Cornell University
ILR School

STANDARD PROCEDURE for ILR REVENUE AND EXPENSE CONTRACTS

September 14, 2017

Final Policy for Revenue and Expense Contracts

Purpose

This policy is intended to clarify the creation, review, and processing of ILR revenue contracts (e.g. contracts to provide professional education, consulting, and special studies) and expense contracts (e.g. contracts with individuals or firms to design or to provide training and professional education, consulting, facilities, marketing and design services, and other services and supplies) for the School, including both the Resident and Outreach Divisions. This policy relies on University Policy 4.2 Transaction Authority and Payment Approval as well as on the agreement of the University Chief Financial Officer and University Counsel.

This policy is meant to standardize and to clarify the creation, pricing, and approval of revenue and expense contracts to ensure they are properly priced with appropriate margins and overhead rates; that the costs of delivering the services are reasonable and are based on rational, market-driven pricing; that the revenue contracts include appropriate legal, intellectual property, and insurance protections; and that the contracts and accounts receivables are properly recorded in Cornell's general ledger system so that revenues can be recognized in a timely and consistent manner and that billing becomes more automatic. The ILR School processes over 250 revenue contracts per year, close to 75 independent contractor instructor agreements, and probably 50 service contracts.

Following these procedures will ensure the University's policies are adhered to with respect to good business practices, proper separation of duties, and accounting of deferred revenue. These procedures will also help us to more easily forecast quarterly and annual financial results.

No ILR employee other than the Dean and those Finance staff authorized and delegated authority by the Dean are able to enter into revenue or expense contracts as noted under "Signing Authority and Delegation" section on page 9.

Revenue Contract Process:

1. **Client Requests Services:** Typically, requests for professional development and consulting services are received by a Thematic Lead, Program Director, or Extension Associate. The initial conversation focuses on the type of training to be delivered, the length of the training, the level of training, time-location, and possibly, price range.

   Staff Involved: Extension Associate, Program Coordinator and Administrative Assistant.

2. **Salesforce Entry:** When this initial contact has been made, the ILR Unit (if access has been granted to the Salesforce system) should create an “account”, “contact”, and an “opportunity” within the Salesforce system. The ILR School has adopted Sales Force as its customer relationship management tool and will use this tool to monitor the client engagement activities of its extension associates and, more importantly, to manage relationships across various units within the ILR School. It is the responsibility of the individual unit to create and maintain these records.

   Staff Involved: Extension Associate, Program Coordinator and Administrative Assistant.

3. **Proposal Development:** Based on the initial conversation, the Extension Associate will begin to develop a proposal for the client to consider. He/she will begin to outline the training or consulting program plan; will estimate the amount of hours both the Extension Associate; consider whether outside instructors/training providers will be needed to deliver the training; and consider whether travel is involved. Further, they will need to consider the program discovery or needs assessment phase, the program design phase, the delivery phase, and any post-program services. *(If appropriate add the proposal sf)*

   As the proposal is being developed, it is critical that the Extension Associate work with administrative staff to ensure the terms and conditions of the contract conform to the standards in this document and that ILR Finance is aware of the contract and its key components. In the proposal development phase, all of the cost elements of the contract, outlined below, should be considered and included, in draft form, in the proposal to the client.

4. **Contract Preparation:** Once the client agrees conceptually with the proposal, the Extension Associate will begin to work with the Program Coordinators and Finance staff to create a draft budget and contract.

   - **Direct Costs:** Include all direct costs in developing the contract, including the time spent on meeting with the client to develop the proposal (if significant); preparation of the proposal; travel time if the program is delivered off-site or if the client has requested meetings to review program designs; and administrative time if the proposal is relatively large and complex. Direct labor costs include such items as the salary of the Extension Associate or Thematic Lead who is developing and designing the proposal; the labor costs of the administrative staff who are helping with the proposal and program delivery; and the cost of non-Cornell personnel who are providing services (outside training firms, eCornell, coaching firms, assessment studies). Non-labor direct costs include items such as educational materials, mailings, special deliveries, photocopying, name badges, space rental fees, food, and other supplies and services.

- **Mark-Up/Indirect Costs:** Ensure the 45% mark-up on direct costs is included in the contract proposal (15% CAM, 15% ILR Overhead, and 15% Net Margin). The mark-ups are applied as a percentage of total labor, design, development and other content development and delivery direct costs. For example, if the total direct costs are $50,000, the mark-up at 45% equals $22,500, and the total contract price for the client would equal $72,500. If all three mark-up factors cannot be charged to a client, you will need approval from the Associate Dean for Finance & Administration.

  ILR does not mark-up the cost of travel, food and beverage costs, or other supplies. These types of costs are direct-billed to the client.

