Effective Date: February 15, 2009

Guidelines, Procedures, Forms & Q&A's
NORTH CAROLINA CENTRAL UNIVERSITY

Program Income Associated with Federal and Non-Federal Sponsored Projects

Responsible Offices: Office of the Vice Chancellor for Graduate Studies and Research
Office of Sponsored Research and Programs
Contracts and Grants Office
Comptroller's Office

Guidelines Sections	Page
Overview	1
Scope	1
Guidelines Statement	2
Statement of Need	2
Purpose	2
Definitions	2
Authorized Uses of Program Income	3
Sub-recipients and Subcontractors	4
Pre-Award Planning for Program Income and Proposal Preparation	4
Identifying Revenue Generating Activities	4
Plan for Using Program Income	4
Post-Award Management of Program Income	5
Generating the Program Income	5
Program Income Pricing	5
Accounting for Program Income	5
Receiving and Receipting Program Income	6
Monitoring Program Income	6
Reporting Program Income	7
Program Income after Project End Date (Close Out)	7
Recordkeeping Requirements	8
Roles and Responsibilities	8
Related Information	9

Overview

Principal Investigators are required to account for income generated under grant programs financed in whole or in part with sponsoring agency funds. The terms and conditions of the grant agreement specify which of the treatment options a grantee is to use. Grant recipients are required to record and report program income to the University and their awarding agency.

Scope

This document sets forth requirements for identifying, treating, recording and reporting program income generated by sponsored project activities. It applies to all University departments and offices that are involved in the conduct of sponsored project activities.

Guidelines Statement

Effective Date: February 15, 2009

Principal Investigators of sponsored projects are responsible for the programmatic and financial monitoring of program income. These responsibilities are performed in collaboration with various University departments, including but not limited to the University's Contracts and Grants Office, Comptroller's Office, Office of Sponsored Programs, and University Foundation Office. The terms governing program income are generally documented in the notice of grant award.

Statement of Need

Sponsoring agencies require Principal Investigators of grant projects to identify and document program income on projects from both Federal and non-Federal sources. The nature of this income must be properly and diligently recorded and reported.

Purpose

The purpose of these guidelines and procedures is to ensure the University's compliance with the terms and conditions of a sponsored project award as it relates to the treatment of program income by outlining the use, recording, and reporting of program income.

Definitions

Principal Investigator – The chief administrator of a sponsored project.

Activity Director – A coordinator of an approved activity under a sponsored project. Reports to the Principal Investigator of a sponsored project.

Program Income - Program income is gross income received that is directly generated by the grant-funded project or earned as a result of an award during the grant period. If authorized by sponsoring agency regulations or the grant agreement, costs incidental to the generation of program income may be deducted from gross income to determine program income.

Program income includes, but is not limited to, income from:

(1) fees for services performed,
(2) the use or rental of real or personal property acquired with grant funds,
(3) the sale of commodities or items fabricated under a grant agreement,
(4) payments of principal and interest on loans made with grant funds, and
(5) license fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions produced under an award. For example, unless specified otherwise in the sponsoring agency regulations or the terms and conditions of the grant award, the Federal Government does not have an interest in program income earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions produced under an award.

Except as otherwise provided in the awarding agency regulations or terms and conditions of the award, program income does not include the following:

(1) interest on grant funds,
(2) rebates,
(3) credits,
(4) discounts,
(5) refunds, etc.
(6) interest earned on any of them,
(7) proceeds from the sale of equipment or real property, or
(8) donor contributions and gifts.

Authorized Uses of Program Income

The terms and conditions of the grant award specify the usage of the program income.

For example, under Federal regulations, program income can be used in at least one of the three ways. Program income can be

(1) added to the project budget to further allowable project objectives (Additive or Addition Method);
(2) used to meet matching or cost sharing requirements to finance the non-Federal share of the project (Cost Sharing or Matching Method); and/or
(3) deducted from the total project allowable costs in determining the net allowable costs on which the Federal share of costs is based (Deductive, Deduction, and Default Method).

Example: Department of Education awards $100,000 for a Title III project. An activity generates an income of $50,000.

Additive Method – The project cost could be $150,000.

Cost Sharing or Matching Method – If the University as a grantee of the project were required to supply matching funds of 50% above the first $1,000,000, then, the University would now have to provide $450,000 instead of $500,000.

Deductive (Default) Method – The project will now only fund $50,000.

Program income funds must be used to further the broad objectives of the legislation, purpose and mission governing sponsored projects.

Program income funds should be spent first before current year grant award funds.

Spending must be for allowable costs during the project period.

Program income funds can be used for such activities as expansion of the project.
Program income must be used in a manner that is allocable, allowable and reasonable to the project and spent on award activities.

