

**Report to the
2001 North Carolina General Assembly
Joint Legislative Education Oversight Committee**

**The University of North Carolina
Special Responsibility Constituent Institutions
Designated Under the UNC Management Flexibility Legislation
and UNC General Administration
Summary of Institutional Annual Reports
1999-2000**

**The Board of Governors of
The University of North Carolina**

January 12, 2001

Executive Summary

- The UNC Management Flexibility legislation directs the Board of Governors to report annually by March 31 of each year to the General Assembly's Joint Legislative Education Oversight Committee on operating results. Section I of this document summarizes the results of operating during the 1999-2000 fiscal year under the UNC Management Flexibility Legislation, as reported by the 16 Chancellors of the Special Responsibility Constituent Institutions (SRCI). Each SRCI is required to operate within the Guidelines established by the Board of Governors.
- In its 1998 session, the General Assembly enacted legislation (S.L. 1998-212, section 11(b)) which stated that for fiscal years beginning with 1999-2000, no reversions to the State's General Fund are required. However, the UNC constituent institutions were required to contribute \$13.7 million (1% of their state appropriations) to the Hurricane Floyd Reserve Fund. In addition for the 1999-2000 fiscal year only, the 16 campuses had to reallocate \$1.3 million of previously required reversions to initiatives funded in the expansion priorities.
- On August 11, 2000, the Board of Governors took action to require increased accountability over the expenditures of lapsed salary funds. This new accountability included requirements to (1) prepare and submit a plan for spending both carryforward funds and anticipated lapsed salary funds by July 15 of each year to the President for her approval; (2) move the date for submitting the annual flexibility reports to October 10 for presentation to the Board at its November meeting; (3) limit the Chancellor's delegation for authorizing approval of departmental expenditure plans to no lower level than the appropriate Vice Chancellor; and (4) increase the role played by internal auditors to include auditing transactions effected through budget flexibility.
- \$28.1 million in appropriations remained unspent in the SRCI's institutional operating budgets and available for carry forward into the 2000-01 fiscal year for one-time expenditures that will not impose additional financial obligations on the State (see Exhibit A). Planned expenditures include renovations, repairs and other current services of \$5.7 million, equipment and other capital outlay of \$8.6 million, and capital improvements projects of \$5.6 million (see Exhibit J). Operational savings and efficiencies were also reported in a number of areas.
- One-time reallocations of \$76 million from lapsed salary funds and \$33.8 million from other sources and recurring reallocations of \$19.7 million were made to carry out management initiatives on the campuses. These amounts represent 3.8% and 1.69% (see Exhibit D) and .98% respectively (see Exhibit E) of the authorized budget requirements of the institutions at the end of the fiscal year. University-wide, major emphases were placed on strengthening undergraduate instruction and improving graduation rates, graduate instruction and research, upgrading classrooms, laboratories, and administrative infrastructure and expanding computing and telecommunications capabilities (see Exhibits B and C).

Executive Summary (continued)

- 272 teaching (of approximately 10,000 total) and 457 non-teaching positions were reported as being vacant for nine months or more during fiscal year 1999-2000 (see Exhibits H and I).
- Increased efficiency and effectiveness were reported in the three principal areas covered by the management flexibility legislation: budgeting, purchasing, and personnel administration.
- During the year, 13 of the 16 institutions established and/or abolished positions under budget flexibility. One hundred ninety-one positions were established and 96 positions were abolished for a University-wide net increase of 95 positions (see Exhibit F).
- During the 1999-2000 fiscal year, 6,767 purchases totaling \$159.4 million were made on campus between the old benchmark of \$10,000 and the institution's increased benchmark, which ranged from \$35,000 to \$250,000. This represents a 22% (based on dollar amount) increase over the 1998-99 fiscal year. Without the special legislation, these purchases would have required processing through the central Purchase and Contract Division in Raleigh (see Exhibit K).
- In response to the requirement for more stringent monitoring of internal/financial controls and management staffing, each of the institutions provided a compliance certification letter, signed by the Chancellor, certifying that their institution complied in the areas outlined by the guidelines. The results of the compliance certifications were very positive and demonstrated the commitment to strong institutional management, accountability over resources, and internal control structures.
- Management Flexibility legislation has enabled the Chancellors to take ownership of their budgets to an extent not previously possible and manage their resources more efficiently and thereby better utilize the taxpayers' dollars.
- The General Assembly, in the 1999 Regular Session, extended management flexibility to the University of North Carolina General Administration on a basis comparable to that authorized for the special responsibility constituent institutions (Appendix V). This report documents the General Administration's use of flexibility provisions in Section II.

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The University of North Carolina
Summary of Annual Reports
Section I – Special Responsibility Constituent Institutions
Designated Under the UNC Management Flexibility Legislation
1999-2000

The UNC Management Flexibility Legislation directs the Board of Governors to report annually by March 31 of each year to the General Assembly's Joint Legislative Education Oversight Committee on operating results. This document summarizes the results reported by the 16 Chancellors of the Special Responsibility Constituent Institutions that operated under the UNC Fiscal Management Flexibility Legislation during the 1999-2000 fiscal year. The Board of Governors' operating guidelines require that each designated institution prepare an Annual Report. Since the original legislation was enacted in 1991, it is noted that 1999-2000 is the ninth fiscal year report of operations under flexibility legislation. Copies of the individual campus reports, which provide more institutional details, are available upon request.

The Regular Session of the 1991 General Assembly enacted the UNC Management Flexibility legislation which granted significant additional authority in the areas of budgeting, personnel administration, and purchasing to those institutions designated as “special responsibility constituent institutions.” (The legislation, as subsequently amended, is included as Appendix I.) The Board of Governors, acting on the recommendation made by the President after consultation with the State Auditor, was authorized to designate one or more institutions as special responsibility constituent institutions. In this regard, the Board of Governors adopted Selection Criteria and Operating Guidelines for Special Responsibility Constituent Institutions, which were originally adopted on September 13, 1991 and subsequently revised. (The Selection Criteria and Operating Guidelines applicable to the 1999-2000 fiscal year are included as Appendix II.) In

subsequent Board of Governors' actions, all 16 constituent institutions were designated as "special responsibility constituent institutions" on the following dates.

Appalachian State University	4/09/92
East Carolina University	10/11/91
Elizabeth City State University	10/11/91
Fayetteville State University	10/11/91
North Carolina A & T State University	7/01/92
North Carolina Central University	9/10/93
North Carolina School of the Arts	10/11/91
North Carolina State University	10/11/91
The University of North Carolina at Asheville	4/16/93
The University of North Carolina at Chapel Hill	10/11/91
The University of North Carolina at Charlotte	10/11/91
The University of North Carolina at Greensboro	10/11/91
University of North Carolina at Pembroke	10/11/91
The University of North Carolina at Wilmington	10/11/91
Western Carolina University	3/06/92
Winston-Salem State University	9/10/93

On August 11, 2000, the Board of Governors took action to require increased accountability over the expenditures of lapsed salary funds. This new accountability included requirements to (1) prepare and submit a plan for spending both carryforward funds and anticipated lapsed salary funds by July 15 of each year to the President for her approval; (2) move the date for submitting the annual flexibility reports to October 10 for presentation to the Board at its November meeting; (3) limit the Chancellor's delegation for authorizing approval of departmental expenditure plans to no lower level than the appropriate Vice Chancellor; and (4) increase the role played by internal auditors to include auditing transactions effected through budget flexibility. In addition, the Board directed that these changes be incorporated into the Selection Criteria and Operating Guidelines for Special Responsibility Constituent Institutions (Appendix II).

As a result of the Board's action, the uniform 1999-2000 reporting format issued to each Chancellor on May 15, 2000, was amended. On August 29, 2000, those amended instructions, along with the Board's Selection Criteria and Operating Guidelines for Special Responsibility Constituent Institutions were sent to the Chancellors (Appendix III). In response, each institution described its 1999-2000 operating results under management flexibility. Although each report necessarily

described the results that were applicable to the particular institution, observations can be made which reflect common or similar experiences for several or all institutions. The summary observations, which follow, are based on information provided by the Chancellors.

Impact on Education. The management flexibility legislation directs the Board of Governors to develop some standard measures of student learning and development in general undergraduate education in order to assess the impact of the legislation on these areas at the designated institutions. These measures have been developed and the impact of management flexibility is included as a part of the assessment measures reports, which are also made to the Joint Legislative Education Oversight Committee.

Reversions. The 1995 General Assembly established a uniform reversion rate of 2% under the UNC Management Flexibility legislation for all operating budget codes, except the rate for the Area Health Education Centers budget was set at 1%. The 1997 General Assembly, in Section 10.19, G.S. 116-30.3, amended the reversion requirement to specify that “one-half of the reversions . . . shall be returned to the General Fund credit balance at the end of each fiscal year,” and specified that for 1997-98 and subsequent years, one-half of the required reversions would be available to each constituent institution to fund the nonrecurring costs of technology, including the installation of technology infrastructure for academic facilities on the campus, the implementation by the constituent institution of its campus technology plan as approved by the Board of Governors, or for libraries. The UNC Incentive Funding provision (S.L. 1998-212, SB 1366), responded to a budget request by the Board of Governors by making available one-half of the required reversions (which represents 1% in all budget codes, except the Area Health Education Centers budget of 1/2%) to each SRCI on an undesignated basis, and designating the remaining half to be used for technology infrastructure development in accordance with the Board of Governors’ Plan for Technology Development. In accordance with

legislation enacted in 1998 [S.L. 1998-212, section 11(b)], for fiscal years beginning with 1999-2000, no reversions to the State's General Fund are required. However, the UNC constituent institutions were required to contribute \$13.7 million (1% of their state appropriations) to the Hurricane Floyd Reserve Fund. In addition for the 1999-2000 fiscal year only, the 16 campuses had to reallocate \$1.3 million of previously required reversions to initiatives funded in the expansion priorities.

Fiscal Savings. A total of \$28.1 million in appropriations remained unspent in the SRCI's operating budgets, which represents savings available for carry-forward into the 2000-01 fiscal year for one-time expenditures that will not impose additional financial obligations on the State. Exhibit A shows the appropriations carried forward by each constituent institution.

At the programmatic level, the institutional reports identified a number of operating efficiencies and related effective uses of financial resources that resulted in savings during the 1999-2000 fiscal year. While there are inherent limitations in quantifying these savings in dollar terms, specific examples reported by the institutions provide convincing evidence that budget flexibility continues to give the institutions greater ability to operate more efficiently and thereby save taxpayers' dollars.

