

**Clemson University Research Policies Manual
Office of Sponsored Programs**

Policy for the Management of Sponsored Project Bad Debt

Approved: March 15, 2004

Effective: July 1, 2004

Revised: May 1, 2014

Section: Clemson University Sponsored Projects Management

Statement

All costs associated with sponsored projects should be managed efficiently and effectively and in accordance with the University's policies and procedures, the sponsored project agreement, and, if applicable, federal and/or state regulations.

Purpose

The purpose of this policy is to establish a reserve fund to manage costs associated with qualified sponsored projects if a sponsor is unable or unwilling to pay or costs are disallowed or exceed the budget due to circumstances beyond the principal investigator's control (bad debt).

Discussion

The University needs a policy that establishes a reserve fund for a sponsored project's bad debt in cases where the circumstances warrant it. The current method for dealing with these cases is time consuming and often arbitrary. The policy should establish guidelines for a project to **qualify** to receive funds from this reserve. Reasonable sources of funds would be, but are not limited to, the Research Initiative and Vice President for Incentive Funds.

Policy

Each year a Sponsored Project Bad Debt Reserve Fund will be committed. The commitment will fund 2/3 of the reserve fund and upon the project's bad debt being designated as a qualified sponsored project the requesting principal investigator/ department/college will fund the remaining 1/3.

The Vice President for Research shall hold in reserve from the Research Initiative Account funds a maximum of \$75,000 each year for **qualified** sponsored project costs if a sponsor is unable or unwilling to pay or costs are disallowed or exceed the budget due to circumstances beyond the principal investigator's control. Each dean will establish a method to fund 1/3 of any qualified sponsored project bad debt that occurs within his or her college.

Staff from Grants and Contracts Administration will make a presentation of the facts associated with the project's bad debt to the Vice President for Research, and the appropriate Dean. When there is no clear line of responsibility, and all existing policies and procedures were applied appropriately, and in a timely fashion, this group will designate the project as **qualified** to receive funds from the reserve.

When a sponsored project's bad debt is designated as qualified, and in the unlikely event is the result of a "system" error, the Vice President for Finance and Operations will be responsible for funding the bad debt. When a sponsored project's bad debt is not designated as qualified, the principal investigator/department/college will be responsible for the bad debt.