Program Income Policy

I. POLICY STATEMENT

This policy defines the conditions under which program income is earned, expended, and accounted for at project-end.

II. POLICY PRINCIPLES

It is the policy of Auburn University to use program income to support the program which produced the income (in compliance with 2 CFR 200).

Expenditure of program income will be for costs that further the objectives of the project for which the award was made and which are in accordance with the financial policies and procedures of Auburn University.

A separate FOAP will be established for processing the receipts and disbursements of program income for each sponsored project which has program income. Except for royalty income, program income is not to be mixed with other Auburn University funds.

III. EFFECTIVE DATE

10/1/2016

IV. APPLICABILITY

This policy applies to Principal Investigators (PI) and departments responsible for the sponsored award that generates the income. It also applies to the Office of Sponsored Programs for identification and proper treatment and Contracts and Grants Accounting for financial reporting to sponsors.

Principal Investigator (PI) or his/her responsible department:

- Develop a plan for program income and a budget that incorporates all costs, including the Facilities & Administrative (F&A) costs at the appropriate rate, if applicable. Budgets should be developed using the same costing standards used for sponsored award budgets.
- Notify Contracts and Grants Accounting of any special reporting requirements.
- Ensure program income funds are used for appropriate project-related costs, in accordance with Federal guidelines, sponsor restrictions, and Auburn University policies.
- Work with Contracts and Grants Accounting to properly record program income receipts and load budget.
- Reconcile monthly financial reports to make sure all expenditures and deposits have been posted.
- Address any residual balances at project end.

Office of Sponsored Programs:

- Review proposals and awards to identify program income.
- Work with Contracts and Grants Accounting to determine proper treatment of program income.
- Request program income fund with award setup or where appropriate post-award.

Contracts and Grants Accounting:

- Verify program income is recorded correctly and budget is loaded appropriately.
- Prepare and submit reports to sponsors regarding the receipt and use of program income funds, based on transactions processed on program income FOAP.
- Determine proper treatment of any residual balances at project end.

V. POLICY MANAGEMENT

Responsible Office: Contracts and Grants Accounting
Responsible Officer. Director, Contracts and Grants Accounting
Responsible Executive: Vice President for Business & Finance and CFO

VI. DEFINITIONS

2 CFR Part 200 (2 CFR 200 or Uniform Guidance) - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

Program Income - According to 2 CFR 200 ***program income*** means income earned during the project period by the recipient that is directly generated by a supported activity or earned as a result of the award. Program income includes, but is not limited to:

- income from fees for services performed
- income from conference registration fees
- the use or rental of real or personal property acquired under federally-funded projects
- the sale of commodities or items fabricated under an award
- and, under certain circumstances, license fees and royalties on patents and copyrights.

Federal Project - a project which is funded by the federal government. If federal funds are passed through any other entity before arriving at Auburn, it is still considered a federal project.

FOAP is the Fund, Organization, Account, and Program code used to record financial transactions in Banner.

Non-federal Project - a project which is not funded by the federal government

Residual balance - an unobligated, unspent balance remaining in a program income FOAP at the end of the sponsored award which generated the program income. A residual balance occurs when the program income collected exceeds the expenses recorded. *Program income fees charged and collected should be based on the actual costs of performing the work.*

VII. POLICY PROCEDURES

TREATMENT OF PROGRAM INCOME

Program income earned during the project period shall be retained by the recipient (in other words, not immediately remitted to the awarding agency) and, in accordance with federal awarding agency regulations or the terms and conditions of the award, shall be used in one or more of the following ways:

1. ***Additive.*** Added to funds committed to the project by the federal awarding agency and recipient and used to further eligible project or program objectives.

2. ***Deductive.*** Deducted from the total project or program allowable cost in determining the net allowable costs on which the federal share of costs is based.

3. ***Cost Sharing or Matching.*** Used to finance the non-federal share of the project or program; the use of program income in this manner requires prior approval of the federal awarding agency.

For Federal awards, the ***additive*** method automatically applies unless the agency specifies otherwise.

For program income generated under non-federal awards the ***additive*** method applies unless the agency specifies otherwise.

Additional Provisions of Uniform Guidance

If deductive: "Program income must be used for current costs unless the Federal awarding agency authorizes otherwise. Program income that the non-Federal entity did not anticipate at the time of the Federal ward must be used to reduce the Federal award and non-Federal entity contributions rather than to increase the funds committed to the project." Project directors should keep this in mind when disbursing funds throughout the award period. If unused funds remain in the program income account when final reporting is submitted for the grant, this money may be used to reduce the federal share of project costs.