Through budget flexibility, institutions took advantage of time-limited buying opportunities, purchased items in quantity in order to receive volume discounts, ordered on a timely basis to avoid price increases, saved time and paperwork and improved service by purchasing from local vendors, and received the benefits of purchasing rather than leasing certain equipment. The General Assembly, in its 1997 Session (S. L. 412, SB 862, section 116.31-10), authorized the Board of Governors to establish new purchasing benchmarks for the constituent institutions to a maximum of \$250,000. The benchmarks for several institutions were established by the Board at increased levels effective January 1, 1998; North Carolina A & T State University's benchmark was increased effective January 1, 2000 (see page 9). Based

on these new benchmarks, savings reported in terms of both dollars and time were even greater than that reported in prior years.

The ability to provide in-range salary adjustments, and to hire at entry levels adjusted to ensure that the institutions are able to recruit and retain qualified personnel, continues to be one of the most often-cited benefits of increased flexibility. Recent market values, particularly for technical personnel, have made this flexibility critical to the constituent institutions.

Budget flexibility allowed many institutions to pursue operating efficiencies which led to significant cost savings. Appalachian State University cites cost savings associated with converting payroll and personnel reports to electronic distribution; East Carolina University reports substantial permanent savings through use of standard computer equipment and site licenses.

Systemwide, the SRCIs continued to dedicate significant resources to the acquisition of computing equipment. This investment reflects the joint commitment of the campuses, the Board of Governors and the General Assembly to provide enabling technology for higher education in North Carolina. Under the old "line item" budget, these investments certainly would have been delayed and most likely would have resulted in significantly increased costs.

As a result of the funding received from the General Assembly in support of for-credit distance education in 1999-2000, the institutions were better able to serve increasing numbers of traditional and non-traditional students at off-campus sites, and to expand distance learning capabilities. Budget flexibility also allowed additional investment in this area to be made by the SRCIs to supplement State funding so that various technology-mediated modes of course development and delivery could be enabled. The costs of the technology associated with these efforts are significant, but critical as one strategy for handling the large expected enrollment increases over the next decade.

A number of examples of savings were attributed to using resources so that operating costs were avoided or staff time was made available for other duties. The acquisition and use of computing hardware and software to perform analytical and administrative functions were cited. Other examples of cost avoidance included increasing preventive maintenance on equipment to avoid costly emergency service calls and down-time and employing students and other part-time help instead of hiring permanent employees. Additional examples include using contractual services instead of hiring permanent employees; centralizing and consolidating service functions for more efficient operations; gaining a more efficient use of available facilities and reducing continuing maintenance costs by upgrading classroom, laboratory, and support space; cutting maintenance costs by replacing old, worn equipment with new equipment; and avoiding financing costs by direct purchases rather than purchasing over time or leasing.

Management Initiatives. Management initiatives undertaken by the institutions during 1999-2000 continue to emphasize most of the general areas covered in previous annual reports and resources were reallocated to carry out these initiatives. These areas can be categorized in ten broad groupings:

- strengthening undergraduate instruction and improving graduation rates;
- strengthening graduate instruction and research;
- expanding library collections and improving library services;
- upgrading classrooms and laboratories, including replacing and updating related equipment;
- enhancing physical facilities (other than classrooms and laboratories) and their operations;
- expanding computing, information resources, and telecommunications capabilities;
- strengthening support services;
- improving administrative services infrastructure;
- enhancing student financial aid programs; and
- strengthening targeted program areas.

The amount of funds that were reallocated on a one-time basis (\$109.8 million) and on a permanent basis (\$19.7 million) by the institutions to carry out these initiatives are shown in Exhibits B and C. The degree of emphasis placed on each of these initiatives reflects the institutional decisions and the specific actions undertaken in support of each of these areas. University-wide, major emphases were placed on strengthening undergraduate instruction and improving graduation rates, upgrading classrooms, laboratories and administrative infrastructure, and expanding computing and telecommunications capabilities. An increased emphasis on graduate instruction and research was also noted.

Also, it is evident that major initiatives on all campuses have been undertaken to improve institutional budget and personnel administration. These efforts included the further development of an increased level of participation by the chancellors, vice chancellors and their managers in budget planning and execution. This involvement has permitted a number of expenditure decisions to be made at the program level in the organization, often at the department or school. Since flexibility allows the expenditure of unspent salary funds from vacant positions (lapsed salaries) to be used for non-personnel purposes, detailed expenditure plans have been more comprehensive than previously possible (see section entitled "Use of Lapsed Salary Funds" for further information). Flexibility has also permitted management to focus decisions on program priorities instead of budget categories. In addition, release from the rigid time frame of the fiscal year gives the campuses some opportunity for multi-year budget planning.

Management initiatives were also undertaken to capitalize on the ability to carry forward unspent appropriations into the next fiscal year to meet high priority needs, especially for renovation projects and equipment purchases. As previously noted, \$28.1 million in unspent appropriations was carried forward into the 2000-01 fiscal year. Several institutions planned expenditures so that funds would be available to finance specific, high priority renovations projects. Before budget

flexibility was granted, institutions did not have the option to carry current operations appropriations forward to fund capital improvements projects and meet other needs.

Increased Efficiency and Effectiveness Achieved. Although closely related to the sections on fiscal savings, management initiatives, and reallocation of resources, certain summary conclusions may be drawn from the institutional reports on the achievement of increased efficiency and effectiveness. The conclusions are favorable and are generally applicable to the three principal areas of administration directly addressed by the management flexibility legislation: budgeting, purchasing, and personnel.

In the area of budget administration, the major efficiencies are principally attributable to the provision that all General Fund appropriations for continuing operations are made to the designated institutions in the form of a lump sum to each budget code. This gives the institutions the ability to use funds budgeted for salaries of positions that are vacant for all or a part of the fiscal year (lapsed salaries) for non-personnel expenditures (see section entitled "Use of Lapsed Salary Funds" for further information). Before flexibility, unspent salary funds were not available for such uses. The institutions used lapsed salary funds to update and replace obsolete educational, scientific, and computing equipment, to repair and renovate teaching and laboratory facilities, and make other one-time improvements in instruction and support functions. Emphasis continues to be placed on providing the infrastructure to support increased levels of instruction offered at a distance, in order to expand access to educational opportunities to a greater number of North Carolina citizens. In addition, campuses are investing in attracting and retaining quality employees in a tight labor market through appropriate adjustments to hiring rates, reclassifications and through providing increased training opportunities. Some of the focused growth institutions particularly cited the need for increasing this investment to support enrollment management, thereby

improving the ability to attract and retain students. Flexibility also has provided the opportunity for the institutions to reallocate resources in response to changing institutional priorities, as well as to respond to unforeseen opportunities or challenges, such as budget reductions. Most of the budget reallocations that previously required the approval of the Office of State Budget and Management were accomplished on campus during 1999-2000. The ability to consider program objectives in the context of the total operating budget and the opportunity to carry forward appropriations to the next fiscal year have given the institutions clear incentives and the related cost-consciousness which produces more efficient operations.

The management flexibility given to the designated institutions in purchasing administration has contributed to significant improvements. Prior to the management flexibility legislation, institutional purchases of \$10,000 or more required processing through the central Purchase and Contract Division in Raleigh. Under flexibility, the threshold amount was increased to \$35,000, and was further increased to a maximum of \$250,000 by the 1997 General Assembly in S.L. 1997-412, SB 862 (section 116-31.10). Based on the 1997 legislation, the Board of Governors established benchmarks for the constituent institutions. As of January 1, 2000, the benchmarks in effect are as follows:

Appalachian State University	\$150,000
East Carolina University	250,000
Elizabeth City State University	35,000
Fayetteville State University	50,000
North Carolina A & T State University	100,000
North Carolina Central University	35,000
North Carolina School of the Arts	50,000
North Carolina State University	250,000
The University of North Carolina at Asheville	50,000
The University of North Carolina at Chapel Hill	250,000
The University of North Carolina at Charlotte	200,000
The University of North Carolina at Greensboro	150,000
The University of North Carolina at Pembroke	35,000
The University of North Carolina at Wilmington	200,000
Western Carolina University	100,000
Winston-Salem State University	100,000

During 1999-2000, 6,767 purchases totaling \$159.4 million were made on the campuses between the old benchmark of \$10,000 and the increased benchmarks (see Exhibit K). This represents a 22% (based on volume of purchases) increase over the 1998-99 fiscal year. Processing time for purchases made by the campuses has been less than the time required for similar purchase awards through the Purchase and Contract Division, and continues to improve as institutions further refine and automate their own processes. The decrease in processing time has substantially increased the efficiency of the institutions' procurement functions by putting equipment and supplies in the hands of users in a much more timely fashion without sacrificing competitive pricing or quality. A corollary result is an increase in goodwill and cooperation between the institutions' purchasing departments and their campus customers.

Flexibility given to the institutions in the area of personnel administration has enhanced significantly their ability to manage their human resources. The institutions are still subject to the applicable rules and regulations of the Office of State Personnel under any Performance Agreement each may have concerning employees subject to the State Personnel Act and also the rules and regulations of the Board of Governors with respect to faculty and other employees exempt from the State Personnel Act. Nevertheless, flexibility has given institutions the ability to examine their spending patterns and reallocate funds in order to use resources more effectively. Within these overall guidelines, the institutions have been able to abolish and establish positions. Work assignments have been reorganized since the institutions can reallocate the funds necessary to accommodate the related changes. Efficiencies, as well as savings, have also been achieved through the increased use of students and other temporary employees.

Using flexibility, the institutions have been able to redirect funds originally budgeted for permanent positions, or for non-personnel expenditures, to fund temporary employees to assist in peak work load periods. By covering peak periods

with temporary employees, the institutions were able to staff at a lower level on a regular basis. Other major benefits of flexibility in the personnel administration area have been the ability to reallocate funds in order to cover salary adjustments resulting from reclassifications and changes in duty assignments, in-range adjustments, and to fund certain support positions above the minimum hiring rate in order to recruit and employ more experienced personnel.

Use of management flexibility allowed the institutions to address the unique challenges presented by the advent of the year 2000. Funds were reallocated at several institutions to complete technical upgrades necessary to ensure that mission-critical software was year-2000 compliant, resulting in interruption-free service to our students as the millennium commenced.

Documentation of Reallocation of Resources. Each institution was required to include in its 1999-2000 annual report all net budget transfers that were authorized by the Chancellor and which previously required the approval of the Office of State Budget and Management. These reallocations, made to implement the management initiatives undertaken by each campus, distinguished between one-time transfers of lapsed salaries, one-time transfers from other sources, and permanent transfers.