- **Standard Contracts:** ILR has developed standard contracts (see attached) that must be used unless the Client insists on using their own contract. If the Client insists on using its own contract, the contract must be reviewed by either the Director of Finance, Wil Stringer, or by the Associate Dean for Finance, Administration, and Corporate Relations, Joe Grasso, before it is finalized.

  Try to avoid using client contracts since they often impose restrictions on Cornell and its employees that Cornell University may not place on itself (e.g. some companies might subject Cornell employees to random drug testing).

  If a client contract has to be sent to University Counsel's Office or to Risk Management to be reviewed, Joe or Wil will be responsible for sending the contract to these units for review. Counsel's Office and Risk Management have asked that only a limited number of people refer contracts to them after the specific issues for review have been identified in the contracts.

  Some client contracts and their provisions become so onerous that ILR may choose not to conduct business with that organization because compliance is either impossible or cost-prohibitive based on Cornell policies and practices.

- **Performance Period:** Contracts must be executed prior to the commencement of any activities, and dates on the contract must reflect the proper period.

- **Invoicing and Payment Provisions:** The following guidelines are to be used for revenue and expense contracts:

- **Date-specific Invoicing:**
  The contract should include a date-specific invoicing cycle so that the billing dates can be entered into our Accounts Receivable system and an invoice can be automatically generated on the specific date for the specific amount.

- **Open-Ended Invoicing:** Some contracts do not lend themselves to date-specific invoicing, but billing dates should then be tied to the dates when services are delivered. The Finance Office will monitor the contracts and contact one of the four Thematic Program Coordinators each month to check on the status of the outstanding contracts and the delivery of services.

Contract Levels: Deposits and Billings

If contract values are in excess of $50,000, there should be a minimum 10% deposit required within 15 business days of signing the contract. This is mostly important for new clients, but sometimes deposits can be waived for long-term clients. The purpose of the deposit demonstrates the good faith of the client, reduces the risk that he/she will back out of the contract, and it helps ILR's cash flow where considerable time may have been spent in developing a proposal for a client.

$0 - $25,000: 1 payment following the delivery of services is acceptable, but it is preferable to have one payment before services are rendered to meet ILR's cash flow needs as well as to secure the commitment of the client.

$25,001 - $50,000: 1-3 payments could be used depending on the type of services being provided. If the client is brand new, you must include a deposit payable within 15 business days of signing the contract. If there is custom work to design the program, a payment should be made before the program is delivered to fully offset the cost of custom design and to ensure ILR is paid for design in the event that the program is not delivered. Or, if there are two (or more) delivery dates for the program, billings should occur immediately following the completion of each program/deliverable.

$50,001 - $99,999: 2-4 payments are recommended, again based on the types of services performed and how the program design and delivery is structured. A deposit, followed by an invoice for design services, followed by invoices for what might be the delivery of two parts of a program would be a good way to structure these invoices. Here, a 15% deposit is essential given the size of the contract, and if there are discovery, design, and development fees there should be a payment provision to fully fund these services before they are delivered to the client. The Extension Associate should work with the Program Coordinator and ILR Finance to ensure the payment schedule for the client matches the expenditure cash flow of the contract. For example, if an outside consultant is being hired immediately to begin design of the program and ILR must pay that consultant within 30 days of the signing of the revenue contract, then the contract with the Client needs to include a billing that is equal to what ILR owes the consultant. In short, we need to match our revenue and expense cash flows on these larger contracts wherever possible.

$100,000 - $999,000: All contracts and proposals for work that exceeds $100,000 and up to $999,999 must include the Associate Dean for Finance, Administration, and Corporate Relations in the proposal phase as well as the contract phase. The Extension Associate will work with the Thematic Lead and ILR Finance to develop the invoicing so that the Associate Dean for Finance can review the matching of revenues and expenses for the contract and balance the client's needs with the need to support ILR's cash flow and risk mitigation needs. Any revenue contract above $999,000 requires the approval of the University VP of Finance.

Billing: Services will be billed by Cornell University through the ILR Accounts Receivable Office, and remitted for processing to the client organization. Payment for services shall be made to Cornell ILR within thirty (30) days of receipt of the bill for services. Checks, payable to Cornell ILR, will be forwarded to the Cornell ILR, Accounts Receivable, PO Box 6838, Ithaca, New York 14851-6838. Purchase Orders can be either attached to the assess-a-fee form or contract class billing form or forwarded to the ILR Accounts Receivable Department at 393 Ives Hall, Ithaca, NY 14853, emailed to ilrcustomerservice@cornell.edu, or faxed to 607-255-9826.

Staff Involved: Renee Monroe, Manager of Outreach Funds and AR and Dianne Dean-Tucker, AR Specialist.

