

## **Program & Interest Income Policy**

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**Policy Number:** 600-026  
**Effective Date:** April 3, 2007  
**Last Updated:** April 3, 2007  
**Issuing Authority:** Vice President for Research and Compliance  
**Responsible Offices:** Grants and Contracts Accounting

### **Purpose:**

To ensure that sponsored program income and the interest earned from sponsored programs is accurately accounted for, tracked, and reported at Howard University and all related entities, business units, subsidiaries and affiliated organizations including, but not limited to, Howard University Hospital (hereinafter referred to collectively as "Howard University").

### **Policy:**

It is the policy of Howard University to accurately account for, track, and report all sponsored program income and interest. Grants and Contracts Accounting (GCA) is responsible for reporting the total program and interest income received on the appropriate federal financial report form (e.g., SF269 or SF270). Income posted to program income budgets must be in compliance with the terms and conditions of the designated parent award.

OMB Circular A-110 defines program income as "gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award." Examples of program income include but are not limited to:

- Income from fees for services performed such as laboratory tests
- Money generated from the use, sale, or rental of equipment purchased with sponsor funds (this could occur both during and after the project period)
- Proceeds from the sale of supplies or equipment purchased or fabricated with sponsor funds
- Proceeds from the sale of software, tapes, or publications
- Income from the sale of research materials such as animal models
- Fees from participants at conferences or symposia
- Sales of products with an accompanying material transfer agreement

**Note: all transfer of information and technology must be consistent with federal laws and regulations related to export controls and embargoes (see Export Controls Policy).**

Program income does not include:

- Patient care credits
- Interest earned on advances of federal funds
- Receipt of principal on loans, credits, discounts, etc. or interest earned on them
- Taxes, special assessments, levy, and fines raised by government recipients.

Unless specified in the award terms and conditions, non-federal awards are not required to account for program income. The terms and conditions must be carefully reviewed to determine the requirements regarding the reporting and disposition of program income.

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### **Business Process Description:**

#### *Program Income*

RFA-OSP/GCA manages the income earned from sponsored programs in accordance with sponsor requirements and award terms and conditions. All program income is deposited into a revenue account for that particular sponsored program, which is established by RFA-OSP/GCA and expended in accordance with Howard University policy. Unless the awarding agency states otherwise, program income earned from license fees and royalties for copyright material, patents, patent applications, trademarks, and inventions are under no obligation to the federal government.

#### *Interest Income*

Unless prohibited by sponsor requirements, the interest earned on non-federal award income is retained by Howard University. Interest income earned on federal awards is managed in accordance with OMB Circular A-110 and all other applicable requirements. Earned interest income is used to fund additional sponsored program activities.

When program income is earned during the sponsored program period RFA-OSP/GCA determines the appropriate method to account for it using the sponsor's requirements and/or terms and conditions of the award. Typical methods include:

1. Additive Method: Program income funds are added to funds that have been committed to the sponsored program by the federal awarding agency and Howard University. This increases the amount available to accomplish program objectives.
2. Cost Sharing Method: Program income is used to finance the non-federal share of the sponsored program, such as an offset for cost sharing or matching. Program income is used for costs during the performance period unless the sponsor authorizes a deferral of those funds to a later period.
3. Deduction Method: Total funds available to the sponsored program remain the same and the funds generated through program income are deducted from the financial commitment of the sponsor to offset the sponsor's costs. Residual program income over a sponsor's designated limit is treated using the Deduction method. Unless the federal awarding agency guidelines or the award's terms and conditions provide otherwise, the program income earned after the performance period is under no obligation to the federal government.

For non-federal sponsored program awards, unless the awarding agency indicates a different method or Howard University is subject to special award conditions, the default method is the Additive Method.

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The following table provides guidance on program income requirements for specific funding agencies.

Sponsor	How Program Income is treated
National Institutes of Health (NIH)	<p><b>Expanded Authorities</b> - may use the additional costs alternative for the use of general program income unless regulations or the Notice of Grant Award specify another alternative or a combination of alternatives.</p> <ul style="list-style-type: none"> <li>• <a href="#">Special Provisions for Research Grants</a></li> <li>• <a href="#">General Treatment of Program Income</a></li> </ul> <p><b>Non-Expanded Authorities under Research Grants</b> - The first \$25,000 of program income is to be used in accordance with the Additional Costs Alternative (Additive Method described above) and shall be reported on lines 10r and 10s of the FSR (Long Form). Amounts in excess of \$25,000 are to be used in accordance with the Deduction Alternative, unless another alternative is specified on the NGA, and shall be reported on lines 10c and 10q of the FSR (Long Form). <a href="#">Check the website</a> for more detail.</p>
National Science Foundation (NSF)	Standard treatment-unless otherwise specified in the grant, program income received or accruing to the grantee during the period of the grant is to be retained by the grantee, added to the funds committed to the sponsored program by NSF, and thus used to further sponsored program objectives. <a href="#">See section 750 of the website</a> for more detail.
NASA	Treatment of program income is not specified but circular A-110 is included in the grants terms and conditions. Refer to <a href="#">Circular No. A-110: Program Income</a> for directions.
Department of Energy (DoE)	None specified; however, circular A-110 is included in the <a href="#">terms and conditions</a> . Refer to <a href="#">Circular No. A-110: Program Income</a> for directions.
Office of Naval Research (ONR)	<p>Treatment of program income not specified but circular A-110 is included in the grants terms and conditions. See websites below for more detail.</p> <ul style="list-style-type: none"> <li>• <a href="#">Research Grant Basic T &amp; C's</a></li> <li>• <a href="#">OMB A-110: Program Income</a></li> </ul>
US Air Force (USAF)	Unless the requirements of the award specify otherwise, the Additive method shall be used for disposal of program income. See <a href="#">general terms and conditions on website</a> for detail.
Defense Advanced Research Projects Agency (DARPA)	Program income earned during the sponsored program period shall be retained by the grantee and shall be deducted from the total sponsored program allowable cost in determining the net allowable cost on which the Government's share of costs is based. See <a href="#">Section 8 of website</a> for more detail.

### Advance Payments

Generally, the Federal Government does not make advance payments. If an advance payment is made in error, Howard University manages this in accordance with OMB Circular A-110 and all other applicable requirements.

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A number of non-federal sponsors that provide advances allow Howard University to retain the interest earned on these accounts and apply the interest to the sponsored program to fund further research or sponsored program activity.

GCA conducts a review of the sponsored program account for interest earned on advances. When interest is added to the sponsored program, GCA completes the appropriate accounting entries and notifies the PI/PD by email.

### **Roles and Responsibilities:**

#### **Grants and Contracts Accounting (GCA)**

- **Accountant:** When program income is received or interest is earned, the Accountant makes the appropriate accounting entry in the university accounting system and notifies the PI/PD. This may include changing the project budget to reflect additional spending authority in the case of the additive method. The Accountant tracks and reports program income and interest if required by the sponsor.
- **Assistant Director:** The Assistant Director determines the amount of interest collected on advances and ensures that they are managed in accordance with sponsored requirements and accurately accounted for in the university accounting system.

#### **Academic Department**

- **Principal Investigator/Project Director (PI/PD):** The PI/PD ensures that all payments received for program income are forwarded to GCA for deposit into the appropriate sponsored program account. The PI/PD spends program income and interest earned in accordance with sponsor requirements and the terms and conditions of the agreement.

### **Related Processes/Events:**

- Invoicing Policy
- Export Controls

### **Forms and Links:**

- OVPRC Website: <http://ovprc.howard.edu>