One-Time Reallocations – For the 1999-2000 fiscal year, as shown on Exhibit D, one-time reallocations from lapsed salary funds totaled \$76 million, which represented 3.8% of the authorized budget requirements of the institutions at June 30, 2000. One-time reallocations from other sources totaled \$33.8 million, which represented 1.69% of the authorized budget requirements of the institutions at June 30, 2000. University-wide, 69.3% of the funds reallocated from one-time transfers came from unspent salary funds from positions that were vacant for a portion of the fiscal year (lapsed salaries). As previously noted, Exhibit B relates the one-time budget reallocations to the management initiatives undertaken during 1999-2000.

Permanent Reallocations – In addition to the one-time budget reallocations, a lesser number of permanent reallocations were made at the institutions during the year. Many of these involved increases in personnel accounts. Implementation of all personnel actions under budget flexibility are subject to the availability of funds within the institution's currently authorized budget to fund the full annualized costs of the actions taken.

During the 1999-2000 fiscal year, as shown on Exhibit E, permanent reallocations totaled \$19.7 million, which represented only .98% of the authorized budget requirements of the institutions at June 30, 2000. Personnel-related increases were related primarily to increases in the number of positions established under budget flexibility. Other increases in personnel accounts were the result of adjustments related to new hires at rates higher than the budgeted position levels, in-range salary adjustments, and the reclassifications of positions. None of the dollars permanently reallocated involved teaching positions; \$10 million (51% of total permanent reallocations) were transfers to non-teaching positions. As previously noted, Exhibit C relates the permanent budget reallocations to the management initiatives undertaken during 1999-2000.

During the 1999-2000 fiscal year, 13 of the 16 institutions established and/or abolished positions under budget flexibility. As shown on Exhibit F, 191 positions were established and 96 positions were abolished for a University-wide net increase of 95 positions.

Use of Lapsed Salary Funds. As noted above, \$76 million (69.3% of the total one-time reallocations of \$109.8 million) of funds made available through lapsed salaries were reallocated during fiscal year 1999-2000. Of these funds, \$36,704,731 (48%) was generated from lapsed teaching salaries, while \$39,330,149 (52%) originated in lapsed salaries from non-teaching positions. Exhibit G shows the breakdown of funds used based on major expenditure categories.

Vacant Positions. Positions which have been vacant for nine months or more during fiscal year 1999-2000 are reported on Exhibits H and I; separate schedules present teaching positions and non-teaching positions. The positions on each schedule are categorized by explanation of the length of the vacancy. These explanations generally fall within eight broad groupings:

- position was judged not needed and was subsequently abolished;
- unit to which the position reported was in the process of reorganization and/or position was in the process of being reclassified;
- unit to which the position reported was in the process of hiring/changing management and position was not recruited until new management was on board;
- the search process was delayed, but was underway as of June 30, 2000;
- various recruitment issues including tight labor market, poor applicant pool, inadequate funding to meet demands of qualified applicants, and others necessitated prolonged recruitment period;
- funds from the position were used to hire temporary personnel, including graduate assistants and adjunct faculty members;
- funds from the position were used to support temporary operating needs of the campus;
- funds from the position were reserved against anticipated budget reductions.

Some of the explanations – including hiring decisions made after June 30, 2000, selected applicant declining the offer, selected applicant could not begin employment until after fiscal year end, and incumbents on leave without pay or short-term disability – have been reported under an “other” category.

For teaching positions, the majority of positions remained vacant due to recruitment issues, new management, or to support temporary positions or operating needs. A significant number of positions (94) involved a delayed search process; as of June 30, 2000 these searches were underway.

For non-teaching positions, the prevalent explanation included reorganization/reclassifications, recruitment issues, positions being abolished and the need to support temporary positions or temporary operating needs.

University-wide, a total of 272 teaching (of the approximately 10,000 teaching positions budgeted) and 457 non-teaching positions were reported as being vacant for nine months or more during 1999-2000. Sixty-eight of these positions had been filled by June 30, 2000; an additional 175 positions were filled between July 1, 2000 and the October, 2000 reporting date.

Availability and Use of Appropriations Carried Forward. Appropriations available for carry-forward ranged from zero to the maximum allowable of 2.5% of the total appropriations for budget codes. Exhibit A shows the appropriations carried forward by each institution for each budget code and the percentage this represented of the authorized total appropriations at the end of the 1999-2000 fiscal year. The flexibility legislation provides that the appropriations carried forward “may be used for one-time expenditures that will not impose additional financial obligations on the State.” Therefore, the major portion of the funds carried forward were proposed to be spent on equipment and repairs and renovations projects.

As shown on Exhibit J, planned expenditures from the 1999-2000 carry-forward of \$28.1 million include equipment and other capital outlay of \$8.6 million, renovations, repairs and other current services of \$5.7 million, capital improvements projects of \$5.6 million, and \$5.2 million in personnel-related expenditures.

Internal Financial Controls and Management Staffing. The Second Extra Session 1996 amended the management flexibility legislation directing the Board of Governors to establish more stringent rules for monitoring and resolving audit exceptions and for reviewing and monitoring staffing and internal control procedures. These directives focused on a continuing assessment of the competence of the institutions to carry out the additional authority granted in the areas of budgeting, personnel administration, and purchasing. In order to implement the legislative changes, the Board revised the Selection Criteria and Operating Guidelines for Special Responsibility Constituent Institutions and sent a directive to

each Chancellor on February 11, 1997 (Appendix IV) outlining policies and procedures for assessing internal financial controls and management staffing.

In keeping with these policies and procedures, each of the institutions provided a compliance certification letter, signed by the Chancellor, certifying that their institution complied in the areas outlined by the guidelines. The results of the compliance certifications were positive and demonstrated the commitment to strong institutional management, accountability over resources, and internal control structures. No instances of non-compliance were reported. On August 11, 2000, the Board of Governors took action to require increased accountability over the expenditures of lapsed salary funds. Two of the requirements specifically strengthened internal controls at the institutions: (1) the Chancellor's ability to delegate approval for authorizing expenditures from lapsed salary funds was limited to no lower than the appropriate Vice Chancellor, and (2) the role of the internal auditors would be increased to include auditing transactions effected through budget flexibility. These changes became effective on July 1, 2000.

Additional Costs Incurred. The institutions reported that no significant additional costs were incurred as a result of management flexibility. In earlier years of operating under management flexibility, it was reported in some instances that additional staff were required to carry out the additional authority granted in the areas of purchasing and budget administration.

Other Outcomes. Before the enactment of management flexibility, the Chancellors and their managers were carrying out their assigned budgetary responsibilities with limited regard to resource reallocation since that was largely predetermined by the line-item budget, particularly with respect to the strict division between personnel and non-personnel costs. Consequently, the constraints on budget execution did not encourage efforts to look for alternative uses of available resources. In addition, there was a limited ownership view because unspent operating funds reverted at the end of the fiscal year.

The implementation of flexibility has changed the Chancellors' and their managers' basic outlooks regarding the State budget resources and this factor has created greater teamwork in financial decision making. They now can take ownership of their budgets to an extent not previously possible and reallocate resources and plan expenditures beyond the limits of the fiscal year. Within the policy guidelines established by the Board of Governors, management of resources can now be guided by mission priorities rather than excessively constrained by budget categories and fiscal time periods. Unforeseen opportunities can be seized and emergencies can be met. As a result, one major benefit of management flexibility has been consistently reported higher campus morale.

**The University of North Carolina
Special Responsibility Constituent Institutions
UNC Management Flexibility
Carry-Forward of General Fund Appropriations
From 1999-2000 to 2000-01**

Budget Code	Institution	Authorized Appropriation June 30, 2000	Appropriation Carry-Forward	
			Amount	%
16080	Appalachian State University	\$ 80,718,414	\$ 2,017,960	2.50%
	East Carolina University:			
16065	Academic Affairs	111,398,745	2,705,985	2.43%
16066	Health Affairs	42,277,688	787,932	1.86%
16086	Elizabeth City State University	21,340,823	483,693	2.27%
16088	Fayetteville State University	28,798,174	658,149	2.29%
16070	North Carolina A & T State University	57,406,183	1,169,126	2.04%
16090	North Carolina Central University	44,969,325	940,615	2.09%
16092	North Carolina School of the Arts	15,438,911	278,074	1.80%
	North Carolina State University:			
16030	Academic Affairs	259,893,098	6,003,915	2.31%
16031	Agricultural Research	46,841,995	0	0.00%
16032	Cooperative Extension	36,843,861	0	0.00%
16055	UNC-Asheville	24,860,148	173,248	0.70%
	UNC-Chapel Hill:			
16020	Academic Affairs	190,174,486	3,698,103	1.94%
16021	Health Affairs	152,114,864	2,498,285	1.64%
16022	AHEC	45,006,068	106,855	0.24%
16050	UNC-Charlotte	91,550,078	2,234,055	2.44%
16040	UNC-Greensboro	85,452,991	1,114,577	1.30%
16082	UNC-Pembroke	23,549,841	368,656	1.57%
16060	UNC-Wilmington	56,689,833	895,427	1.58%
16075	Western Carolina University	50,684,001	1,239,172	2.44%
16084	Winston-Salem State University	27,483,270	687,081	2.50%
	TOTAL	1,493,492,797	28,060,908	1.88%

The University of North Carolina
 Special Responsibility Constituent Institutions
 Management Initiatives
 One-time Reallocations to Accomplish Initiatives
 1999-2000

