

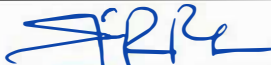


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|                 |                           | <b>Deanship for Research<br/>Program Income Procedure</b>                         |   |
| <b>PROCESS:</b> Identify, manage and report program income.   |                           |   |   |
| <b>POLICY REFERENCE:</b><br>University of Puerto Rico Handbook of Policies and Procedures for Sponsored Programs<br>OMB Uniform Guidance @CFR200.307 Program Income. Section E.   |                           |   |   |
| <b>PURPOSE:</b> This guidance intends to ensure the proper administration and management of Program Income, and compliance with the federal regulations regarding Program Income. |                           |   |   |
| <b>ISSUE DATE:</b><br>March 1 <sup>st</sup> , 2019  | <b>LAST AMENDED DATE:</b> | <b>EFFECTIVE DATE:</b><br>March 1 <sup>st</sup> , 2019                            |   |
| <b>RELATED FORMS:</b><br>None   |                           |   |   |
| <b>DIRECTOR APPROVAL:</b><br>José R. Rodríguez Medina, PhD  |                           |  | <b>APPROVAL DATE:</b> <i>Mar. 4, 2019</i> |

**INTRODUCTION:**

In order to comply with Federal Regulations, the Office of the Deanship for Research has prepared guidelines to appropriately identify and report Program Income. These guidelines contain procedures utilized to recognize, manage and report Program Income throughout the lifecycle of a sponsored program: Pre-Award, Post-Award and Closeout.

**PURPOSE:**

Provide direction to sponsored program personnel and research administrators, at all levels, on how to manage the resulting income and expenses from a sponsored program.

**DEFINITIONS:**

- Program Income** - The Office of Management and Budget (OMB) Uniform Guidance, Subpart D-Post Federal Award Requirements Standards for Financial Program Management 200.307§ defines Program Income as *“gross income earned by a recipient that is directly generated by a sponsored activity or earned as a result of an award”*. Program Income includes, but is not limited to, income from fees for services performed or materials sold, the use or rental of real or personal property acquired under federal awards, principal and interest on loans made with a federal award. Income generated by royalty and licensing fees from patents and invention is not considered Program Income for Institutions of Higher education.

## EXAMPLES:

### A. Program income is:

- Fees earned during the project period;
- Registration fees from participants attending conferences or workshops
- Income generated from sales of educational materials, and publications
- Income from sales of facilities, like laboratories or equipment purchased with projects funds
- Income from sales of research materials, such as tissue cultures and research animals, among others
- Income from research services and support; such as nursing and laboratory services

### B. What is NOT program Income:

- Interest earned on an advance of federal funds (Except as otherwise provided in Federal awarding agency regulations or the terms and conditions of the award.)
- Rebates, credits, and interest earned on any of them
- Taxes, special assessments, levies, and fines raised by government recipients
- Income earned after the end of the project period

## REGULATION AND USE OF PROGRAM INCOME:

- Program Income must be identified and documented, and generated revenue and expenses properly recorded, and accounted for throughout the Pre-Award, Post-Award and closeout periods of the sponsored-program.
- Program Income must be accounted for and reported to the sponsor, as stipulated in the award conditions and/or sponsor grant policies and regulations.
- Program Income can be accounted by deduction, addition and cost sharing or matching. A brief description of these alternatives is.
  - **Deduction alternative:** Program Income must be deducted from the total allowable cost to determine the net allowable cost
  - **Addition alternative:** With prior approval of the Federal Awarding Agency, Program Income must be added to the federal funds committed to the project by the federal agency and must be used in the objectives of the project.
  - **Cost sharing or matching alternative:** With prior approval of the Federal Awarding Agency, the Program Income may be used to finance the nonfederal share of the project.
- When two or more funding sources (sponsored and institutional programs) are involved in the generation of Program Income, the Program Income must be prorated based on the participation of each funding source.
- Program Income earned after the performance period is not subjected to federal regulations, unless indicated in the award conditions and award closeout.

**PROCEDURE:**

**A. PRE-AWARD DIVISION**

This procedure contains the appropriate steps to take in order to correctly identify and record Program Income in a proposal.

1. The Principal Investigator (PI) is responsible for identifying actual and potential Program Income at the proposal stage.
2. Even if the PI does not include this income in the proposal budget calculations, revenue is considered as Program Income. The Internal Transmittal Form (ITF) must be completed accordingly. It is appropriate to discuss first with Deanship for Research personnel and, if necessary, the sponsor, whether funded activities might generate Program Income.
3. If the PI believes that Program Income will be generated during the project, they must answer "YES" to the related question on the ITF.
4. If required, complete Program Income statement to be included in proposal or include estimated / anticipated Program Income in the proposal budget.
5. Some proposal applications provide a separate section for outlining anticipated Program Income. If this information is required, the PI must provide it. It is appropriate to discuss this first with Deanship for Research Financial Division. If necessary, Deanship personnel will contact the sponsor, to learn whether funded activities might generate Program Income and whether it will be reportable.
6. If Program Income is identified when grant administrators and Pre-Award personnel review the budget section of the proposal, they will check that anticipated Program Income has been correctly itemized on the Budget Template. If itemized, the grant administrator and Pre-Award personnel will also review the proposal budget justification for inclusion of required Program Income statements.
7. Department Heads and Deans review proposals developed in their units, and they must therefore ensure that any activity that could generate Program Income is correctly identified on the ITF.