Expenses that are unallowable on the main project are also unallowable on the program income account. Exceptions may be costs incurred that are incidental to the generation of program income.

Sub-recipients and Subcontractors

Sub-recipients or subcontractors of grant awards are subject to the same laws, terms and conditions, and reporting requirements as recipients.

Pre-Award Planning and Proposal Development

Principal Investigators are responsible for knowing the requirements for using and reporting program income based on the sponsoring agency's guidelines.

Identifying Revenue Generating Activities

Determining whether a project or activity will generate program income depends on self-disclosure by the Principal Investigator/Activity Directors at the time of the proposal's submission. When the Principal Investigator submits the proposal to the Office of the Vice Chancellor for Graduate Studies and Research, he or she must submit the Proposal Review Transmittal Form, indicating whether program income is anticipated and how it is to be used.

Common types of program income are fees from conferences and the sale of pamphlets or conference materials. Other examples include income from fees for services performed such as laboratory tests; fees from participants attending conferences or symposia; income generated from the use, sale or rental of equipment purchased or fabricated with project funds; proceeds from the sale of excess supplies or equipment purchased or fabricated with project funds; sale of software, tapes or publications; income from the sale of research materials such as animal models; sales or products with an accompanying material transfer agreement.

There may be cases when program income is not anticipated during the proposal development process and arises out of opportunities that occur during the life of the award. In these situations, the Activity Directors must work with the Principal Investigator of the sponsored project and the Contracts and Grants Office so that the situation can be properly tracked and reported to the sponsoring agency.

Plan for Using Program Income

The Office of the Vice Chancellor for Graduate Studies and Research is responsible for pre-award review of all sponsored project proposals from University personnel. That Office will review sponsoring agency regulations and guidelines to determine the appropriate agency requirements for using program income. At the time the proposal is submitted, all Principal Investigators should be aware of how program income will be used and reported due to a potential impact on the scope of the work of the award.

Post-Award Management of Program Income

Generating the Program Income
When program income is generated, the Principal Investigator shall document the activity that generated the income on the Program Income Accounting Summary. The Program Income Accounting Summary shall be maintained for the duration of the grant and shall be made available when requested by University leadership.

Program Income Pricing
Pricing of goods and services to generate program income should incorporate all associated labor and non-labor costs. The project must always be provided with the lowest fee available.

Accounting for Program Income
All Principal Investigators should be prepared to deal with the receipt and disposition of program income, whether or not its receipt is expected. The allowability and applicability requirements for any obligation of program income funds should be the same as for the main sponsored project funds. This is regardless of which methodology is used. Regulations and guidelines associated with the sponsoring agency may contain specific requirements for the use and disposition of program income from royalties and the proceeds from the sale of real property and equipment.

Program income must be reflected in the University's accounting system in sufficient detail to identify adequately the source and application of program income funds, which contain information pertaining to deposits, authorizations, obligations, unobligated balances, assets, outlays, income, and interest, with appropriate supporting documentation for each transaction.

Separate Accounting Records Required.
Separate records must be maintained to account for each revenue stream of program income and the expenditure of these funds.

No Co-mingling Allowed.
These funds cannot be co-mingled with the original grant funds nor co-mingled with other program income funds.

Recordation Required.
Registration forms stamped "paid," receipts and other evidence of payment must be given to each payee. When program income is generated, the Principal Investigator documents the activity that generated the income on the Program Income Accounting Summary.

Steps to Follow

Accounting for program income involves the following steps:

Step 1 – Principal Investigator should make sure that the Contracts and Grants Office is informed of any program income activity. If the proposal included a program income budget, then no further notification to Contracts and Grants Office is required. In cases when the program income was not indentified at the proposal stage, the Principal Investigator must notify the Contracts and Grants Office as soon as program income is anticipated.

Step 2 - A program income fund shall be established in accordance with approved University fund establishment procedures. Fund names shall specifically be identified. (i.e., Title III Program Income Fund – Program Administration). The fund authority for program income funds shall be the Principal Investigator for the project.

The program income fund will be considered a sub-fund under the main project fund.

Only Principal Investigators can be the fund authority on a program income fund and have approval authority to expend funds from the program income fund.

Receiving and Receipting Program Income

When program income payments are received, it should generally be handled in accordance with any University policies and procedures on depositing and recording University funds.

Step 3 - Any revenue that is received by a Principal Investigator or other Department personnel must be deposited in the University Bursar's Office using the University's official deposit of funds form. All evidence of payment, such as registration forms stamped "paid" or receipts must be attached to the University's official deposit of funds form. All signatures requested on the form are required. Received funds must be deposited in the University Bursar's Office within twenty-four (24) hours of receipt.

Principal Investigators must invoice for products sold or services rendered resulting in anticipated revenues.