Institution	Undergrad. Instruction Grad. Rates	Graduate Instruction & Res.	Library Collection & Services	Upgrade Classrooms & Labs	Enhancing		Support Student Services	Admin. Infrastr.	Student Financial Aid	Other Targeted Program Areas	Total
					Physical Facilities	Other					
ASU	131,209	307,690	90,308	-	67,559	681,344	92,282	771,386	-	198,288	2,340,066
ECU, AA	2,819,600	190,014	383,473	129,400	2,502,448	1,858,027	216,296	843,988	186,800	186,000	9,316,046
ECU, HA	-	2,075,318	71,417	-	115,000	933,201	-	960,962	-	170,798	4,326,696
ECSU	105,834	-	269,536	12,135	106,685	78,742	-	94,050	-	-	666,982
FSU	2,171	2,566	-	141,298	860,000	463,457	29,907	4,010	850,000	4,000	2,357,409
NCA&T	68,136	137,990	46,497	300,103	474,869	386,420	361,295	246,499	-	9,612	2,031,421
NCCU	675,912	77,916	17,944	77,810	40,804	948,621	69,849	686,588	-	163,484	2,758,928
NCSA	11,808	-	14,486	29,750	-	-	7,812	34,000	-	241,840	339,696
NCSU, AA	1,880,839	1,484,316	1,113,676	1,175,504	2,131,546	2,955,970	585,364	6,429,001	-	1,392,880	19,149,096
NCSU, Ag Res.	-	-	-	425,000	667,901	275,000	-	-	-	915,239	2,283,140
NCSU, Coop. Ext.	-	-	-	-	251,394	975,000	-	-	-	399,220	1,625,614
UNC-A	107,049	-	59,484	-	-	-	39,072	159,555	407	153,434	519,001
UNC-CH, AA	2,671,816	2,718,268	1,479,152	217,107	868,427	9,895,429	373,132	2,389,551	19,079	1,066,337	21,698,298
UNC-CH, HA	2,605,269	1,494,788	194,985	2,501,072	2,321,603	2,361,585	91,540	2,377,206	-	509,086	14,457,134
UNC-CH, AHEC	-	327,216	-	15,346	-	15,853	-	41,236	99,513	-	499,164
UNC-C	3,776,234	293,842	983,229	692,900	265,271	634,240	305,012	614,168	80,304	867,997	8,513,197
UNC-G	1,008,150	292,228	45,241	1,370,579	1,339,469	1,196,583	1,177,746	1,405,458	114,831	-	7,950,285
UNC-P	253,534	3,989	7,746	362,418	89,217	272,588	546,227	303,007	-	2,020	1,840,746
UNC-W	1,513,452	373,200	100,000	178,000	863,467	495,560	54,000	348,259	-	416,654	4,342,592
WCU	231,022	-	70,051	175,300	244,185	287,161	343,372	390,646	-	73,394	1,815,131
WSSU	28,922	66,779	-	23,000	77,920	335,441	290,856	123,227	-	23,904	970,049
TOTAL	17,890,957	9,846,120	4,947,225	7,826,722	13,287,765	25,050,222	4,583,762	18,222,797	1,350,934	6,794,187	109,800,691

The University of North Carolina
 Special Responsibility Constituent Institutions
 Management Initiatives
 Permanent Reallocations to Accomplish Initiatives
 1999-2000

Institution	Undergrad. Instruction Grad. Rates	Graduate Instruction & Res.	Library Collection & Services	Enhancing			Support Student Services	Admin. Infrastr.	Student Financial Aid	Other Targeted Program Areas	Total
				Other Physical Facilities	Computing & Telecom.	Other					
ASU	382,167	88,729	32,244	-	189,000	-	137,190	90,103	-	205,523	1,124,956
ECU, AA	244,045	-	62,694	31,507	281,548	-	20,633	158,921	-	-	799,348
ECU, HA	210,226	-	29,686	-	-	-	-	-	-	-	239,912
ECSU	37,310	-	-	-	-	-	-	143,106	-	-	180,416
FSU	-	-	-	-	-	-	-	-	-	-	none
NCA&T	5,444	2,769	-	4,632	57,674	-	1,805	-	-	-	72,324
NCCU	78,860	28,124	-	-	154,047	-	2,366	136,769	-	51,521	451,687
NCSA	-	-	1,938	-	-	-	-	-	-	192,625	194,563
NCSU, AA	69,959	52,997	761,756	-	283,639	-	58,442	258,838	-	233,561	1,719,192
NCSU, Ag Res.	-	-	-	103,176	-	-	-	-	-	-	103,176
NCSU, Coop. Ext.	-	-	-	-	-	-	-	-	-	-	none
UNC-A	3,045	-	-	-	-	-	23,255	-	-	-	26,300
UNC-CH, AA	3,264,025	311,950	259,830	-	2,777,215	-	181,796	597,359	-	181,273	7,573,448
UNC-CH, HA	-	134,186	4,854	-	1,740,940	-	6,402	252,019	-	103,626	2,242,027
UNC-CH, AHEC	-	2,000	-	-	-	-	-	1,128	-	-	3,128
UNC-C	333,365	101,443	102,341	562,500	148,320	-	47,916	343,556	-	172,324	1,811,765
UNC-G	64,550	6,308	19,677	9,009	331,620	-	394,139	229,520	-	-	1,054,823
UNC-P	-	-	778	-	-	-	22,493	59,928	-	-	83,199
UNC-W	396,104	75,310	26,741	197,564	55,005	-	62,245	734,568	110,000	26,000	1,683,537
WCU	6,581	-	1,229	-	21,719	-	8,625	122,152	-	67,380	227,636
WSSU	-	-	-	-	-	-	-	59,565	-	-	59,565
TOTAL	5,095,631	803,816	1,303,768	908,388	6,040,727	967,307	3,187,532	110,000	1,233,833	19,651,002	

**The University of North Carolina
Special Responsibility Constituent Institutions
UNC Management Flexibility
One-Time Reallocations
1999-2000**

Budget Code	Institution	(1) Authorized Requirements at 6/30/00	(2) One-Time Reallocations (Lapsed Salaries)	(3) Percent of Authorized Requirements (Col. 2 ÷ Col. 1)	(4) One-Time Reallocations (Other)	(5) Percent of Authorized Requirements (Col. 4 ÷ Col. 1)
16080	Appalachian State University	110,411,572	469,185	0.42%	1,870,881	1.69%
	East Carolina University					
16065	Academic Affairs	154,679,388	8,127,927	5.25%	1,188,119	0.77%
16066	Health Affairs	48,090,521	3,799,971	7.90%	526,725	1.10%
16086	Elizabeth City State University	25,586,311	576,858	2.25%	90,124	0.35%
16088	Fayetteville State University	36,958,745	1,306,900	3.54%	1,050,509	2.84%
16070	North Carolina A & T State University	76,930,162	1,699,685	2.21%	331,736	0.43%
16090	North Carolina Central University	57,798,026	2,448,567	4.24%	310,361	0.54%
16092	North Carolina School of the Arts	22,646,460	192,138	0.85%	147,558	0.65%
	North Carolina State University					
16030	Academic Affairs	358,488,762	13,706,419	3.82%	5,442,677	1.52%
16031	Agricultural Research	56,977,643	2,101,205	3.69%	181,935	0.32%
16032	Cooperative Extension	53,712,892	927,402	1.73%	698,212	1.30%
16055	UNC-Asheville	30,869,958	471,935	1.53%	47,066	0.15%
	UNC-Chapel Hill					
16020	Academic Affairs	287,777,628	8,225,397	2.86%	13,472,901	4.68%
16021	Health Affairs	179,423,831	10,133,439	5.65%	4,323,695	2.41%
16022	AHEC	46,012,254	315,040	0.68%	184,124	0.40%
16050	UNC-Charlotte	128,509,454	6,672,149	5.19%	1,841,048	1.43%
16040	UNC-Greensboro	118,305,248	7,099,460	6.00%	850,825	0.72%
16082	UNC-Pembroke	28,005,848	1,673,467	5.98%	167,279	0.60%
16060	UNC-Wilmington	80,930,855	3,965,657	4.90%	376,935	0.47%
16075	Western Carolina University	65,156,045	1,381,953	2.12%	433,178	0.66%
16084	Winston-Salem State University	32,578,311	740,126	2.27%	229,923	0.71%
	TOTAL	1,999,849,914	76,034,880	3.80%	33,765,811	1.69%

**The University of North Carolina
Special Responsibility Constituent Institutions
UNC Management Flexibility
Permanent Reallocations
1999-2000**

Budget Code	Institution	(1) Authorized Requirements at 6/30/00	(2) Permanent Reallocations	(3) Percent of Authorized Requirements (Col. 2 ÷ Col. 1)
16080	Appalachian State University	110,411,572	1,124,956	1.02%
	East Carolina University			
16065	Academic Affairs	154,679,388	799,348	0.52%
16066	Health Affairs	48,090,521	239,912	0.50%
16086	Elizabeth City State University	25,586,311	180,416	0.71%
16088	Fayetteville State University	36,958,745	none	—
16070	North Carolina A & T State University	76,930,162	72,324	0.09%
16090	North Carolina Central University	57,798,026	451,687	0.78%
16092	North Carolina School of the Arts	22,646,460	194,563	0.86%
	North Carolina State University			
16030	Academic Affairs	358,488,762	1,719,192	0.48%
16031	Agricultural Research	56,977,643	103,176	0.18%
16032	Cooperative Extension	53,712,892	none	—
16055	UNC-Asheville	30,869,958	26,300	0.09%
	UNC-Chapel Hill			
16020	Academic Affairs	287,777,628	7,573,448	2.63%
16021	Health Affairs	179,423,831	2,242,027	1.25%
16022	AHEC	46,012,254	3,128	0.01%
16050	UNC-Charlotte	128,509,454	1,811,765	1.41%
16040	UNC-Greensboro	118,305,248	1,054,823	0.89%
16082	UNC-Pembroke	28,005,848	83,199	0.30%
16060	UNC-Wilmington	80,930,855	1,683,537	2.08%
16075	Western Carolina University	65,156,045	227,636	0.35%
16084	Winston-Salem State University	32,578,311	59,565	0.18%
	TOTAL	1,999,849,914	19,651,002	0.98%

The University of North Carolina
 Special Responsibility Constituent Institutions
 UNC Management Flexibility
 Positions Established, Positions Abolished, and Net Position Changes
 Full-Time Equivalent Positions
 1999-2000

Budget Code	Institution	Positions Established			Positions Abolished			Net Position Changes		
		EPA	SPA	Total	EPA	SPA	Total	EPA	SPA	Total
16080	Appalachian State University	10.75	15.75	26.50	-	-	-	10.75	15.75	26.50
	East Carolina University:									
16065	Academic Affairs	1.00	5.75	6.75	1.00	3.00	4.00	-	2.75	2.75
16066	Health Affairs	-	2.00	2.00	1.00	-	1.00	(1.00)	2.00	1.00
16086	Elizabeth City State University	-	-	-	-	-	-	-	-	-
16088	Fayetteville State University	-	-	-	-	-	-	-	-	-
16070	North Carolina A & T State University	-	2.00	2.00	2.00	4.00	6.00	(2.00)	(2.00)	(4.00)
16090	North Carolina Central University	2.00	3.00	5.00	2.00	-	2.00	-	3.00	3.00
16092	North Carolina School of the Arts	-	3.00	3.00	-	-	-	-	3.00	3.00
	North Carolina State University:									
16030	Academic Affairs	12.50	11.00	23.50	-	11.00	11.00	12.50	-	12.50
16031	Agricultural Research	-	-	-	-	-	-	-	-	-
16032	Cooperative Extension	-	-	-	-	-	-	-	-	-
16055	UNC-Asheville	-	0.50	0.50	-	-	-	-	0.50	0.50
	UNC-Chapel Hill:									
16020	Academic Affairs	8.44	36.13	44.57	2.50	37.13	39.63	5.94	(1.00)	4.94
16021	Health Affairs	0.74	12.00	12.74	-	4.00	4.00	0.74	8.00	8.74
16022	AHEC	-	-	-	-	-	-	-	-	-
16050	UNC-Charlotte	8.75	9.50	18.25	2.50	1.50	4.00	6.25	8.00	14.25
16040	UNC-Greensboro	7.19	15.25	22.44	8.00	12.25	20.25	(.81)	3.00	2.19
16082	UNC-Pembroke	0.69	-	0.69	-	-	-	0.69	-	0.69
16060	UNC-Wilmington	3.00	15.25	18.25	-	1.50	1.50	3.00	13.75	16.75
16075	Western Carolina University	1.00	4.49	5.49	-	3.00	3.00	1.00	1.49	2.49
16084	Winston-Salem State University	-	-	-	-	-	-	-	-	-
	TOTAL	56.06	135.62	191.68	19.00	77.38	96.38	37.06	58.24	95.30

Parentheses denote net reductions.

