MANAGING PROGRAM INCOME GENERATED ON SPONSORED PROJECTS

Policy Statement

Program Income that is generated from sponsored projects funded in whole or in part by federal or non-federal sponsors must be properly identified, used, accounted for and reported on in compliance with sponsor requirements.

Reason for Policy

To provide parameters for the managing of income that is directly generated by a supported activity or earned as a result of the Award. This policy is designed to provide guidelines that will help the recipients of sponsored funding comply with the requirements Office of Management and Budget’s (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR §200) or – for funding effective before December 26, 2014 - OMB Circular A-21, Cost Principles for Educational Institutions (2 CFR §220) and/or OMB Circular A-110 (2 CFR § 215), collectively referred to as Federal Guidance, federal awarding agency regulations, and the terms and conditions of sponsored projects regarding accounting for Program Income. To be consistent, the university extends the Federal Guidance for income generated on all sponsored projects in whole or in part by both federal and non-federal sponsors, except where the terms of any such agreement are explicit and mandate some other treatment.

Who is Governed by this Policy

Faculty and staff
Table of Contents

Policy Statement ............................................................................................................. 1
Reason for Policy ............................................................................................................. 1
Who is Governed by this Policy ..................................................................................... 1
Table of Contents .......................................................................................................... 1
Policy .............................................................................................................................. 2
Definitions ...................................................................................................................... 4
Appendices ..................................................................................................................... 5
Related Information ....................................................................................................... 5
Contacts ........................................................................................................................ 6
Document History ......................................................................................................... 6
Who Approved This Policy .......................................................................................... 6

Policy

Sponsors provide funding to the university to cover the costs of conducting Research, training, and public service-related activities. These activities may produce Program Income, which in most cases must be reported to the sponsor.

I. Identifying Program Income

The principal investigator (PI) is responsible for identifying sources of actual or potential Program Income. Appendix A to this policy provides guidance for determining whether any income earned as a result of a sponsored project is Program Income. A PI needing further guidance should contact the Office of the Vice President for Research (OVPR).

The PI must notify the department chair as soon as an actual or potential source of Program Income has been identified. The PI also must notify OVPR so that a Project- Task-Award (PTA) for the Program Income activity can be created in the Enterprise Accounting System (EAS) financial system.

II. Accounting for Program Income

The university’s Opening Bank Accounts Policy prohibits the establishment of an independent bank account for any reason. Any and all Program Income payments must be made payable to George Washington University. The PTA must be
identified for each payment, and payments must be deposited in accordance with university’s Deposit of Checks, Cash and Credit Card Receipts Policy.

The PI, in consultation with his/her chair, is responsible for knowing that a sound accounting system has been developed for the financial management of the Program Income project. A sound accounting system, specifically a cash management system, will conform to generally accepted accounting principles and the PI will obtain the guidelines for developing an effective cash management system from the school or department’s designated finance director. The university’s Opening Bank Accounts Policy prohibits the establishment of an independent bank account for any reason. Any and all Program Income payments must be made payable to George Washington University and managed through the Finance Division. At a minimum, the designated finance director will provide the PI with the following:

- Payment instructions;
- A receipt register for tracking receipts; and
- A periodic reconciliation of the receipt register to the record of deposits.

Program Income Awards are subject to the same sponsor rules, regulations and limitations applicable to the primary Award and, accordingly, only those expenses that are allowable and allocable to the Award may be charged directly to the Program Income Award.

**A. Program Income from Federal Sponsored Projects**

Normally, Program Income earned on federally-funded Research Awards must be added to funds committed to the project by the federal awarding agency and used to further eligible project or program objectives. Based on the terms and conditions of certain Awards, Program Income earned must be deducted from the total project or program allowable cost in determining the net allowable costs on which the federal share of costs is based. Under special circumstances, Program Income earned on federally-funded non-Research Awards may be used to finance the non-federal share of the project or program (i.e., used to fulfill cost sharing requirements. See also the university’s Cost Sharing on Sponsored Projects Policy).

OVPR will assist the PI in reviewing sponsor regulation and/or specific Award terms to identify which options are available for using the Program Income that is generated throughout the life of the Award.

