Program Income
Uniform Guidance vs. OMB Circulars

- Prior to the Uniform Guidance, requirements governing cost principles, administrative requirements and single audit requirements were found in eight separate OMB Circulars.

- In addition to the Uniform Guidance, recipients and subrecipients of a DOL award must adhere to 2 CFR 2900 found at www.ecfr.gov.

- Adopted on December 19, 2014, includes a limited number of exceptions approved by OMB to ensure consistency with existing policy and procedures.

- Expanded at 2 CFR 2900.2, the exceptions definition of non-Federal entity includes for-profit or commercial and foreign entities.

- Grant recipients and subrecipients of DOL funds that are commercial or for-profit entities or foreign entities must adhere to 2 CFR 200 and 2 CFR 2900.
This course contains information about the key provisions in the Uniform Guidance on program income.

It will help you expand your knowledge of:

- Program Income Provisions
- Discuss the mandatory reporting requirements
- Discuss tracking systems for program income
- Share common mistakes related to program income
At the end of this course, you should be able to:

• Define, identify and list examples and specific rules for program income.

• Discern between addition and deduction methods of accounting.

• Describe allowable costs that can be charged to program income.

• Apply guidelines on how to report, track and document program income.

• Identify common mistakes made when handling program income.
SECTION 1: Program Income Basics
What is Program Income?

Program Income
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 during the period of performance.
Sources of Program Income

Program income includes, but is not limited to, income from:

- Fees for services performed
- Use or rental of personal and real property acquired under Federal awards
- The sale of commodities or items fabricated under Federal award
- License fees and royalties on patents and copyrights
- Honoraria received for speaking engagements
- Receipts from goods and services including conferences
- Funds in excess of the costs of services provided
- Interest income earned on funds received under WIOA
States must follow their Cash Management Improvement Act (CMIA) agreement requirements related to interest income and expenses. Typically, the Unemployment Insurance Program is the only ETA program impacted.
When assets acquired with the Federal award are used for other purposes, user fees must be charged.

If user fees are charged, these fees are Program Income.

Program Income must be tracked, reported, and spent prior to the use of grant funds, during the life of the grant.

User fees charged for use of property must be no less than the fees private companies charge for equivalent services.
Fees must be charged as long as the Federal government retains an interest in the property.

These are not fees charged to participants in a program. It would be for fees charged to an employer outside of services covered by that particular grant or program.

Example: 45% if the common areas such as conference rooms are paid by by DOL grant funds and the remaining costs are paid for by State funded programs.
What is NOT Program Income?

According to the definition in the Uniform Guidance, these items are NOT considered program income:

- Interest earned on advances*
- Rebates, credits, discounts and interest earned on them
- Proceeds from sale of real or personal property

*WIOA does require that interest earned on advances of Federal funds be included in program income.
Program Income is income directly generated by a supported activity or earned as a result of the Federal award.

- A) True
- B) False

The correct answer is A.
The answer is True.

Program income is directly generated by a supported activity or earned as a result of the Federal award.
Program income includes the proceeds from the sale of the personal property funded by the grant.

- A) True
- B) False

The correct answer is B.
The answer is False.

Program income does not include the proceeds from the sale of personal property funded by the grant. The recipient needs to obtain disposition instructions from DOL before disposing of personal property, such as equipment, with a current value of $5000 or more.
Program income includes user fees from services provided for use of space funded under Federal awards.

A) True

B) False
The answer is True.

Program income includes user fees from services provided or use of space funded under Federal awards.
SECTION 2: Using Program Income
Use of Program Income

**Deduction Method**
- Default method used.
- Program income deducted from total allowable costs.
- Must be used for current costs unless otherwise authorized.

**Addition Method**
- Program income added to Federal award.
- Must be treated the same as other Federal funds.
- Used for Federal award purposes.
- Most commonly used for ETA grants.
When to Use Program Income

Program income *must* be used *before* requesting cash.
Allowable Costs

Costs that can be charged to program income:

Reasonable, allowable ad allocable costs for the respective funding sources

Costs prohibited in Federal, State and/or local statutes, regulations, and other requirements, must not be charged to program income generated by the non-Federal entity.
SECTION 3: Reporting, Tracking and Documenting
ETA financial reports are cumulative
Must be reported to ETA quarterly on the ETA-9130 form

- Program income earned should be reported as expended on the ETA-9130
- The form should show cash disbursed
- Quarterly reports received by ETA 45 days after expiration of the funds reporting quarter
- Closeout must be submitted 90 days after grant expiration

- Final ETA-9130 form reported through the e-reporting system
- Closeout ETA-9130 is reported through the closeout system
- Subrecipient reports must be issued by pass-through entity and by States
- Issued at each level of subrecipient activity
Program Income is reported on lines 10m through 10o of the ETA-9130 Form

Program Income:

m. Total Federal program income earned

n. Program income expended in accordance with the addition method

o. Unexpended program income (line m minus line n)
Subrecipient Reporting

• Pass-through entities must have tighter due dates for their subrecipients.

