

National Institute of Justice (NIJ) DNA Backlog Reduction Program Guide for DNA Laboratories That Charge a Fee For DNA Testing

What is program income and why is it an issue?

You may not use NIJ DNA Backlog Reduction Program grant funds to make money for your lab or parent agency. 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 lab or parent agency receives any revenue for DNA testing and your agency has NIJ DNA Backlog Reduction Program awards, you must place the prorated amount of program income back into your award project. The program income cannot be used for another purpose, and cannot be placed in the parent agency's general fund to help pay bills for non-DNA testing items. Program income must be declared on the federal financial reports submitted by your agency, as well as expenditures against program income.

*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 NIJ Program Manager as soon as possible if your agency is not following these rules.

How do you calculate program income?

Determine what percent of your DNA lab's operating budget comes from NIJ DNA Backlog Reduction Program awards. This is a simple percentage calculation. For instance, if the DNA award contributes 16% of the total of your DNA lab's operating funds in that calendar or fiscal year, and you receive \$100,000 in fees for DNA testing, then your program income from those fees would be \$16,000.

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. Currently, OJP does not utilize (m) the deduction alternative, but encourages (n) the addition alternative.

Program Income:			
l. Total Federal program income earned			
m. Program income expended in accordance with the deduction alternative			
n. Program income expended in accordance with the addition alternative			
o. Unexpended program income (line l minus line m or line n)			

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

Program income must **supplement** your DNA Backlog Reduction Program award, which means that the portion of the fees received that is considered program income must be placed back into the grant budget.

You do not have to submit a budget revision GAN to show how the program income will be expended. **You will be held accountable for how the program income was spent upon audit or OJP financial review, so make sure you expend program income funds for the allowable purposes specified in the applicable NIJ DNA Backlog Reduction Program solicitation for each individual award, and ensure that documentation is readily available for the auditors or OJP personnel upon request.**

What can you use program income for?

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

What happens if program income is not all expended or even reported before the award closes?

Program income is to be used **before** drawing down additional federal funds, and must be properly reported on the federal financial report. Any program income that is not obligated by the end date of the award must be returned to the awarding agency.

Closeout of an award that generates program income can be tricky. To avoid being required to return funds to the Office of Justice Programs (OJP), you have to obligate all federal award funds and program income during the award period. Follow the example below to ensure that all obligations occur during the award period.

Example:

Your award period ends on June 30 and the award must be closed out by September 28. In this case, you should obligate all federal award funds no later than March 31. Between April 1 and June 30 you should obligate all unobligated program income funds earned during the previous quarter of the award (January 1 to March 31). Any additional program income generated between April 1 and June 30 should be obligated no later than June 30. However, if that amount cannot be accurately determined by June 30, the recipient should request a no cost extension (GAN) no later than June 15. You have between July 1 and September 28 to pay all invoices charged against both the federal award and those attributable to program income, draw down any required funds, and submit the award closeout package. (If you need a no cost extension to complete your project, always remember that the new end date should be 3 months beyond the projected date when all federal funds will be obligated or encumbered).

NIJ DNA Backlog Reduction Program funds have a maximum award period not to exceed 3 years. That means that, if you charge fees for DNA testing, you should obligate all federal funds awarded no later than 2 years and 9 months from the award date, so that you will have sufficient time to obligate your program income from the previous quarter(s) during the final 3 months of the award period.

Any program income funds that are not obligated during the award period must be returned to OJP.

If your agency fails to report program income and it is discovered after the fact by audit, your agency must write a check to OJP for the undeclared program income. As this can amount to tens of thousands of dollars, we highly recommend you are diligent about reporting and expending program income appropriately and in a timely manner.

How do I handle program income when I have multiple awards?

Upon receipt of a new NIJ DNA Backlog Reduction Program award, first calculate the percentage of the federal award contribution to the operating expenses of your DNA lab. For instance, if you have a FY 10 DNA Backlog Reduction Program award, calculate the percentage of that award's contribution by comparing it with the FY 10 operational budget for your DNA lab. This fixed percentage will be used until all federal award funds from this award are obligated. Follow the same process for your FY 11 DNA Backlog Reduction Program award.

When you receive NIJ funds under the DNA Backlog Reduction Program for DNA lab testing, and you use multiple federal awards simultaneously, simply determine the percentage of OBLIGATIONS (ENCUMBRANCES) in that quarter attributable to each award and pro rate the program income based on the contribution of each federal award. Attached is an Excel spreadsheet that demonstrates how this can be done.