**Summary of Expenditures
Related to One-Time Lapsed Salary Reallocations
Fiscal Year 1999-2000**

Salaries, Wages and Benefits	\$10,632,326
Contracted Services	3,961,940
Supplies	11,190,415
Current Services	21,695,684
Fixed Charges	2,328,535
Equipment	23,298,306
Libraries	833,457
Aids & Grants	782,461
Hurricane Floyd Reversion	154,389
Capital Improvements	765,291
Administrative Expenses*	392,076
Total	76,034,880

*Note: \$39,330,149 is from non-teaching salaries & benefits.
\$36,704,731 is from teaching salaries & benefits.*

** Includes Dependent Care Assistance Program and Bad Debt Expenses, Workers Compensation Claims & Admin. Exp., etc.*

The University of North Carolina
 Special Responsibility Constituent Institutions
 UNC Management Flexibility
 Summary of Teaching Positions Vacant for Nine Months or More
 1999-2000

Institution	Anticip. Budget Reduc.	Recruitment Issues	Reorgan/ Reclass.	Search Underway	Temp. Oper. Needs	Temp. Positions	Pending New Mang.	Other	Total
ASU	-	-	-	16	-	20	-	-	36
ECU	-	11	-	-	-	-	1	-	12
ECSU	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-
NCAT	-	-	-	-	-	-	-	-	-
NCCU	-	-	-	1	-	-	-	-	1
NCSA	-	-	-	-	-	-	-	-	-
NCSU, Acad.	-	4	-	-	-	-	1	2	7
NCSU, Ag Res.	-	-	-	-	-	-	-	-	-
NCSU, Coop. Ext.	-	-	-	-	-	-	-	-	-
UNC-A	-	-	-	-	-	-	-	-	-
UNC-CH, AA	3	1	1	1	9	5	-	1	21
UNC-CH, HA	2	8	2	36	20	-	3	2	73
UNC-CH, AHEC	-	-	-	-	-	-	-	-	-
UNC-C	-	5	4	13	1	3	4	-	30
UNC-G	-	12	5	3	24	22	-	1	67
UNC-P	-	-	-	-	-	-	-	-	-
UNC-W	-	-	-	24	-	-	-	-	24
WCU	-	-	-	-	-	-	-	-	-
WSSU	-	-	-	-	-	-	-	1	1
TOTAL	5	41	12	94	54	50	9	7	272

The University of North Carolina
 Special Responsibility Constituent Institutions
 UNC Management Flexibility
 Summary of Non-Teaching Positions Vacant for Nine Months or More
 1999-2000

Institution	Abolished Position	Anticip.		Reorgan./	Search Underway	Temp. Oper. Needs	Temp. Positions	Pending		Other	Total
		Budget Reduc.	Issues					New Mang.			
ASU	-	3	1	1	2	1	1	-	-	-	9
ECU	-	-	-	3	-	-	-	1	-	-	4
ECSU	-	-	4	-	-	-	-	-	-	2	6
FSU	-	-	1	-	-	-	-	-	-	1	2
NCAT	-	-	5	3	-	-	-	-	-	-	8
NCCU	-	-	27	-	10	-	-	-	-	-	37
NCSA	2	-	-	-	-	-	-	-	-	-	2
NCSU, Acad.	2	-	9	8	1	-	1	1	-	1	23
NCSU, Ag Res.	3	-	4	5	1	-	2	-	-	1	16
NCSU, Coop. Ext.	6	-	9	5	1	-	-	-	-	1	22
UNC-A	-	-	-	3	-	-	-	-	-	-	3
UNC-CH, AA	16	1	38	36	1	21	7	-	-	12	132
UNC-CH, HA	10	-	18	15	22	21	4	1	1	3	94
UNC-CH, AHEC	1	-	2	1	1	5	-	1	1	1	12
UNC-C	-	-	7	11	11	-	-	1	1	2	32
UNC-G	1	-	18	5	-	2	-	-	-	-	26
UNC-P	-	-	-	1	1	-	-	-	-	-	2
UNC-W	-	-	2	6	3	-	-	-	-	-	11
WCU	-	-	-	-	-	-	-	1	-	-	1
WSSU	-	-	5	4	2	-	-	1	1	3	15
TOTAL	41	4	150	107	56	50	15	7	27	457	

**The University of North Carolina
Special Responsibility Constituent Institutions
UNC Management Flexibility
1999-2000 Appropriations Carried Forward – Planned Expenditures in 2000-01**

Institution	Capital Projects	Personnel Comp.	Supplies & Materials	Current Services	Fixed Charges	Capital Outlay	Aids & Grants	Total
Appalachian State University	-	188,875	136,337	109,774	-	1,562,593	20,381	2,017,960
East Carolina University:								
Academic Affairs	2,705,985	-	-	-	-	-	-	2,705,985
Health Affairs	-	-	-	-	-	787,932	-	787,932
Elizabeth City State University	15,000	213,087	9,262	93,329	3,000	149,736	279	483,693
Fayetteville State University	-	-	-	418,227	-	-	239,922	658,149
N. C. A & T State University	-	-	-	337,673	-	625,890	205,563	1,169,126
North Carolina Central University	-	20,622	43,621	535,678	209	340,485	-	940,615
North Carolina School of the Arts	-	-	-	124,074	-	154,000	-	278,074
North Carolina State University:								
Academic Affairs	1,666,760	2,957,228	263,086	217,705	300	521,364	377,472	6,003,915
Agricultural Research	-	-	-	-	-	-	-	none
Cooperative Extension	-	-	-	-	-	-	-	none
UNC-Asheville	-	62,530	5,496	13,621	5,101	86,500	-	173,248
UNC-Chapel Hill:								
Academic Affairs	-	649,109	654,286	1,495,921	147,544	751,243	-	3,698,103
Health Affairs	-	444,849	495,058	349,721	1,616	1,207,041	-	2,498,285
AHEC	-	-	12,810	94,045	-	-	-	106,855
UNC-Charlotte	400,000	365,657	33,868	482,708	-	951,822	-	2,234,055
UNC-Greensboro	528,000	47,550	2,305	422,266	6,500	107,956	-	1,114,577
UNC-Pembroke	-	15,000	-	149,766	-	203,890	-	368,656
UNC-Wilmington	-	77,136	158,081	422,047	150,000	88,163	-	895,427
Western Carolina University	-	-	31,500	380,580	5,000	822,092	-	1,239,172
Winston-Salem State University	256,200	145,862	25,251	21,604	12,275	223,940	1,949	687,081
TOTAL	5,571,945	5,187,505	1,870,961	5,668,739	331,545	8,584,647	845,566	28,060,908

The University of North Carolina
 Special Responsibility Constituent Institutions
 UNC Management Flexibility
 Purchases Between Old Benchmark and New Benchmark
 1999-2000

	Purchases between old benchmark of \$10,000 and new benchmark (various)		New Benchmark
	Number	Amount	
Appalachian State University	221	\$ 7,627,113	\$ 150,000
East Carolina University	579	17,876,617	250,000
Elizabeth City State University	72	1,160,064	35,000
Fayetteville State University	78	1,696,418	50,000
North Carolina A & T State University *	366	9,122,594	100,000
North Carolina Central University	125	2,366,333	35,000
North Carolina School of the Arts	56	1,016,209	50,000
North Carolina State University	2,097	23,296,337	250,000
UNC-Asheville	57	1,262,208	50,000
UNC-Chapel Hill	1,792	58,329,965	250,000
UNC-Charlotte	494	14,402,190	200,000
UNC-Greensboro	390	9,770,890	150,000
UNC-Pembroke	66	1,513,644	35,000
UNC-Wilmington	212	5,929,241	200,000
Western Carolina University	51	1,161,138	100,000
Winston-Salem State University	111	2,836,854	100,000
TOTAL	6,767	159,367,815	

* *NCA&T's benchmark increased from \$35,000 to \$100,000, effective 1/1/2000 (approved by Board of Governors on 11/19/99).*

**The University of North Carolina
Summary of Annual Reports
Section II – UNC General Administration
Designated Under the UNC Management Flexibility Legislation
1999-2000**

The General Assembly, in its 1999 Regular Session, extended management flexibility to the University of North Carolina General Administration [G.S. 116-14, section b1-b2 and G.S. 116.30.3(e)]. The results of the UNC General Administration's use of budget flexibility are included in this report.

The UNC General Administration reports fiscal savings through adoption of a new calling plan, elimination of duplicated data lines discovered in a telephone audit, and outsourcing of selected information technology services.

Management initiatives undertaken by UNC General Administration emphasized strengthening such targeted program areas as the North Carolina Teacher Academy and the North Carolina Center for Nursing. Salary support to recruit and retain excellent employees, including funding to make adjustments in recognition of the TV engineer labor market for UNC-TV, and expanding computing capabilities were also significant areas of focus.

Total one-time reallocations of \$558,406 included only \$31,400 of transfers from lapsed salary funds. The major source of the reallocations came from reductions in current services. \$363,578 in permanent reallocations was made during 1999-2000, all of which was used to support personnel-related expenditures.

The UNC General Administration carried forward \$1.2 million to 2000-01 and plans to spend the majority of these funds satisfying prior year obligations, supporting expansions and improvements in computing capabilities, and providing targeted support to North Carolina Central University, the North Carolina Principal Fellows program, and the North Carolina Center for Teaching.

During 1999-2000, UNC General Administration established four positions and abolished 15 positions, for a net decrease of 11 positions. Seventeen positions, all

non-teaching, were reported as being vacant for nine months or more during 1999-2000. Five of these were new positions; the others were primarily held vacant due to recruiting difficulties and/or the need to fund temporary positions.

The UNC General Administration reported no instances of non-compliance with required rules, regulations and guidelines.

PART 2A.
FISCAL ACCOUNTABILITY AND FLEXIBILITY.