• The due dates get tighter for each level of subrecipient activity and program income.

• Subrecipients may use estimates if actual data is not available.
  – Estimates must be based on adequate supporting documentation.

• Pass-through entities must provide subrecipients with reporting instructions.
Tracking Program Income

Items involved with tracking program income include:

- Books of Accounts
- CFDA Award Numbers
- Chart of Accounts
- Codes for tracking revenue and expenditures
- Subsidiary ledgers
Income earned and expended must tie to the financial status reports submitted to ETA.

If the non-Federal entity uses estimated accruals, these estimates must be reversed when the actual accrual amounts are known.

Entities may use original entries plus journal vouchers (JVs). If JVs are allowed, they should only be processed by authorized staff.

Accrued expenditures comprise both unpaid amounts plus paid amounts.
Follow these steps when receiving user fees:

1. Determine the amount due and the amount collected and record it in the miscellaneous receipts journal.
2. Maintain a step-by-step audit trail from the determination of amount due through the deposit of cash or check and record it in the system.
3. Miscellaneous receipts must be safeguarded – locked in a secure safe until they are deposited.
4. Receipts should be promptly booked and deposited – usually within 24 hours of receipt.
Written procedures should be developed to outline the procedures for handling receipts from user fees. Procedures should include:

- Determining amounts
- Invoicing
- Collecting amounts due
- Safeguarding receipts
- Depositing receipts
- Ensuring receipts are credited to the proper funding source
Knowledge Check
Program income must only be used for allowable costs under the grant.

A) True

B) False
The answer is True.

Program income must be used only for costs that are allowable under the grant.
Subrecipients do not earn program income.

- A) True
- B) False

The correct answer is B.
The answer is False.

Program income is not earned only by the direct recipient. All program income earned by subrecipients is accounted for and rolled up into the direct recipient’s reports to ETA.
The documentation and reporting requirements applicable to grant funds also apply to program income.

- A) True
- B) False

The correct answer is A.
The answer is True.

The documentation and reporting requirements applicable to grant funds also apply to program income.
SECTION 4: Additional Considerations
What is the basis for determining when Federal awards are expended?

The Uniform Guidance at 200.502 establishes the basis for determining when Federal awards are expended, which is when the activity occurs, much like an accrued expenditure.
Do Program Income expenditures count toward the audit threshold?

The aggregate Federal program income expended plus the aggregate Federal grant expenditures determine whether the non-Federal entity meets the audit threshold, which is set at $750,000 in the Uniform Guidance at 200.551. Therefore, if a non-Federal entity has $200,000 of Federal aggregate program income expenditures plus $550,001 of aggregate grant expenditures, the threshold for audit has been met and the Uniform Guidance audit requirements apply.
Avoid these common mistakes...

- The definition of Program Income is not known and/or fully understood
- Pass-through entities do not require subrecipients to report program income on their financial status reports, resulting in underreporting of program income by the pass-through entities
- Program income is not properly reported in the period in which it is earned and dispersed
Tips for Success

- Read the information on Program Income in the Uniform Guidance.
- Think about how the information applies to your organization.
- Share information from this course with your staff.
Program income generated and expended does NOT have to be reported by ETA recipients and subrecipients.

- A) True
- B) False

The correct answer is B.
The answer is False.

All program income must be reported at every level in which it is earned.
Program income generated for concurrent awards can be used for any of my active grant funding sources from DOL.

A) True
B) False

The correct answer is B.
The answer is False.

Program income must be used by the same entity and in the same funding stream as where it was earned.
For program income, administrative costs and program costs are required to be tracked separately and reported for the respective funding source.

- A) True
- B) False

The correct answer is A.
The answer is True.

Program Income is considered part of the grant award and all documentation requirements for expending Federal Funds must be followed when tracking expenditures from funds generated through Program Income.
Program income must be returned to DOL if it is earned after the period of availability for allotted funds and after the period of performance for awards.

- A) True
- B) False

The correct answer is B.
The answer is False.

Program income earned after the grant’s period of performance and availability of allotted funds may be retained by the entity that earned it.
Program income must be spent prior to spending grant funds.

A) True
B) False

The correct answer is A.
The answer is True.

Cash from program income must be disbursed before additional grant funds are drawn down.
SUMMARY
Section 1: Program Income Basics

✓ What is program income?
✓ Identifying examples of program income.

Section 2: Using Program Income

✓ Appropriate and inappropriate uses of program income.
✓ Using program income vs. using award money.
Section 3: Reporting, Tracking & Documenting Program Income

✓ Requirements non-Federal entities must follow for tracking program income.

✓ Written procedures that must be in place for receiving user fees.

Section 4: Additional Considerations

✓ Avoiding common mistakes and their consequences.

✓ Additional resources.
This presentation is complete.