

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE

MANAGING PROGRAM INCOME EARNED ON SPONSORED PROJECTS

<u>Number</u>	07.02.11
<u>Division</u>	Office of Sponsored Programs
<u>Date</u>	June 26, 2011
<u>Purpose</u>	<p>Sponsors provide funding to cover costs of conducting research, training, and public service-related activities. Program income may be generated as a result of these activities and in some cases must be reported to the sponsor. Federal sponsors have documented in OMB Circular A-110 and the applicable Code of Federal Regulations explicit processes to be used in the identification, recording, reporting, and monitoring requirements for income that is generated during the project period.</p> <p>To be consistent in managing program income, the University extends the requirements to nonfederal sponsors.</p> <p>This policy was implemented to comply with sponsor and University policies and to ensure that program income is managed in a manner consistent with the University's overall missions and goals.</p>
<u>Policy</u>	<p>Principal investigators must identify and document program income on projects from both federal and non-federal sponsors in accordance with sponsor requirements. The nature of this income must be appropriately documented and the resulting revenue properly recorded.</p> <p>Exclusions:</p> <p>This policy does not include program income where there is no reporting requirement to the sponsor. Examples include income received on non-federal awards that are silent on program income, royalty income resulting from copyrights (unless it is addressed in the award terms), or royalties or license fees for unpatented, but potentially patentable discoveries that are disclosed to the Office of Technology and Commercialization.</p> <p>This policy does not include revenue generated through programs funded by sources other than sponsored projects.</p> <p>Royalty Income from copyrights, while defined as program income is not reportable unless the terms and conditions of the award indicate otherwise.</p>

Definitions:

Program Income means gross income earned by the recipient that is directly generated by a supported activity or earned as the result of an award (OMB Circular A-110).

Actual program income is a part of the proposal or award budget, for example if the project involves organizing a conference and the registration fees are part of the proposal budget, the registration fee revenue is program income.

Potential program income is additional funds that may be generated if there is an opportunity, for example surplus supplies are sold.

Procedures:

When program income is identified on the proposal budget or is earned under a sponsored project, the Office of Sponsored Programs (OSP) will establish an account for tracking deposits and expenditures and reporting of income earned. Please note that some funding agencies expect the first expenditures to be made to the program income account and then to the agency funds.

- a. The principal investigator is responsible for identifying actual and potential program income at the proposal stage. At proposal time, 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.
 - 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.
 - Income from the sale of research materials such as animal models.
 - Royalties from patents and copyrights [see exclusions].
 - Sales of products with an accompanying material transfer agreement.

Note: Even if the principal investigator includes this income in the proposal budget calculations, it will be program income and the proposal routing form must be completed accordingly. For example, if conference fees are to be used to cover part of the cost of the project, this revenue is still program income. It is appropriate to discuss first with OSP and, if necessary, the sponsor, whether funded activities might generate program income.

- b. The account title will be identified as Program Income for XXXXXX (applicable Org Number). The program income account will have its own assigned org number. The program income account and all actions are processed through OSP.

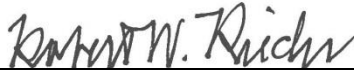
- c. Funds generated under a program income account will be deposited with the Bursar Office. The deposit form will include the Program Income org code and applicable account code, total amount of deposit. A copy of the deposit form will be provided to the appropriate Contract Administrator. The Bursar's receipt must accompany this form. The "reason" section at the bottom of the form should indicate that this is program income. [In calculating the cost of registration fees, seminar fees, etc., F&A should be included at the same rate of prime award.
- d. The Contract Administrator will prepare a budget form and modification to the Program Income account, increasing the account by the value of the deposit. The funds will be placed in the appropriate account codes (normally operating and F&A).
- e. When a program income account is established, the Contract Administrator should review the award document, the agency regulations and OMB Circular A-110 to determine the program income regulations and order of precedence governing this situation. The Administrator should provide this information to the C&G Accountant and the P.I. These regulations will determine the precedence of expenditure and the disposition of funds remaining at the end of the award.
- f. When program costs are paid from the program income account, C&G Accounting will debit F&A costs along with the direct costs. For example: program cost totaling \$1,374.57 will incur F&A of \$625.43 (assuming a F&A rate of 46.5%).
- g. In instances where an income generating meeting or activity is NOT sponsored or connected in any way with a contract/grant, the account will be established through General Accounting and not OSP.
- h. OSP determines whether the program income must be reported to the sponsor. If required, Contracts and Grants Accounting prepares and sends these reports or includes the necessary information in the sponsor financial reports.
- i. Federal sponsors: Federal regulations require the University to use program income funds before sponsor funds. If funds remain in the project or program income account after the project has terminated, balances will revert to sponsor. If the principal investigator wishes to retain these funds, a letter to the sponsor requesting to use these funds, and outlining a plan for their use. The request must be made before the funds are used. This letter must be sent to OSP for endorsement and forwarding to the sponsor.

j.. Nonfederal sponsors: However leftover program income funds are to be handled depends on the sponsor and contract involved. In the absence of a non-federal sponsor's policy, program income is non-reportable.

Review

The Office of Sponsored Programs is responsible for the review of this policy every five years, (or whenever circumstances require).


Approval



Chief University Counsel



Vice President for Research and Economic Development



Senior Vice President for Finance and Administration

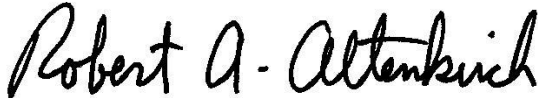


Director, Office of Sponsored Programs



Director, Contracts and Grants Accounting

APPROVED:



President