

## Guide for Fee for Service Laboratories

### What is program Income?

**Program income** means gross revenue received by the grantee or subgrantee directly generated by a grant-supported activity, or earned only because of the grant agreement during the grant period. Funds you receive from NIJ are to **supplement** your existing budget to work more cases or expand the capacity of your DNA laboratory.

If your laboratory receives any federal funding for equipment or personnel to expand the capacity of the DNA laboratory, and charges fees (program income) for providing DNA laboratory services, part of those fees are allocable to your active federal awards. The allocated federal portion of program income must be used to further increase the DNA laboratory capacity and can neither be used for another purpose nor be placed in the parent agency's general fund to support non-DNA testing items. Program income must be declared on the quarterly federal financial reports submitted by your agency.

*If your lab charges a fee for DNA testing services, your agency **MUST** declare program income on your Federal Financial Report.*

*Read this section carefully and contact your Program Manger as soon as possible if your agency is not following these rules.*

### How do you allocate program income?

Determine what percent of your DNA laboratory's operating budget comes from federally funded DNA awards. This is a simple percentage calculation; please see the attached spreadsheet for assistance in calculating this percentage. For instance, if a DNA award represents 16% of your DNA laboratory's operating funds in that calendar or fiscal year, and you receive \$100,000 in fees for DNA testing, then the allocated federal portion of your program income would be \$16,000. No DNA award will be closed out earlier than the original 18-month award period.

### How do you track program income?

Program income must be reported and expenditures must be tracked on the Federal Financial Report (FFR) - lines I-o as shown below.

**Program Income:**

I. Total Federal program income earned	\$0.00
m. Program income expended in accordance with the deduction alternative	
n. Program income expended in accordance with the addition alternative	\$0.00
o. Unexpended program income (line I minus line m or line n)	\$0.00

Program income and the expenditure of program income must be reported quarterly. Any program income earned in a quarter should be expended by the end of the next quarter.

The program income must supplement your DNA award, which means that the portion of the fees allocated to your federal award must be placed back in the award budget, but tracked separately from the original award.

You do not have to submit a budget revision GAN to show how the program income will be expended. During an audit, or as part of financial and programmatic monitoring, however, you may be asked to provide documentation of how program income was allocated and spent. Please ensure you retain all documentation regarding fees charged, allocation calculations, and related supporting documentation as required by the documentation retention guidelines outlined in the OJP Financial Guide.

**What can you use program income for?**

Program income can be used for any allowable purpose as detailed in the DNA solicitation for that award.

**What happens if program Income is not expended before the grant closes?**

Program income must be used **before** drawing down federal funds. If program income is not fully expended within ninety (90) days of the end of the award period, any remaining funds must be returned to OJP.

**What happens if program Income is not reported before the grant closes?**

If your agency did not report program income and it is discovered by financial monitoring or audit within 3 years of the grant closure date, your agency must write a check to OJP for the undeclared program income.

## **How do I handle program income when an award has been supplemented with additional funds?**

After the supplemental award has been accepted and added to the original award, recalculate the percentage of revenue earned that needs to be declared as program income. Add the original and supplemental grant awards together and divide by the combined local/state operational budgets for the same fiscal years. This will provide a new percentage to use in calculations from that day forward.

### **Other points to consider**

- Once the federal award ends, any equipment, software, and tangible goods you purchased with federal funds remain your agency's property. Any program income earned after the end of the award period (derived from the use or rental of federally purchased tangible goods) can be used as allowable under your agency rules.
- Remember that any equipment purchased with federal funds that has a fair market value of \$5000 or greater at the end of the grant period may be retained or must be disposed of in accordance with the OJP Financial Guide.