

Program Income on Sponsored Programs

SPA-11-011



About This Policy

Effective Date:

04-25-2011

Last Updated:

05-03-2017

Responsible University Office:

Office of the Vice President for Research

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Related Information

- * [OMB 2 CFR part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#)
- * [NIH Grants Policy Statement](#)
- * [NSF Proposal and Award Policies and Procedures Guide](#)

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Scope

This policy applies to all Indiana University faculty and staff involved in the fiscal operations and administration of sponsored programs with program income.

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Policy Statement

It is the policy of Indiana University that the any program income on sponsored programs be appropriately identified, documented, expended and reported according to the terms and conditions of the sponsored program such as to comply with best practices, Office of Management and Budget Circular [2 CFR part 200 Uniform Administrative Requirements](#),

Cost Principles, and Audit Requirements for Federal Awards, Section 200.307, and other specific sponsor requirements, as applicable.

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Reason For Policy

This policy is to provide guidance for the identification, documentation, expending and reporting of program income on sponsored programs.

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Procedure

Program Income must be identified, documented, and reported to the sponsor when earned according to the terms and conditions of the sponsored project. If authorized by Federal regulations or the Federal award, costs incidental to the generation of program income may be deducted from gross income to determine program income, provided these costs have not been charged to the Federal award.

The uses of program income associated with a Federal award are specified in [OMB 2 CFR part 200](#), Section 200.307 paragraph (e) as follows:

(e) *Use of program income.* For Federal awards made to IHEs and nonprofit research institutions, if the Federal awarding agency does not specify in its regulations or the terms and conditions of the Federal award how program income is to be used, paragraph (e)(2) of this section must apply. In specifying alternatives to paragraphs (e)(1) and (2) of this section, the Federal awarding agency may distinguish between income earned by the recipient and income earned by subrecipients and between the sources, kinds, or amounts of income. When the Federal awarding agency authorizes the approaches in paragraphs (e)(2) and (3) of this section, program income in excess of any amounts specified must also be deducted from expenditures.

(1) *Deduction.* Ordinarily program income must be deducted from total allowable costs to determine the net allowable costs. 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 award must be used to reduce the Federal award and non-Federal entity contributions rather than to increase the funds committed to the project.

(2) *Addition.* With prior approval of the Federal awarding agency (except for IHEs and nonprofit research institutions, as described in paragraph (e) of this section) 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.

(3) *Cost sharing or matching.* With prior approval of the Federal awarding agency, program income may be used to meet the cost sharing or matching requirement of the Federal award. The amount of the Federal award remains the same.

In some cases the awarding agency may use a combination of methods. The principal investigator is responsible for working with the departmental fiscal officer and Office of Research Administration (ORA) when Program Income is earned in order to properly record, expend and report the income to the funding agency.

For grants with multiple non-competing segments, departments should detail the earned and expended Program Income on the appropriate forms for the non-competing continuation request.

If Program Income is anticipated at the time of proposal submission, this information must be included in the proposal submission. Any questions regarding this process should be directed to ORA.

When Program Income is not anticipated during the proposal preparation process and arises out of opportunities that occur during the life of the award, the principal investigator is responsible for notifying the departmental fiscal officer and ORA in order to establish the Program Income account. Program Income revenue must be deposited according to the requirements of [Treasury policy VI-120](#).

Per OMB 2 CFR part 200.305, when Program Income is earned in association with a Federal award, all available Program Income funds are to be expended to support project expenses prior to drawing Federal award funds. Even in cases when the

Program Income will be added to the Federal award to increase the total project budget, received Program Income funds must be expended prior to drawing Federal award funds.

Most agencies identify the method for accounting for Program Income in the award notice, or have default rules for accounting for Program Income. ORA uses separate accounts to house Program Income and related expenses. The Program Income account and the main grant account are linked in the University Financial System and both accounts are included in financial reports to agencies. The Federal Financial Status Report submitted to the agency must include the aggregate amounts earned and spent.

Regulations of the awarding agency or the terms and conditions of the award should be reviewed for any specific language regarding Program Income for the project. Unless otherwise required by the awarding agency, recipients shall have no obligation to report Program Income earned after the end of the project period.

ORA has long held a practice of setting up separate accounts to track program income. In order to further delineate program income accounts for the annual Federal Single Audit audit process, program income accounts will now be set up in the 55 account series, sharing the same last 5 digits as the main grant account. The account title will list the federal sponsoring agency, the grant number and the word "Income". The ORA account administrator will link the income account to the main account in the University Financial System for financial reporting purposes. Departments should detail the earned and expended program income on the appropriate forms for the non-competing continuation request.

Awards under NIH Expanded Authorities are given the following additional requirements:

- Treatment of program income will be stated in the NIH Notice of Grant Award.
- Program income is to be reported annually on the Federal Financial Status Report (SF-425).
- For awards under the Simplified Non-competing Application Process (SNAP), the amount of program income earned must be reported in the non-competing continuation progress report. The Federal Financial Report for the competing segment must include the aggregate amounts earned and spent.

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Definitions

Program Income: Defined in Federal OMB [2 CFR part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#) as gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance except as provided in 2 CFR part 200.307 paragraph (f). (200.307 paragraph (f) stipulates the conditions under which the Federal awarding agency may specify the uses of program income after the end of the period of performance.)

Program Income includes but is not limited to income from fees for services performed, the use or rental of real or personal property acquired under Federal awards, the sale of commodities or items fabricated under a Federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with Federal award funds. Interest earned on advances of Federal funds is not program income. Except as otherwise provided in Federal statutes, regulations, or the terms and conditions of the Federal award, program income does not include rebates, credits, discounts, and interest earned on any of them. See also §200.407 Prior written approval (prior approval). See also 35 U.S.C. 200-212 "Disposition of Rights in Educational Awards" applies to inventions made under Federal awards.

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. (2CFR part 200.307 paragraph (g))

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Sanctions

Failure to adhere to the principles and processes in this policy may result in the requirement to use non-sponsored program funds to cover program income obligations.

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History

Replaces:

- III-110 “Policies Related to Contract and Grant Administration: Program Income”
- Important Notice 00-6 “Program Income”

Previous Versions:

- **Effective Dates: 4-25-2011 through 5-3-2017**