The chair is responsible for consulting with the Office of the Comptroller regarding the taxability of any Program Income.
B. Program Income from Non-Federal Sponsored Projects

Program Income earned from non-federal funds during the project period may be used in one or more of the following ways unless the sponsored project specifies otherwise:

1. To cover increased costs of the project and to further the project;
2. To fulfill a cost sharing requirement; or
3. To support other departmental projects.

The PI must contact the department chair to determine the appropriate accounting treatment for Program Income earned after the end of the non-federal project. The chair is responsible for consulting with the Comptroller’s Office regarding the taxability of any Program Income.

III. Subrecipient Compliance

The PI is responsible for identifying subrecipients that are generating Program Income and for notifying the Office of the Vice President for Research (OVPR). OVPR is responsible for monitoring subrecipients for appropriate identification, use, accounting and reporting of Program Income in accordance with the university’s Subrecipient Monitoring Policy.

Definitions

**Award:** Any financial assistance that provides support or stimulation to accomplish a public purpose. Awards include grants, contracts and other agreements in the form of money or property in lieu of money.

**Program Income:** Program Income means gross income that is directly generated by a supported activity or earned as a result of the Award during the period of performance.

**Research and Development:** Research and Development means all Research activities, both basic and applied, and all Development activities that are supported at universities, colleges, and other non-profit institutions. “Research” is defined as a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. “Development” is the systematic use of knowledge and understanding gained from Research directed toward the production of useful materials, devices, systems, or methods, including design and Development of prototypes and processes. The term Research also includes activities involving the training of individuals in Research techniques where such activities utilize the
same facilities as other Research and Development activities and where such activities are not included in the instruction function.

Appendices

Appendix A: Guide to Identifying Revenue Generating Activities and Program Income

Related Information

45 CFR 74.1 et seq., Department of Health and Human Services Uniform Administrative Requirements for Awards and Sub-Awards to Institutions of Higher Education, Hospitals, other Nonprofit Organizations, and Commercial Organizations.

National Science Foundation Grants Policy Manual

NIH Grants Policy Statement

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR §200)

OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education

Award Management and Closeout Policy

Copyright Policy

Cost Sharing on Sponsored Projects Policy

Deposit of Checks, Cash, and Credit Card Receipts Policy

Opening Bank Accounts Policy

Patents and Scholarly Work Policy

Sponsored Activities Definition

Subrecipient Compliance Policy

Contacts

<table>
<thead>
<tr>
<th>Contact</th>
<th>Telephone</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of VP for Research</td>
<td>(202) 994-6255</td>
<td><a href="mailto:askovpr@gwu.edu">askovpr@gwu.edu</a></td>
</tr>
</tbody>
</table>
Grants and Contracts Accounting Services (703) 726-4242
Office of The Comptroller (703) 726-4079

Document History

- Last Reviewed Date: July 17, 2017
- Last Revised Date: December 19, 2014
- Policy Origination Date: November 19, 1993

Who Approved This Policy

Leo M. Chalupa, Vice President for Research
Louis H. Katz, Executive Vice President and Treasurer
Steven Lerman, Provost and Executive Vice President for Academic Affairs
Beth Nolan, Senior Vice President and General Counsel

This policy, as well as all university policies, are located on the Office of Compliance and Privacy’s home page.
Appendix A

Guide to Identifying Revenue Generating Activities and Program Income

Any external or internal sale that results from a sponsored activity is likely to be Program Income. If the activity will be partly or fully supported by sponsored funds, it is Program Income. A non-exhaustive list of examples of Program Income includes:

- Income from fees for services performed such as laboratory tests;
- Money generated from the use, sale, or rental of equipment purchased with project funds;
- Proceeds from the sale of supplies or equipment purchased or fabricated with project 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; and
- Principal and interest on loans made with Federal funds
- Income generated from license fees and royalties on patents and copyrights

Even if the PI 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. The PI must inform the department chair as soon as it becomes apparent that there is actual or a potential for generating Program Income so that the appropriate plans can be made for managing and monitoring the Program Income Award.