5. **Revenue Contract Execution:**

After a draft contract has been completed, it will be signed by Joe Grasso, Wil Stringer, or the delegated Finance staff member (see below) and then sent to the client for signature.

$0-$99,999: These contracts will be signed by Wil Stringer. Letter agreements are allowed for any work with a value of $10,000 or less, but these letters of agreement (page 20) must be signed by Wil Stringer.

$100,000 - $999,999: These contracts will be signed by Joe Grasso. All revenue contracts to be signed by Joe should be sent to Joe Grasso and copied to Wil Stringer.

Any and all international contracts will be signed by Joe Grasso.

The distribution of the executed contracts will be as follows:

Original executed copy is sent to the Client if required, otherwise, a PDF version can be sent to them.

PDF versions are distributed to the following:

ILR Accounts Receivable, 368 Ives Hall, Ithaca (Renee Monroe, Manager of Outreach Funds and AR (RLO4) and to Dianna Dean-Tucker, AR Specialist (DD86)

Thematic Lead/Program Director

Wil Stringer (Director of Finance)

Salesforce System – the program unit should update the Salesforce record to ensure the transactions of the relationship have been fully reported. Accounts Receivable staff will append the executed contract to the Salesforce account and record so that an easily accessible central repository can be maintained.

Reporting & Collections: The Accounts Receivable Office (Renee Monroe) will be responsible for compiling a monthly report that lists all contracts that have been executed during the preceding month with any outstanding balances. A monthly assessed receivables report is also produced and reviewed by the Finance team.

If payments are overdue, the relevant Thematic Lead or Program Director will be asked to follow-up with a client regarding payment. If the client is slow to respond or does not respond, Finance staff will follow-up with calls and e-mails. ILR Finance staff will defer to Program staff for the initial payment request contacts, but if the Program staff efforts fail, ILR Finance will take over responsibility for collection.

- An **Assess-a-Fee** form (see page 11) needs to be filled out for all non-course related billings and submitted to ILR Finance to ensure that a contract is in place and the amount to be billed is aligned with the billing scheduled in the contract. ILR Finance will then assign an OrgRefID on the Assess-a-Fee then send the form to: ilrcustomerservice@cornell.edu for input into our accounts receivable system. Examples of non-course related billings are custom training programs, non-sponsored research, arbitration, consulting and technical assistance.

- A **Contract Class Billing** form (see page 12) needs to be filled out for on-site programs (customized/specialized trainings for groups of people from an organization) and submitted to ilrcustomerservice@cornell.edu. Jasminy Joe, Outreach Registrar (JD51) assigns the related course numbers then forwards the forms to Mickey Khounthavong (MMK48) for input into our accounts receivable system. Instructor names and the projected number of participants need to be included with the contract class billing form.

If a roster becomes available, it should be submitted to the customer service email address for entry into SDC. Mickey also ensures that there is a contract in place and if there is none, alerts Wil Stringer so he can follow it up from the Extension Associate. If there are discrepancies on the information, Mickey contacts the staff for clarification. Once entered in SDC, Mickey scans the contract class form and sends it to Dianna. Dianna prints the invoices entered by Mickey in order to be mailed/sent to the clients.

- Once the **Assess-a-Fee** and **Contract Class Billing** forms are submitted, an invoice will be entered in the receivable system within 72 hours and automatically generated and sent to the client 7 days afterward (if there is a balance due), unless instructions are provided on the special billing instructions section on the bottom of the form to delay the billing or to issue the billing immediately.

- In the event that a revenue contract is modified or cancelled, notification must be sent to accounts receivable by email at ilrcustomerservice@cornell.edu so that our records can be appropriately updated.

- For all Revenue contracts – Accounts Receivable will monitor the activity and notify the Finance Manager / Thematic Lead when payments have not been received in a timely manner.

Expense Contracts:

All expense contracts MUST be signed for Cornell University by the Division of Financial Affairs Procurement and Payment Services. Signature authority noted here is for approval by the ILR School ONLY.

Expense contracts are typically associated with non-Cornell services that are purchased by ILR to design or deliver a training program or to purchase other services such as marketing studies, design services, conference and hotel services, etc. For example, if ILR or Cornell does not have an expert in change management on staff, the Thematic Lead or Extension Associate will seek expertise outside of ILR to deliver the change management services that a client desires as part of the professional development program. Another example is the purchase of eCornell courses to provide a blended learning experience for a client.

Independent Contracts for Instructors: Managers, Thematic Leads and Extension Associates are required to use ILR's standard independent contractor form to engage outside entities. The form and instructions are available at http://www.ilr.cornell.edu/fiscal/policies/index.html.

These contracts establish the terms and conditions under which the independent contractors will work and describe the intellectual property provisions for the services they are rendering as well as whether they are covered or not by Cornell's professional liability rider. Again, either Wil Stringer or Joe Grasso are authorized to sign these contracts.

