

AUBURN UNIVERSITY POLICY AND PROCEDURES ON PROGRAM INCOME ASSOCIATED WITH SPONSORED PROJECTS

POLICY STATEMENT

It is the policy of Auburn University to use program income to support the program which produced the income (in compliance with OMB Circular A-110). 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 FOP 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 university funds.

DEFINITION OF PROGRAM INCOME

According to OMB Circular A-110, *program income* means income earned 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, 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.

TREATMENT OF PROGRAM INCOME

Program income earned during the project period shall be retained by the recipient 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 ways listed in the following:

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. For **RESEARCH** projects, the **ADDITIVE** method automatically applies unless the agency specifies otherwise.

For **ALL OTHER PROJECTS OR PROGRAMS EXCEPT RESEARCH**, the **DEDUCTIVE** method applies unless the terms and conditions of the award specify another method.

Departments anticipating program income should take care to secure agency approval of the appropriate method of disbursing program income in conjunction with award funds.

Section 22 (g) of A-110 requires: "To the extent available, recipients shall disburse funds available from . . . program income . . . before requesting additional cash payments." Project directors should keep this in mind when disbursing funds throughout the award period.

If unused funds remain in the program income FOP when final reporting is submitted for the grant, this money will be used to reduce the federal share of project costs. Program income

funds, as award funds and cost sharing funds, must be used for project costs incurred or encumbered within the award period and must be processed through the Auburn University accounting system prior to the deadline for final financial reporting.

Additional Provisions of A-110

Section 24 (e): "Unless federal awarding agency regulations or the terms and conditions of the award provide otherwise, recipients shall have no obligation to the federal government regarding program income *earned* after the end of the project period."

Section 24 (h): "Unless federal awarding agency regulations or the terms and conditions of the award provide otherwise, recipients shall have no obligation to the federal government with respect to program income earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions produced under an award. However, Patent and Trademark Amendments (35 U.S.C. 18) apply to inventions made under an experimental, developmental, or research award."

GENERAL PROCEDURES

1. Information on the type of program income and the proposed treatment of the income should be submitted to the Vice President for Research along with the proposal. The request for the program income FOP should be processed along with the request to establish the award FOP.
2. If program income is anticipated during the period of the sponsored project, a separate FOP for program income should be requested. This FOP will be coded as a contract/grant FOP.
3. If funds are remaining in the program income FOP when final reporting is submitted for the grant, this money will be used to reduce the federal share of project costs, and the program income FOP will be closed.

COLLECTION PROCEDURES

When program income funds are established, no budget is loaded until income is deposited. There are two ways in which program income can be deposited and the budget increased.

Option 1: The department deposits the income to the program income fund and sends a request to CGA to increase the budget.

- 1) Deposit income as shown in the example below. Do NOT use org or program codes on the collections report. Use the Unbilled Accrual Account Code for your Account Code. It can be found about halfway down the FTMFUND screen. Send your collections report to SFS as usual.

2) Send a copy of the collections report and a one-sided budget journal voucher with budget equal to the deposited income to CGA. CGA will load the budget. A sample of the one-sided budget journal voucher is below. If you need a copy of the form, contact a CGA accountant and a copy in .pdf can be emailed to you.

Adobe Reader - [One-sided budget journal voucher.pdf]

File Edit View Document Tools Window Help

AUBURN UNIVERSITY

BUDGET TRANSFER FORM

FOR USE ONLY WHEN SSB IS NOT APPLICABLE

DIVISION 1 JOURNAL VOUCHER NO. _____

SCHOOL/COLLEGE/MP AREA COSAM DATE 12/15/2006

ORGANIZATION Physics

CHART	FUND 6 Digit No.	ORG 6 Digit No.	ACCOUNT 3 Digit No.	PROGRAM 4 Digit No.	ACTIVITY Not in Use	LOCATION 6-Digit No.	JOURNAL TYPE	Description	AMOUNT	To "+" From "-"
A	211610	137801	600	2000			BD01	Salaries	42,108.00	+
A	211610	137801	610	2000			BD01	Wages	0.00	+
A	211610	137801	620	2000			BD01	Employee benefits	10,317.00	+
A	211610	137801	700	2000			BD01	Other operating expenses	1,000.00	+
A	211610	137801	740	2000			BD01	Equipment	0.00	+
A	211610	137801	760	2000			BD01	Indirect cost recovery	24,575.00	+
A							BD01			+
A							BD01			+
A							BD01			+
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TOTAL									78,000.00	
Hash Total									156,000.00	

IS REQUIRED

IS OPTIONAL

REASON FOR BUDGET TRANSFER: _____

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Option 2: The department sends the checks to CGA to deposit along with a budget journal voucher equal to the total of the checks. CGA will deposit the checks and will load budget according to the budget journal voucher.

The person responsible for the sponsored project that produced the program income is responsible for ensuring that the program income is properly identified, collected and deposited in the program income FOP; this includes reconciling the monthly accounting reports to ensure that all deposit transactions have been properly processed.

EXPENDING PROGRAM INCOME

The person responsible for the sponsored project that produced the program income is responsible for ensuring that program income funds are used for appropriate project-related costs.

REPORTING PROGRAM INCOME

If the granting agency requires that reports be submitted for program income receipts and expenditures, the office of Contracts and Grants Accounting will prepare these reports based on the transactions processed in the program income FOPs. The reports will be submitted along with the final financial reports, or at other times if required by the sponsored project agreement. The responsible person (project director) should notify Contracts and Grants Accounting of any special reporting requirements.