

UNIVERSITY OF CALIFORNIA, SAN FRANCISCO PROGRAM INCOME FOR EXTRAMURAL FUNDS PROCEDURES

Responsibilities

I. The Principal Investigator/department

- A. Initiate the establishment of a program income fund to record the program income in the Sales & Service fund range (67xxx) by contacting the [Extramural Funds Unit](#) in the Controller's Office. The procedure for requesting a fund is at (URL).
- B. If internal only or both internal and external charges are anticipated complete a full recharge proposal and submit it to the campus Budget Office for review and approval of rate(s) prior to recharging. UCSF recharge policy, recharge proposal forms and proposal instructions can be found on the Budget and Resource Management website at www.finance2.ucsf.edu under the "Policies" section. Note: Proposals are due two months in advance of the anticipated start date.
- C. If external only charges are anticipated:
 1. Prepare simple rate/costing methodology and submit to the Resource Administration and Recharge Unit in the Budget Office for review and approval of the rate(s) prior to charging;
 2. Contact Risk Management Services to determine the risk potential;
 3. Contact the Business Contracts Services for guidance on contractual terms and conditions.
 4. Contact [Jeff Yepsen](#), Controller's Office to determine Use Tax and/or Sales Tax applicability and proper accounting procedures; if there is Unrelated Business Income Tax (UBIT), the Program Income fund must be linked to a separate DPA. Record all expenses and revenues subject to UBIT to the separate DPA/Fund.
- D. When two or more funding sources are involved in the generation of program income (e.g., 2 sponsored programs or a sponsored program and a non-sponsored program) the program income must be prorated based on the direct participation of the funding sources. If the participation of any of the funding sources is less than the full amount of the fund budget (e.g., partial department budget) a separate fund must be established to reflect the dollar amount of participation by the funding source providing less than full budget. See Example 1.
- E. Invoice and collect revenue from external entities. Invoices should reflect direct costs, facilities and administrative (F&A) costs, and sales or use tax. The F&A

UNIVERSITY OF CALIFORNIA, SAN FRANCISCO PROGRAM INCOME FOR EXTRAMURAL FUNDS PROCEDURES

rate applied should be the same as the F&A rate applied to the associated sponsored project. The sales or use tax should be calculated on the total of the direct costs and F&A costs. The direct costs and F&A costs should be combined into a single line item and the sales/use tax listed separately. See Example 2.

- F. Record program income revenue from external sources as follows:
1. Revenue exclusive of sales/use tax collected to the program income fund using revenue NCA 361000.
 2. Sales tax collected to NCA 115510 (if from other than San Francisco County contact Jeff Yepsen, Controller's Office).
 3. Use tax collected to NCA 115518 (if from other than San Francisco County contact Jeff Yepsen, Controller's Office).
- G. Ensure all allowable expenses (see III. E. of Policy) related to the program income (e.g., labor, services, products, etc.) are charged to the sponsored project fund only.
- H. On a monthly basis process a lump sum expense transfer of direct costs using Source Code 547 and NCA 437975, crediting the sponsored project fund and debiting (charging) the program income fund to liquidate any balance available in the program income fund. As F&A costs will be assessed to the program income fund at the same rate and base as the sponsored fund to which it is associated, the amount of the transfer should be limited to the direct costs only.
- I. Upon termination of the sponsored project ensure all program income earned during the project period (life) has been liquidated.
- II. **Budget Office** - The Resource Administration and Recharge Unit will review recharge methodologies and rates as submitted by the department.
- III. **Risk Management Services** – Determine if UCSF is adequately insured relative to the potential risk associated with the activity and if it represents a Material Transfer Agreement (MTA). If it is an MTA, forward the documentation to the Office of Technology Management.
- IV. **Office of Technology Management** – Determine if UCSF should provide materials under an outgoing MTA or some other instrument (e.g., a license or bailment). If

UNIVERSITY OF CALIFORNIA, SAN FRANCISCO PROGRAM INCOME FOR EXTRAMURAL FUNDS PROCEDURES

the materials the entity needs are human specimens (blood, tissue etc.) forward to the Industry Contracts Division of the Office of Sponsored Research.

- V. [Office of Sponsored Research, Industry Contracts Division](#) – Determine if UCSF should provide materials under an outgoing MTA or other instrument when human specimens (blood, tissue, etc.) are involved.
- VI. [Business Contracts Services](#) – Provide PI/department guidance on contractual terms and conditions.
- VII. [Controllers Office](#) - The Extramural Funds Unit will process the necessary appropriations to the program income fund and the sponsored project fund as appropriate in the following manner:
- A. Appropriation to the program income fund equal to the amount of the program income realized from **external** sources (regardless if *additive, deductive, or a combination of both*).
 - B. If the program income is to be treated as **deductive**, a de-appropriation will be made to the sponsored project fund in an amount equal to the amount of the program income;
 - C. If the program income is to be treated as a **combination of additive and deductive**, a de-appropriation will be made to the sponsored project fund equal to the amount of the deductive portion of the program income only.

UNIVERSITY OF CALIFORNIA, SAN FRANCISCO PROGRAM INCOME FOR EXTRAMURAL FUNDS PROCEDURES

EXAMPLES:

1. Two or more funding sources generating program income:

- a. Two funds are involved in the generation of program income. Fund A has a budget of \$40,000 and fund B a budget of \$60,000. In this case the program income must be prorated 40% to the program income fund associated with fund A and 60% to the program income fund associated with fund B.
- b. Same scenario as a. above however, only \$40,000 of fund B is being used to generate the program income plus the \$40,000 from fund A. In this case the program income is prorated 50% to each fund.

2. Invoicing and collecting Facilities and Administrative (F&A) costs from external entities:

If the total of the direct costs for providing a service to an external entity are \$1,300 (\$1,000 for salaries and \$300 for benefits) and the indirect cost rate for the associated sponsored fund is 50% the department needs to add \$650 of F&A costs (\$1,300 times 50%) to the invoice bringing the total to \$1,950. The invoice should reflect the total of the direct and F&A costs and not reflect the individual amounts. Sales or use tax should be computed on the sum of the direct costs plus the F&A costs and reflected as a separate line item on the invoice. For example, if the sales tax is 8.5% the invoice should reflect a total cost of \$1,950 plus \$165.75 sales tax (listed separately). Failure to include and recover the associated F&A costs in the invoiced amount will result in an overdraft in the program income fund as the program income fund will be assessed the F&A costs on the direct cost transfer of \$1,300. Failure to collect the appropriate sales or use tax may result in severe penalties and fines.