§ 116-30.1. Special responsibility constituent institutions.

The Board of Governors of The University of North Carolina, acting on recommendation made by the President of The University of North Carolina after consultation by him with the State Auditor, may designate one or more constituent institutions of The University as special responsibility constituent institutions. That designation shall be based on an express finding by the Board of Governors that each institution to be so designated has the management staff and internal financial controls that will enable it to administer competently and responsibly all additional management authority and discretion to be delegated to it. The Board of Governors, on recommendation of the President, shall adopt rules prescribing management staffing standards and internal financial controls and safeguards, including the lack of any significant findings in the annual financial audit by the State Auditor's Office, that must be met by a constituent institution before it may be designated a special responsibility constituent institution and must be maintained in order for it to retain that designation. These rules shall not be designed to prohibit participation by a constituent institution because of its size. These rules shall establish procedures for the President and his staff to review the annual financial audit reports, special reports, electronic data processing reports, performance reports, management letters, or any other report issued by the State Auditor's Office for each special responsibility constituent institution. The President shall take immediate action regarding reported weaknesses in the internal control structure, deficiencies in the accounting records, and noncompliance with rules and regulations. In any instance where significant findings are identified, the President shall notify the Chancellor of the particular special responsibility constituent institution that the institution must make satisfactory progress in resolving the findings, as determined by the President of The University, after consultation with the State Auditor, within a three-month period commencing with the date of receipt of the published financial audit report, any other audit report, or management letter. If satisfactory progress is not made within a three-month period, the President of The University shall recommend to the Board of Governors at its next meeting that the designation of the particular institution as a special responsibility constituent institution be terminated until such time as the exceptions are resolved to the satisfaction of the President of The University of North Carolina, after consultation with the State Auditor. However, once the designation as a special responsibility constituent institution has been withdrawn by the Board of Governors, reinstatement may not be effective until the beginning of the following fiscal year at the earliest. Any actions taken by the Board of Governors with respect to withdrawal or reinstatement of an institution's status as a special responsibility constituent institution shall be reported immediately to the Joint Legislative Education Oversight Committee.

The rules established under this section shall include review by the President, after

consultation with the State Auditor, the Director of the Office of State Personnel, and the Director of the Division of State Purchasing and Contracts in ascertaining whether or not a constituent institution has the management staff and internal financial controls to administer the additional authorities authorized under G.S. 116-30.2, 116-30.4, and 143-53.1. Such review and consultation must take place no less frequently than once each biennium.

(1991, c. 689, s. 206.2(a); 1993 (Reg. Sess., 1994), c. 591, s. 10(a); 1996, 2nd Ex. Sess., c. 18, s. 7.4(k); 1997-71, s. 1.)

Editor's Note. - The part number, part heading and sections 116-30.1 through 116-30.5 in this Part were assigned by the Revisor of Statutes, these sections in the enacting act having been §§ 116-44.6 through 116-44.10.

§ 116-30.2. Appropriations to special responsibility constituent institutions.

All General Fund appropriations made by the General Assembly for continuing operations of a special responsibility constituent institution of The University of North Carolina shall be made in the form of a single sum to each budget code of the institution for each year of the fiscal period for which the appropriations are being made. Notwithstanding G.S. 143-23(a1), G.S. 143-23(a2), and G.S. 143-23(a3) and G.S. 120-76(8), each special responsibility constituent institution may expend monies from the overhead receipts special fund budget code and the General Fund monies so appropriated to it in the manner deemed by the Chancellor to be calculated to maintain and advance the programs and services of the institutions, consistent with the directives and policies of the Board of Governors. The preparation, presentation, and review of General Fund budget requests of special responsibility constituent institutions shall be conducted in the same manner as are requests of other constituent institutions. The quarterly allotment procedure established pursuant to G.S. 143-17 shall apply to the General Fund appropriations made for the current operations of each special responsibility constituent institution. All General Fund monies so appropriated to each special responsibility constituent institution shall be recorded, reported, and audited in the same manner as are General Fund appropriations to other constituent institutions.

(1991, c. 689, s. 206.2(a); 1993 (Reg. Sess., 1994), c. 591, s. 10(a); c. 769, s. 17.6(c); 1996, 2nd Ex. Sess., c. 18, s. 7.4(i); 1997-443, s. 10.8.)

§ 116-30.3. Reversions.

(a) Of the General Fund current operations appropriations credit balance remaining at the end of each fiscal year in each budget code of a special responsibility constituent institution, except for the budget code of the Area Health Education Centers of the University of North Carolina at Chapel Hill, any amount of the General Fund appropriation for that fiscal year may be carried forward by the institution to the next fiscal year and may be used for one-time expenditures that will not impose additional financial obligations on the State. Of the General Fund current operations appropriations credit balance remaining in the budget code of the Area Health Education Centers of the University of North Carolina at Chapel Hill, any amount of the General Fund appropriation for that fiscal year may be carried forward in that budget code to the next

fiscal year and may be used for one-time expenditures that will not impose additional financial obligations on the State. However, the amount carried forward under this section shall not exceed two and one-half percent (2 1/2%) of the General Fund appropriation. The Director of the Budget, under the authority set forth in G.S. 143-25, shall establish the General Fund current operations credit balance remaining in each budget code of each institution.

(b) Repealed by Session Laws 1998-212, s. 11(b), effective July 1, 1999.

(c) Repealed by Session Laws 1998-212, s. 11(a), effective July 1, 1998.

(d) Repealed by Session Laws 1998-212, s. 11(b), effective July 1, 1999.

(e) Notwithstanding G.S. 143-18, of the General Fund current operations appropriations credit balance remaining in Budget Code 16010 of the Office of General Administration of The University of North Carolina, any amount of the General Fund appropriation for that fiscal year may be carried forward in that budget code to the next fiscal year and may be used for one-time expenditures that will not impose additional financial obligations on the State. However, the amount carried forward under this subsection shall not exceed two and one-half percent (2 1/2%) of the General Fund appropriation. The Director of the Budget, under the authority set forth in G.S. 143-25, shall establish the General Fund current operations credit balance remaining in Budget Code 16010 of the Office of General Administration of The University of North Carolina. The funds shall not be used to support positions.

(1991, c. 689, s. 206.2(a); 1993 (Reg. Sess., 1994), c. 591, s. 10(a); 1995, c. 507, s. 15.16; 1997-443, s. 10.19; 1998-212, s. 11(a); 1999-237, s. 10.14(a).)

Editor's Note. - Session Laws 1996, Second Extra Session, c. 18, s. 1.1, provides: "This act shall be known as the Current Operations Appropriations Act of 1996."

Session Laws 1996, Second Extra Session, c. 18, s. 16.2, provides that, notwithstanding G.S. 116-30.3, the five constituent institutions cited in the study of equity of funding among the constituent institutions of the University of North Carolina as receiving lower than average pupil funding shall not be required to revert two percent of their General Fund appropriations for the 1996-97 school year.

Session Laws 1996, Second Extra Session, c. 18, s. 29.2, provides: "Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 1996-97 fiscal year, the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 1996-97 fiscal year."

Session Laws 1997-443, s. 1.1, provides: "This act shall be known as 'The Current Operations and Capital Improvements Appropriations Act of 1997'."

Session Laws 1997-443, s. 35.4, is a severability clause.

Session Laws 1998-212, s. 1.1 provides: "This act shall be known as the 'Current Operations Appropriations and Capital Improvement Appropriations Act of 1998'."

Session Laws 1998-212, s. 30.2 provides: "Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 1998-99 fiscal year, the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 1998-99 fiscal year."

Session Laws 1998-212, s. 30.5 contains a severability clause.

Session Laws 1999-237, s. 1.1 provides: "This act shall be known as the 'Current Operations and Capital Improvements Appropriations Act of 1999'."

Session Laws 1999-237, s. 30.4 contains a severability clause.

Effect of Amendments. - Session Laws 1998-212, s. 11(a), effective July 1, 1998, deleted subsection (c), which read "One half of the reversions required in subsection (a) and (b) of this section shall be returned to the General Fund credit balance at the end of each fiscal year"; and rewrote subsection (d).

Session Laws 1998-212, s. 11(b), effective July 1, 1999, in subsection (a), deleted "greater than two percent (2%)" and "greater than one percent (1%)" preceding "of the General Fund"; deleted subsection (b), providing the circumstances by which an institution may cease to be a special responsibility constituent institution"; and deleted subsection (d), regarding the use of reversions for fiscal year 1998-99.

Session Laws 1999-237, s. 10.14(a), effective July 1, 1999, added subsection (e).

§ 116-30.4. Position management.

The Chancellor of a special responsibility constituent institution, when he finds that to do so would help to maintain and advance the programs and services of the institution, may establish and abolish positions, acting in accordance with:

(1) State Personnel policies and procedures if these positions are subject to the State Personnel Act and if the institution is operating under the terms of a Performance Agreement or a Decentralization Agreement authorized under Chapter 126 of the General Statutes; or

(2) Policies and procedures of the Board of Governors if these positions are exempt from the State Personnel Act.

The results achieved by establishing and abolishing positions pursuant to the conditions set forth in subdivision (1) of this section shall be subject to postauditing by the Office of State Personnel. Implementation of personnel actions shall be subject to the availability of funds within the institution's current budget to fund the full annualized costs of these actions.

(1991, c. 689, s. 206.2(a); 1993 (Reg. Sess., 1994), c. 591, s. 10(a).)

§ 116-30.5. Impact on education.

The Board of Governors shall require each special responsibility constituent institution to include in its institutional effectiveness plan those assessment measures that are determined by the Board to be measures that will assure some standard measure of student learning and development in general undergraduate education at the special responsibility constituent institutions. The intent of this requirement is to measure the impact of G.S. 116-30.1 through G.S. 116-30.5, establishing and administering special responsibility constituent institutions, and their implementation on undergraduate student learning and development.

(1991, c. 689, s. 206.2(a); 1993 (Reg. Sess., 1994), c. 591, s. 10(a).)

Editor's Note. - A reference to sections 116-30.1 through 116-30.5 was substituted for a reference to sections 116-44.6 through 116-44.11, which appeared in this section in the enacting Act. Sections 116-44.6 through 116-44.10 were recodified as Part 2A of this article, sections 116-30.1 through 116-30.5, at the direction of the Revisor of Statutes. There was no section 116-44.11 in the enacting act.

§ 116-30.6. Reports of results.

The Board of Governors shall report annually by March 31 of each year on its decisions and directives implementing this Part to the Joint Legislative Education Oversight Committee. In particular, the Board shall report on the impact on undergraduate student learning and development as demonstrated by the standard assessment measures established in the institutional effectiveness plans, fiscal savings, management initiatives, increased efficiency and effectiveness, and other outcomes made possible by the flexibility provided by this Part to the special responsibility constituent institutions. These reports shall include documentation of any reallocation of resources, the use of nonreverted appropriations, and any additional costs incurred.

