



TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Operating Policy and Procedure

HSC OP: 65.05, **Program Income**

PURPOSE: The purpose of this Health Sciences Center Operating Policy and Procedure (HSC OP) is to ensure that program income is correctly earned, recorded, utilized, and reported in accordance with the program requirements for programs receiving financial support from external sources (sponsored programs).

REVIEW: This HSC OP will be reviewed on May 15 of each odd-numbered year (ONY) by the Directors of Accounting Services and Sponsored Programs, with recommendations for revisions forwarded to the Senior Vice President for Research and Innovation and the Executive Vice President for Finance and Operations.

POLICY/PROCEDURES:

1. **Definition:**

The Federal Office of Management and Budget (OMB) 2 CFR 200 Uniform Guidance define Program Income 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."

2. **Program Income Treatment:**

Program income on federal projects can be handled in one of three ways as defined by 2 CFR 200.307.

a. Additive Method –

- 1) Income is added to committed funds of the project and increasing the available budget.
- 2) Income is used to finance program objectives.
- 3) This method is the default method for federal awards unless the awarding agency specifies another alternative.

b. Matching Method –

- 1) Income is used to comply with cost sharing or matching requirements of the award agreement.
- 2) Income is used to finance the non-federal portion of the project.

c. Deductive Method –

- 1) Income is to be deducted from total allowable costs to determine the net allowable costs.
- 2) Income is used for current costs of the project unless the sponsor specifies otherwise.

3. **Responsibilities:**

a. Department - Program Director (PD)/Principal Investigator (PI) or other designated departmental personnel -

- 1) Identify sources of actual or potential program income during the proposal stage and document program income in the Cayuse system.
- 2) Ensure program income is properly determined and calculated.
- 3) Request or prepare invoices timely for products or services which produce program income.
- 4) Ensure program income is collected from allowable sources.
- 5) Verify that program income is properly included on financial reports.
- 6) Ensure that program income is used in accordance with the program requirements as well as Administrative Rules as defined in 2 CFR 200.

- 7) Identify the sponsor's required reporting treatment of program income per Section 2.
- b. Office of Sponsored Programs Responsibilities –
 - 1) Review the proposal for anticipated program income.
 - 2) Verify identification of program income and treatment method in the Cayuse system.
 - 3) Contact the sponsor to verify anticipated program income and appropriate treatment if necessary.
 - 4) Determine or verify use of program income.
 - c. Accounting Services Responsibilities –
 - 1) Ensure separate funds are established for the sponsored project and its associated program income if necessary.
 - 2) Include any reportable program income to the sponsor on appropriate financial reports and in accordance with the treatment method identified on the Notice of Award or Contract.