**B. POST-AWARD DIVISION**

1.1 This procedure contains the appropriate steps to take in order to correctly identify, record, report, and monitor Program Income during the project period, once the project is approved and funded.

- a. The PI, administrative support personnel or departmental manager must identify potential Program Income, and its reporting requirement to the sponsor.
- b. Once the program identifies that the project generates or requires Program Income, project personnel must request the creation of a Program Income

account for the ORACLE Financial System (document available at <http://creced.rcm.upr.edu/> under the Post-Award tab). The new account must be separate from the other program accounts, and will be used specifically to budget all the generated funds. Program Income accounts are treated with according to institutional regulations and procedures for federal accounts, including yearly account creation.

- c. The PI is responsible for contacting Financial Division for Post Award (referred to as Financial Division) of the Deanship for Research in order to discuss potential and actual income-generating opportunities, and how the revenue will be used.
- d. The Financial Division will report the program income in corresponding reports (e.g. FFR) as stipulated in the award conditions and /or sponsor grant policies and regulations.
- e. The PI must prepare a plan for using Program Income and discuss it with the Financial Division to ensure compliance with sponsor policies.
- f. Where Program Income is generated by multiple sponsored awards, the income and expenses will be prorated among the accounts based on the awards. When non-sponsored funds are used in connection with sponsored funds, Program Income will be distributed following the same method to prorate it.
- g. The PI will notify the department administrator that Program Income is expected on the project, the nature of that revenue, and how the Program Income is to be handled through the billing finance system, in the project budget.
- h. When Program Income is generated and the revenue is not collected at the time of the service and/or sale, an invoice should be created. Otherwise, Billing and Collection units are responsible for the identification of any program income generated by the unit/program, as well as for the preparation of invoice/documents needed for the program income transfer to the Program Income account created for this purpose. All revenue collected at the time of service and/or sale must be deposited into a Program Income Account.
- i. All documentation prepared for transfer of funds in the corresponding program income account must be signed by the Director of the account from which funds are being moved from (e.g. Departmental) and the unit Directors where funds will be transferred to.
- j. Department/Project Administrators must ensure that generated program income is deposit in the correct Program Income Account.
- k. Financial Division accountants monitor the Program Income Account via oversight reports. When Program Income appears on the report, they review the award's terms and conditions to determine whether the Program Income is reportable or not.

- i. Reportable Program Income: The Financial Division accountant moves the income to the project account (add or deduct alternative) or to a non-sponsored account (match alternative).
- m. Non-reportable: The Financial Division accountant moves the income to a non-sponsored account.
- n. The Program administrator and PI will monitor the receipt of Program Income. If Program Income was generated, but has not been transferred / allocated to the corresponding program income account, an official notice will be sent to the Financial Division of the Deanship for Research.
- o. The Finance Division will be responsible for follow up with the corresponding Departmental Director, and will assist in any administrative capacity in order to ensure that the Department (or unit with funds pending to be transferred), are compliant with rules and regulations, and until the identified funds are completely transferred to the corresponding program income account.
- p. The Financial Division for Post Award should receive the generated Program Income documents on or before thirty (30) days from the due date of the required Fiscal Reports for each project. This information must be accompanied by the corresponding evidence (e.g. billing payment explanations) of the previously identified Program Income.

## 1.2 POST-AWARD CLOSEOUT

- a. Administrative Procedure
  - i. Unless specified otherwise in the award, federal regulations require the University to expend Program Income funds before spending award funds (45CRF 75.305. (b)(5). If funds remain in the project or Program Income account after the project has expired, project balances will revert to the sponsor. If the PI anticipates a balance prior to expiration and wants to retain these funds, they should consult with the Deanship for Research Financial Division in order to submit an official institutional request to the Sponsor.
  - ii. Project-related income generated after project expiration is not subject to monitoring or reporting, unless it is stated in the grant award or sponsor conditions.

## REFERENCES

- University of Puerto Rico Handbook of Policies and Procedures for Sponsored Programs (March, 2012). <http://www.upr.edu/wp-content/uploads/2017/05/UPR-Handbook-Policies-and-Procedure-for-Sponsored-Programas-2012.pdf>
- U.S. Government Publishing Office. (January, 2014). OMB Uniform Guidance @CFR200.307 Program Income. Section E. <https://www.gpo.gov/fdsys/pkg/CFR-2014-title2-vol1/pdf/CFR-2014-title2-vol1-sec200-307.pdf>