(1993 (Reg. Sess., 1994), c. 769, s. 17.6(a).)

§ 116-31.10. Powers of Board regarding certain purchasing contracts.

Notwithstanding G.S. 143-53.1 or G.S. 143-53(a)(2), the expenditure benchmark for a special responsibility constituent institution with regard to competitive bid procedures and the bid value benchmark shall be an amount not greater than two hundred fifty thousand dollars (\$250,000). The Board shall set the benchmark for each institution from time to time. In setting an institution's benchmark in accordance with this section, the Board shall consider the institution's overall capabilities including staff resources, purchasing compliance reviews, and audit reports. The Board shall also consult with the Director of the Division of Purchase and Contract and the Director of the Budget prior to setting the benchmark.

(1997-412, s. 1.)

Editor's Note. - Session Laws 1997-412, s. 13, provides that the Office of State Budget and Management (now the Office of State Budget, Planning, and Management) shall evaluate the effectiveness and efficiency of the increase of the purchasing benchmark and its delegation to the special responsibility constituent institutions under G.S. 116-31.10 and other agencies under G.S. 143-53.1 and G.S. 143-53(a)(2), and shall report its findings and recommendations to the General Assembly by April 15, 2001.

Session Laws 1997-412, s. 14, made this section effective January 1, 1998.

**Selection Criteria and Operating Guidelines for
Special Responsibility Constituent Institutions**

A. Achieving and Retaining Status as a Special Responsibility Constituent Institution

Management Staffing Standards and Internal Controls and Safeguards

1. Responsibilities of Special Responsibility Constituent Institutions

The following standards and safeguards must be met and maintained in order to receive and retain the designation as a special responsibility constituent institution.

- a. The Chancellor must assume personal responsibility and also establish the appropriate administrative and internal control procedures for carrying out the special delegations of authority. In this regard, the Chancellor must certify that the administrative capability on campus in the areas of budgeting and accounting, personnel, and purchasing, as noted in b., c., and d. below, are sufficient to carry out the increased flexibility being granted.
- b. The capability of the staff and the system of budgeting, accounting and internal controls must be sufficient to administer the increased budget flexibility given to the designated institutions.
- c. The personnel capacity, which must be exercised under the direction of appropriate administrative officials, must be available on campus to evaluate jobs, classify positions appropriately, set compensation properly, and carry out the related functions of position management at the level of authority provided by the delegation.
- d. The on-campus expertise must be available to purchase properly the equipment, supplies, and other goods and services for the institution up to the benchmark level established by the Board of Governors for the institution pursuant to G.S. 116-31.10.
- e. The institution must maintain its financial records in such a manner that there are no significant findings in the annual financial audit reports, special reports, electronic data processing reports, performance reports, management letters, or any other report issued by the State Auditor's Office.

2. Responsibilities of the President and the Board of Governors

The President is directed to establish the administrative procedures necessary to carry out the following rules:

- a. The President and the General Administration staff shall review the annual financial audit reports, special reports, electronic data processing reports, performance reports, management letters, or any other report issued by the State Auditor's Office for each special responsibility constituent institution.

- b. The President shall take immediate action regarding reported weaknesses in the internal control structure, deficiencies in the accounting records, and noncompliance with rules and regulations. In any instance where significant findings are identified, the President shall notify the Chancellor of the particular special responsibility constituent institution that the institution must make satisfactory progress in resolving the findings, as determined by the President of The University, after consultation with the State Auditor, within a three-month period commencing with the date of receipt of the published financial audit report, any other audit report, or management letter.
- c. If satisfactory progress is not made within a three-month period, the President shall recommend to the Board of Governors at its next meeting that the designation of the particular institution as a special responsibility constituent institution be terminated until such time as the exceptions are resolved to the satisfaction of the President of The University of North Carolina, after consultation with the State Auditor. However, once the designation as a special responsibility constituent institution has been withdrawn by the Board of Governors, reinstatement may not be effective until the beginning of the following fiscal year at the earliest.
- d. Any actions taken by the Board of Governors with respect to withdrawal or reinstatement of an institution's status as a special responsibility constituent institution shall be reported immediately to the Joint Legislative Education Oversight Committee.
- e. The President and the General Administration staff, after consultation with the State Auditor, shall review and consult with the Director of the Office of State Personnel and the Director of the Division of State Purchasing and Contracts in ascertaining whether or not a constituent institution has the management staff and internal financial controls to administer the additional authorities authorized under G.S. 116-30.2, 116-30.4, and 116-31.10. Such review and consultation must take place no less frequently than once each biennium.

B. Budget Administration

1. Appropriations to Special Responsibility Constituent Institutions

- a. All General Fund appropriations made by the General Assembly for continuing operations of a special responsibility constituent institution of The University of North Carolina shall be made in the form of a single sum to each budget code of the institution for each year of the fiscal period for which the appropriations are being made.
- b. Notwithstanding G.S. 143-23(a1), G.S. 143-23 (a2), G.S. 143-23(a3), and G.S. 120-76(8), each special responsibility constituent institution may expend the General Fund monies so appropriated to it in the manner deemed by the Chancellor to be calculated to maintain and advance the programs and services of the institutions, consistent with the directives and policies of the Board of Governors including but not limited to the following:
 - 1. A current institutional expenditure plan for each budget code must be established and maintained under the direction of the Chancellor.

2. No action shall be taken that would materially change the capability of the institution to carry out its educational mission as defined by the Board of Governors. The Board of Governors will retain program responsibility. No actions taken should have the effect of either establishing a new academic, research, or public service program or closing such a program without the specific approval by the Board. Reallocation of academic program resources should not be made to the extent that a particular existing program is seriously weakened or effectively discontinued, or a new activity not expressly authorized by the Board of Governors is initiated.
 3. Reallocations of interinstitutional program resources should not be made to the extent that campus participation in a particular program is materially weakened without specific approval by the Board.
 4. No action should be taken which would have the effect of establishing a new community service or student financial aid program without specific approval by the Board of Governors.
 5. For the 1998-99 and 1999-2000 fiscal years, appropriations providing support for Distance Education/Extension degree credit instruction at off-campus locations cannot be reallocated for other purposes without specific approval by the Board of Governors.
- c. The quarterly allotment procedure established pursuant to G.S. 143-17 shall apply to the General Fund appropriations made for the current operations of each special responsibility constituent institution.
 - d. All General Fund monies so appropriated to each special responsibility constituent institution shall be recorded, reported, and audited in the same manner as are General Fund appropriations to other constituent institutions.
 - e. The preparation, presentation, and review of General Fund budget requests of special responsibility constituent institutions shall be conducted in the same manner as are requests of other constituent institutions.
2. Reversions and Carry-Forwards of Appropriations

Of the General Fund current operations appropriations credit balance remaining in each budget code of a special responsibility constituent institution, at the close of a fiscal year, any amount of the General Fund appropriations for that budget code, may be carried forward by the institution to the next fiscal year and may be used for one-time expenditures that will not impose additional financial obligations on the State. However, the amount carried forward under this section shall not exceed two and one-half percent (2 1/2%) of the General Fund appropriation. The Director of the Budget, under the authority set forth in G.S. 143-25, shall establish the General Fund current operations credit balance remaining in each budget code of each institution.

3. Designated Uses of Previously Required Reversions for 1999-2000

- a. Previously required reversions shall be available to each special responsibility constituent institution, with the exception outlined in section b, below.
- b. For fiscal year 1999-2000, the 16 campuses must reallocate \$1,300,000 of previously required reversions to initiatives funded in the expansion priorities (see Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets, June 29, 1999). [This use of reversions was incorporated into the Board's expansion budget allocations approved on July 21, 1999.]

C. Personnel Administration

The Chancellor of a special responsibility constituent institution, when he finds that to do so would help to maintain and advance the programs and services of the institution, may establish and abolish positions, acting in accordance with:

- (1) State Personnel policies and procedures if these positions are subject to the State Personnel Act and if the institution is operating under the terms of a Performance Agreement or a Decentralization Agreement authorized under Chapter 126 of the General Statutes; or
- (2) Policies and procedures of the Board of Governors if these positions are exempt from the State Personnel Act.

The results achieved by establishing and abolishing positions pursuant to the conditions set forth in subdivision (1) of this section shall be subject to postauditing by the Office of State Personnel.

With respect to personnel actions taken under subdivision (2) of this section, no action should have the effect of either establishing a new academic program or administrative unit or closing an existing academic or inter-institutional program or administrative unit. No action should be taken which permanently reduces the number or amount of budgeted teaching positions supported by General Fund appropriations thereby changing the student-faculty ratio or the budgeted average teaching salary established by the Board of Governors.

Implementation of all personnel actions shall be subject to the availability of funds within the institution's current budget to fund the full annualized costs of these actions.

D. Purchasing

Notwithstanding G.S. 143-53.1 or G.S. 143-53(a)(2), the expenditure benchmark for a special responsibility constituent institution with regard to competitive bid procedures and the bid value benchmark shall be an amount not greater than \$250,000. The Board shall set the benchmark for each institution from time to time. In setting an institution's benchmark, the Board shall consider the institution's overall capabilities including staff resources, purchasing compliance reviews, and audit reports. The Board shall also consult with the Director of the Division of Purchase and Contract and the Director of the Budget prior to setting the benchmark.

E. Impact on Education

Each special responsibility constituent institution shall include in its institutional effectiveness plan those assessment measures that are determined by the Board to be measures that will assure some standard measure of student learning and development in general undergraduate education. The intent of this requirement is to measure the impact of G.S. 116-30.1 through G.S. 116-30.5, establishing and administering special responsibility constituent institutions, and their implementation on undergraduate student learning and development. The measures shall be taken from monthly accountability reports to the Board and any other performance measures developed for this purpose by the Board.

F. Reporting Requirements

1. Monthly Report

Each designated institution must prepare a monthly operating report for each budget code in the format of the current BD-701 report. The "Authorized Budget" included in this report, which may be changed under the direction of the Chancellor, will show the institution's current expenditure plan. The current Chart of Accounts will be used for reporting purposes.