If Additive: Program income may be added to the Federal award by the Federal agency and the non-Federal entity. The program income must be used for the purposes and under the conditions of the Federal award.

Income after the period of performance: There are no Federal requirements governing the disposition of income earned after the end of the period of performance for the Federal award, unless the Federal awarding agency regulations or the terms and conditions of the Federal award provide otherwise. The Federal awarding agency may negotiate agreements with recipients regarding appropriate uses of income earned after the period of performance as part of the grant closeout process.

Income earned from license fees and royalties: Unless the Federal statute, regulations, or terms and conditions for the Federal award provide otherwise, the non-Federal entity has no obligation to the Federal awarding agency with respect to program income earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions made under a Federal award to which 37 CFR part 401,"Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Awards, Contracts and Cooperative Agreements" is applicable.

GENERAL PROCEDURES

1. Information on the type of program income and the proposed treatment of the income should be submitted to the Office of Sponsored Programs (OSP) along with the proposal. The request for the program income FOAP should be processed along with the request to establish the award FOAP. This FOAP will be coded as a contract/grant FOAP. Budget will be loaded by Contracts and Grants Accounting (CGA) as income is received and deposited.
   If income is generated after the proposal is awarded, the request for a program income FOAP should be sent to OSP, who will then forward to CGA.

2. As a general rule, if funds are remaining in the program income FOAP when final reporting is submitted for the grant, this money will be used to reduce the sponsor's share of project costs, and the program income FOAP will be closed.

3. **For non-federal projects only:** If the ***ADDITIVE*** treatment has been approved by the sponsor and funds of 10% or less of the collected income remains, the residual funds could *possibly* be retained by Auburn University. If the Principal Investigator (PI) wishes to retain these funds, he or she must write a letter to the sponsor requesting the use of remaining funds. The letter must

explicitly state that the funds were *earned during the project period* and *will be used after the end date.* It must also include a plan for the use of the residual funds. The letter must be sent to the Office of Sponsored Programs for approval and submission to the sponsor.

a. If the sponsor approves *in writing* the use of the residual program income balance after the end date, the remaining balance of 10% or less of the collected income will be transferred to a college-level revenue FOAP.

b. If more than 10% of the collected income remains, all of the remaining income will be used to reduce the sponsor's share of project costs.

**Please note that every effort should be made to spend program income before sponsor funds are spent and special care should be taken when developing program income budgets. Budgets should be developed in the same manner as the sponsored award and should adhere to cost principles in the Uniform Guidance. Auburn University is a non-profit institution and program income should not be viewed as a revenue source; instead, it is intended to help cover the costs of the sponsored program.

4. Some program income is necessary to cover expenses that would not normally be allowed on the sponsored funds, such as the costs of meals for a workshop. For guidance on budgeting, please contact the Office of Sponsored Programs or Contracts and Grants Accounting.

COLLECTION PROCEDURES

There are two ways in which program income funds can be deposited and the budget increased:

I) The department sends the checks to Contracts and Grants Accounting to deposit along with a completed Budget Transfer Form equal to the total of the checks. Contracts and Grants Accounting will deposit the checks and load budget according to the Budget Transfer Form.

2) The department deposits the income to the program income FOAP using the Collection Report/Receipt Voucher and sends a request to Contracts and Grants Accounting to increase the budget. The request must include a complete copy of the collection report, including copies of the checks, and a Budget Transfer Form equal to the deposited income. Contracts and Grants Accounting will then increase the budget.

If program participants pay with a credit card, the department must send a copy of the Collection Report and credit card batch detail report to Contracts and Grants Accounting, along with a completed Budget Transfer Form. Budget will be loaded by Contracts and Grants Accounting.

Option Number 1 is the recommended method for depositing Program Income and loading budget.

VIII. SANCTIONS

If program income balances are not properly handled at the end of the project, a sponsor may require a proportionate reduction in the granting agency's share. To provide the approved split of costs, a portion of project costs may be transferred from the sponsored FOAP to the program income FOAP.

IX. EXCLUSIONS

This policy applies to all sponsored agreements. Any exceptions shall be reviewed by the offices of the Vice President for Business & Finance and CFO, Director of Contracts and Grants Accounting, or other designee and may be granted on a case-by-case basis.

X. INTERPRETATION

The offices of the Vice President for Business & Finance and CFO, Director of Contracts and Grants Accounting, or other designee will determine appropriate application for each contract, grant or cooperative agreement involved.