milestone/Schedule Invoice: (Cash Receipt applied in BBR and imported into the GL)

- Debit: 000-0034-1-000000-1220-0000-0000 (ORS Cash Suspense) \$100.00
- Credit: 000-0034-4-5XXXXX-1220-0000-0000 (Billed Receivable)\$100.00

Accounts Receivables Collections

Invoices generated in the BEN Billings and Receivable System are aged and reviewed on a monthly basis. The review of open receivables balances is a **shared** responsibility between central administration (The Office of Research Services (ORS) and the Office of Research Support Services (ORSS-PSOM) and the responsible organization (Resp Org) assigned to a project/5-FUND. The BA/ Grants Managers for the FUND as well as ORS/ORSS are responsible for review of open receivables and should contribute to collection activities. Details associated with unpaid invoices are included on several Webi reports available in the Public Folders (Fund Summary Report and the School Report). These reports also include details related to collection efforts recorded in the Receivable module of the BEN Billings and Receivable Module (BBR). ORS and ORSS contact sponsors regarding delinquent/unpaid invoices on a daily basis and when the Business administrator's contact information is available will be copied on email correspondence.

Accounts Receivables Collections:

To request that someone to contact a sponsor regarding an unpaid invoice/ open receivable please contact ORS or ORSS (contact information displayed below)

Contact Information ORS: For Non- PSOM

Candese Foxworth
candese@upenn.edu
215-898-5624

Contact Information ORSS: for PSOM

Danielle Dilanni
ddilanni@pennmedicine.upenn.edu

215-573-1395

Sponsored Projects Policy 2125 – Delinquent/Nonpayment of Project Cost by Sponsor: <https://www.finance.upenn.edu/financial-policies/2125-delinquent-paymentnonpayment-project-costs-sponsors-0>

Accounts Receivable Bad Debt Write Off : Journal Entries

Reduce the Billed Accounts Receivable Balance (application of a credit memo to the unpaid invoice in BBR)

- Debit: 000-0034-4-5XXXXX-1229-0000-0000 (Allowance for Uncollectible Receivable) \$100.00
- Credit: 000-0034-4-5XXXXX-1220-0000-0000 (Billed Receivable Balance) \$100.00

Transfer the Allowance fir Uncollectible Receivable to Bad Debt Expense, Grant & Contract Receivables (manual Journal generated in BEN – General Ledger))

- Debit: XXX-XXXX-X-XXXXXX-5284-XXXX-XXXX (Account Number provided to process the receivables write off) \$100.00
- Credit: 000-0034-4-5XXXXX-1229-0000-0000 (Allowance for Uncollectible Receivable) \$100.00

Sponsored Project Accounts Receivables at Penn Reference Materials

More information related to this process is available on the Office of Research Service Website including process flow diagrams and links to related University Policy : <https://researchservices.upenn.edu/areas-of-service/research-operations-and-cash-management/>