Only University-accepted forms of payment shall be allowed. All checks shall be made payable to "North Carolina Central University," and must designate the program income fund by fund name and/or fund number. Registration forms stamped "paid," receipts, or other evidence of payment must be given to each payee.

Principal Investigators shall maintain records that show evidence of:

- Receipts given to buyers, attendees, etc.
- Goods and services that generated the income
- Number of units sold and unit cost
- Information identifying buyers, attendees, etc.
- Fund name and fund number to which the funds were deposited (Program Income Accounting Summary)
- Copies of processed deposit forms and deposit receipts

Step 4 - The Principal Investigator submits a copy of the processed deposit form and deposit receipt to the Contracts and Grants Office.

Monitoring Program Income

Principal Investigators, in collaboration with the Contracts and Grants Office, are responsible for monitoring the receipt of, recording of, and reporting of program income. If the Principal Investigator believes that program income has been generated and deposited but is not appearing on the financial records, he or she should contact the Comptroller's Office to track the revenue and resolve any discrepancies.

Best Practices:

Sufficiently plan for program income at the proposal development stage so that the proposal budget for program income mirrors the amount of funds deposited into the program income fund. Principal Investigators are not limited in the amount of program income they can generate.

Program income funds received after the grant period are not subject to any disposition requirements so long as the grant project has been properly closed out.

If, however, program income funds are received during the grant period, those funds must be obligated during time period of the grant.

If the University has received approval for an extension to the grant period that newly revised grant period also applies to the period for obligation of program income funds.

Reporting Program Income

The Contracts and Grants Office shall maintain sponsoring agencies' financial reporting requirements, which are usually attached to grant award notices, and shall be responsible for reporting program income to any required governmental agencies.

Program Income after Project End Date (Close Out)

Generally, the extinguishment of a sponsoring agency's interest in program income is directly tied to the close out of sponsored project. Any residual program income funds are to be handled according to the terms and conditions of the award. Unless the sponsoring agency regulations or the terms and conditions of the award state otherwise, Principal

Investigators shall have no obligation to the sponsoring agency regarding program income earned after the end of the budget or project period.

If grant programs are designed to become self-supporting, program income generated after the grant period ends may be used to sustain the program.

Recordkeeping Requirements

The length of time that program income records must be maintained is determined by the sponsoring agency's requirements.

> For example, under Federal U.S. Department of Education regulations, expenditure records of program income funds must be maintained for three years after the end of the grant year in which the grant support terminates.
>
> *Example: Grant is awarded for the cycle of October 1, 2007-September 30, 2012, and generates program income during that period. Records must be maintained until September 30, 2015.*

Roles and Responsibilities

Principal Investigators

- ensure compliance with Federal, State, local and University laws, regulations, procedures, and guidelines
- identify sources of actual and potential program income at the proposal stage and mark "yes" to the program income questions on the Proposal Transmittal Form;
- contact sponsoring agency to discuss anticipated program income, if necessary;
- determine use of reportable program income;
- make determinations on the allocability, allowability, and reasonableness of expenditures of program income;
- complete required program income sections in grant proposal, as necessary;
- develop plan for using program income;
- discuss anticipated program income with the Office of the Vice Chancellor for Graduate Studies and Research and relevant Financial Affairs Offices;
- monitor spending to ensure that program income is spent first;
- make decisions about how to handle situations when total program income offset is greater than total expenditures;
- collect outstanding program income;
- maintain copies of all program income receipts for deposit, invoices, contracts, and requisitions and check requests
- verify program income on reports;
- address account balance issues at final project termination.
- assist with calculating prices;
- bill for products or services which produce program income;
- reconcile revenue invoiced or submitted against financial reports;

- monitor levels of program income in account and any limits that are set by the sponsor;
- properly deposit income received in accordance with University's revenue policy;
- monitor expenditure levels in project to ensure that program income is spent first;
- verify program income receipt on financial report.

Dean/Department Head

- ensure that any activity that could generate program income is correctly identified on the Proposal Transmittal Form.

Division Vice Chancellor

- ensure that any activity that could generate program income is correctly identified on the Proposal Transmittal Form.

Office of Sponsored Research and Programs

- review proposal for anticipated program income;
- notify Principal Investigators and Contracts and Grants Office of possible program income.

Office of the Vice Chancellor for Graduate Studies and Research

- approve proposals

Bursar's Office

- accept deposits of program income

Comptroller's Office

- deposit and record program income payments.

Grant and Contracts Office

- verify that program income is recorded correctly;
- maintain financial reporting requirements by sponsoring agency and report program income to governmental agencies as required;
- advise Principal Investigators on the proper accounting and tracking of program income;

<u>Related Information</u>

U.S. OMB Circular A-102

U.S. OMB Circular A-110

U.S. OMB Circular A-133

Sponsoring agency regulations