In developing the client proposal, the Extension Associate would have had to receive a preliminary quote from the independent contractors in order to develop a price for overall proposal or contract for the client. However, as negotiations with the client deepen, the scope of services sometimes expands and the cost for the independent contractor's services also grows. It is important to closely synchronize the scope of services provided to the client with the scope of services and costs of the independent contractors.

Working with the Outreach units, the Associate Dean for Finance, Administration, and Corporate Relations has established a payment schedule for independent contractors in order to standardize and rationalize the cost structure.

Other Service Contracts: Other service contracts include such services as marketing studies, web design studies, coaching services, hotel, conference, food & beverage, media production, and other services. All these services must be reviewed and approved by either Joe Grasso or Wil Stringer and all contracts must be signed by them.

All contracts for these services should use the Division of Financial Affairs templates whenever possible. These templates, instructions for their use, and relevant University policies can be found at:

https://www.dfa.cornell.edu/procurement/tools-forms/forms/contracts

It is expected that any ILR employee or designate involved with expense contracts will be conversant with the policies included in the Cornell University Buying Manual, which can be found at:

https://www.dfa.cornell.edu/procurement/buyers/manual

Sole Source Justifications: Many of the independent contractors and service providers we use are uniquely qualified to perform the work we are seeking them to do. Accordingly, many of the relationships will be based on "sole sourcing" and not gathering competitive quotes, bids, or RFP's. However, when the Office of Procurement and Payment Services has contractors listed on their web site that provide such services, the ILR unit must use that preferred vendor or send a justification to Joe Grasso or Wil Stringer as to why that contractor cannot perform that service. The Office of Procurement and Payment Services will have to approve the sole source justification, and this will add some minor additional time for qualifying the independent contractor.

This document can also be found at the site listed above for Other Service Contracts.

Payment Process: Virtually all expense contracts will be paid by Purchase Order. NYC Administrative staff needs to work with the Wil Stringer and the ILR NYC Finance staff to process an I Want Doc to create a Purchase Order. A copy of the expense contract or quote needs to be submitted for anything more than $10,000.

The following documents need to be furnished to the Finance Staff when requesting a Purchase Order for services:

Executed copy of I/C or Service Contract (signed by the vendor, Extension Associate and Wil Stringer/Joe Grasso)

~~W-9 for new vendors~~
~~Vendor Information Form for new vendors~~
THESE ARE NOW REQUESTED BY PROCUREMENT

Service Provider Questionnaire
Service Provider Evaluation worksheet (to be filled out by the department)

Single Sole Source Justification Form (PO request for more than $10,000)

Approval Authority for Payments:

Under $25,000: Wil Stringer will sign all expense contracts under $25,000

$25,000 to $250,000: Joe Grasso will sign all expense contracts between $25,000 - $250,000 for the Resident and Extension Division.

Sponsored Research:

All sponsored research submissions must be reviewed and approved by Debbie Fisher, Manager of Sponsored Research. Form 10 is Cornell's internal sponsored research submission form to the Office of Sponsored Research (OSP). Wil Stringer has been delegated authority to sign these forms on behalf of the Associate Dean for Finance. Also, all indirect cost recovery waivers need to be approved by the Associate Dean for Finance with any dispute being resolved by the Dean.

International Agreements and MOU's:

Dean Kevin Hallock and Associate Dean Joe Grasso are the only people within ILR with authority to execute international agreements and these agreements often require the review of University Counsel's Office and/or the University Office of International Affairs.

Signing Authority Delegation:

Please note again that this is for ILR School approval only. Signature authority for all expense contracts resides with DFA Procurement.

The Dean hereby designates transaction authority to the following Finance staff members:

Joe Grasso, Associate Dean for Finance	\$0 - \$999,999
Wil Stringer, Director of Finance	\$0 - \$999,999
Jon Horn, Director of Budget	\$0 - \$999,999
Renee Monroe, Manager of Outreach Funds	\$0 - \$125,000

Payment authority is delegated by the Dean to the following Finance staff:

Joe Grasso, Associate Dean for Finance	\$0 - \$249,999
Wil Stringer, Director of Finance	\$0 - \$249,999
Jon Horn, Director of Budget	\$0 - \$249,999
Renee Monroe, Manager of Outreach Funds	\$0 – \$25,000

Naming and storing "Final Signed Contracts":

Once a contract has all the required signatures, it should be stored in the unit's "ILR Final Contract" shared file. The naming convention for all contracts should be as follows:

Unit.customername.contract#.mmddyear

Example: HCD.ABCcomany.(Salesforce contract number).12052013

Note: All ILR Revenue and Expense Contracts **MUST** be entered into Salesforce