2. Annual Report

An annual report, and other reports as may be directed by the President, are required from each special responsibility constituent institution. The annual report shall include the following information:

- a. an annual operating report in the same format as the monthly report described above
- b. the impact on undergraduate student learning and development as demonstrated by the standard assessment measures related to this topic
- c. fiscal savings
- d. management initiatives undertaken
- e. increased efficiency and effectiveness achieved
- f. other outcomes made possible by the flexibility provided
- g. documentation of any reallocation of resources which distinguishes between one-time and permanent transfers
- h. the availability and use of non-reverted appropriations
- i. any additional costs incurred
- j. a schedule of positions established and positions abolished
- k. institutional purchases under the expenditure benchmark established by the Board of Governors for the institution

Each institution must establish the administrative procedures necessary to accumulate this information for reporting purposes.

*effective July 1, 1999
approved by the
Board of Governors
on 8/13/99*



The University of North Carolina

GENERAL ADMINISTRATION

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August 29, 2000

MEMORANDUM

TO: The Chancellors of Special Responsibility Constituent Institutions

FROM: Jeff Davies *JRD*

SUBJECT: Revision of Selection Criteria and Operating Guidelines and Amended Flexibility Reporting Procedures for Special Responsibility Constituent Institutions

At its meeting of August 11, 2000, the Board of Governors took action to require increased accountability over the expenditures of lapsed salary funds and amended budget reporting procedures. This action was reported to each campus on August 11, 2000. In addition, the Board directed that these changes be incorporated into the Selection Criteria and Operating Guidelines for Special Responsibility Constituent Institutions.

A copy of the revised Selection Criteria and Operating Guidelines for Special Responsibility Constituent Institutions is enclosed. For information purposes, the revisions to the Selection Criteria and Operating Guidelines are shown separately. Deletions are indicated by strike-throughs and additions are underlined. Changes to the Selection Criteria and Operating Guidelines for Special Responsibility Constituent Institutions will be reflected on the UNC-GA website in the near future (<http://www.ga.unc.edu/UNCGA/finance/BUDGET/FlexGuide.pdf>).

In addition, an amended version of the instructions sent to you on May 15, 2000, is enclosed. You will note changes to the reporting instructions related to Section d. Management Initiatives, Section g. Documentation of Reallocation of Resources, and Section h. Availability and Uses of Nonreverted Appropriations. A new report on vacant positions is included in the instructions as item k, while the compliance certification letter has been designated as item l.

Please use these new reporting instructions in preparing your 1999-2000 report on Management Flexibility. The reporting deadline of October 27, 2000 remains unchanged.

If there are questions regarding the guidelines or the amended reporting procedures, please contact Ms. Laura Young.

Enclosures

cc: Chief Academic Officers
Chief Finance Officers

Appalachian State University

East Carolina University

Elizabeth City State University

Fayetteville State University

North Carolina Agricultural and Technical State University

North Carolina Central University

North Carolina School of Public Safety

North Carolina State University at Raleigh

University of North Carolina at Asheville

University of North Carolina at Chapel Hill

University of North Carolina at Charlotte

University of North Carolina at Greensboro

University of North Carolina at Pembroke

University of North Carolina at Wilmington

Western Carolina University

Winston-Salem State University

Selection Criteria and Operating Guidelines for Special Responsibility Constituent Institutions

A. Achieving and Retaining Status as a Special Responsibility Constituent Institution

Management Staffing Standards and Internal Controls and Safeguards

1. Responsibilities of Special Responsibility Constituent Institutions

The following standards and safeguards must be met and maintained in order to receive and retain the designation as a special responsibility constituent institution.

- a. The Chancellor must assume personal responsibility and also establish the appropriate administrative and internal control procedures for carrying out the special delegations of authority. In this regard, the Chancellor must certify that the administrative capability on campus in the areas of budgeting and accounting, personnel, and purchasing, as noted in b., c., and d. below, are sufficient to carry out the increased flexibility being granted.
- b. The capability of the staff and the system of budgeting, accounting and internal controls must be sufficient to administer the increased budget flexibility given to the designated institutions.
- c. The personnel capacity, which must be exercised under the direction of appropriate administrative officials, must be available on campus to evaluate jobs, classify positions appropriately, set compensation properly, and carry out the related functions of position management at the level of authority provided by the delegation.
- d. The on-campus expertise must be available to purchase properly the equipment, supplies, and other goods and services for the institution up to the benchmark level established by the Board of Governors for the institution pursuant to G.S. 116-31.10.
- e. The institution must maintain its financial records in such a manner that there are no significant findings in the annual financial audit reports, special reports, electronic data processing reports, performance reports, management letters, or any other report issued by the State Auditor's Office.
- f. Each Chancellor shall prepare a plan for the uses of appropriations carried forward from the previous fiscal year and anticipated lapsed salary funds for the current fiscal year, which should be submitted to the Office of the President by July 15 of each year.
- g. Chancellors may delegate the authority for approving departmental plans for expenditures authorized under budget flexibility, but may not delegate the authority below the level of the appropriate Vice Chancellor.
- h. The Chancellors shall review an annual internal audit report on expenditures authorized under budget flexibility.

2. Responsibilities of the President and the Board of Governors

The President is directed to establish the administrative procedures necessary to carry out the following rules:

- a. The President and the General Administration staff shall review the annual financial audit reports, special reports, electronic data processing reports, performance reports, management letters, or any other report issued by the State Auditor's Office for each special responsibility constituent institution.
- b. The President shall take immediate action regarding reported weaknesses in the internal control structure, deficiencies in the accounting records, and noncompliance with rules and regulations. In any instance where significant findings are identified, the President shall notify the Chancellor of the particular special responsibility constituent institution that the institution must make satisfactory progress in resolving the findings, as determined by the President of The University, after consultation with the State Auditor, within a three-month period commencing with the date of receipt of the published financial audit report, any other audit report, or management letter.
- c. If satisfactory progress is not made within a three-month period, the President shall recommend to the Board of Governors at its next meeting that the designation of the particular institution as a special responsibility constituent institution be terminated until such time as the exceptions are resolved to the satisfaction of the President of The University of North Carolina, after consultation with the State Auditor. However, once the designation as a special responsibility constituent institution has been withdrawn by the Board of Governors, reinstatement may not be effective until the beginning of the following fiscal year at the earliest.
- d. Any actions taken by the Board of Governors with respect to withdrawal or reinstatement of an institution's status as a special responsibility constituent institution shall be reported immediately to the Joint Legislative Education Oversight Committee.
- e. The President and the General Administration staff, after consultation with the State Auditor, shall review and consult with the Director of the Office of State Personnel and the Director of the Division of State Purchasing and Contracts in ascertaining whether or not a constituent institution has the management staff and internal financial controls to administer the additional authorities authorized under G.S. 116-30.2, 116-30.4, and 116-31.10. Such review and consultation must take place no less frequently than once each biennium.
- f. The President shall review plans submitted by the Chancellors for uses of funds carried forward from the previous fiscal year and anticipated lapsed salary funds and, upon approval, present a summary of these plans to the Board of Governors at its August meeting each year.

B. Budget Administration

1. Appropriations to Special Responsibility Constituent Institutions

- a. All General Fund appropriations made by the General Assembly for continuing operations of a special responsibility constituent institution of The University of North Carolina shall be made in the form of a single sum to each budget code of the institution for each year of the fiscal period for which the appropriations are being made.
- b. Notwithstanding G.S. 143-23(al), G.S. 143-23 (a2), G.S. 143-23(a3), and G.S. 120-76(8), each special responsibility constituent institution may expend the General Fund monies so appropriated to it in the manner deemed by the Chancellor to be calculated to maintain and advance the programs and services of the institutions, consistent with the directives and policies of the Board of Governors including but not limited to the following:
 1. A current institutional expenditure plan for each budget code must be established and maintained under the direction of the Chancellor.
 2. No action shall be taken that would materially change the capability of the institution to carry out its educational mission as defined by the Board of Governors. The Board of Governors will retain program responsibility. No actions taken should have the effect of either establishing a new academic, research, or public service program or closing such a program without the specific approval by the Board. Reallocation of academic program resources should not be made to the extent that a particular existing program is seriously weakened or effectively discontinued, or a new activity not expressly authorized by the Board of Governors is initiated.
 3. Reallocations of interinstitutional program resources should not be made to the extent that campus participation in a particular program is materially weakened without specific approval by the Board.
 4. No action should be taken which would have the effect of establishing a new community service or student financial aid program without specific approval by the Board of Governors.
 5. ~~For the 1998-99 and 1999-2000 fiscal years, a~~Appropriations providing support for Distance Education/Extension degree credit instruction at off-campus locations cannot be reallocated for other purposes without specific approval by the Board of Governors.
- c. The quarterly allotment procedure established pursuant to G.S. 143-17 shall apply to the General Fund appropriations made for the current operations of each special responsibility constituent institution.
- d. All General Fund monies so appropriated to each special responsibility constituent institution shall be recorded, reported, and audited in the same manner as are General Fund appropriations to other constituent institutions.

- e. The preparation, presentation, and review of General Fund budget requests of special responsibility constituent institutions shall be conducted in the same manner as are requests of other constituent institutions.

2. Reversions and Carry-Forwards of Appropriations

Of the General Fund current operations appropriations credit balance remaining in each budget code of a special responsibility constituent institution, at the close of a fiscal year, any amount of the General Fund appropriations for that budget code, may be carried forward by the institution to the next fiscal year and may be used for one-time expenditures that will not impose additional financial obligations on the State. However, the amount carried forward under this section shall not exceed two and one-half percent (2 1/2%) of the General Fund appropriation. The Director of the Budget, under the authority set forth in G.S. 143-25, shall establish the General Fund current operations credit balance remaining in each budget code of each institution. (Note advanced approval requirement in Sections A1.f. and A2.f. above.)

~~3. Designated Uses of Previously Required Reversions for 1999-2000~~

- ~~a. Previously required reversions shall be available to each special responsibility constituent institution, with the exception outlined in section b, below.~~
- ~~b. For fiscal year 1999-2000, the 16 campuses must reallocate \$1,300,000 of previously required reversions to initiatives funded in the expansion priorities (see Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets, June 29, 1999). [This use of reversions was incorporated into the Board's expansion budget allocations approved on July 21, 1999.]~~

C. Personnel Administration

The Chancellor of a special responsibility constituent institution, when he finds that to do so would help to maintain and advance the programs and services of the institution, may establish and abolish positions, acting in accordance with:

- (1) State Personnel policies and procedures if these positions are subject to the State Personnel Act and if the institution is operating under the terms of a Performance Agreement or a Decentralization Agreement authorized under Chapter 126 of the General Statutes; or
- (2) Policies and procedures of the Board of Governors if these positions are exempt from the State Personnel Act.

The results achieved by establishing and abolishing positions pursuant to the conditions set forth in subdivision (1) of this section shall be subject to postauditing by the Office of State Personnel.

With respect to personnel actions taken under subdivision (2) of this section, no action should have the effect of either establishing a new academic program or administrative unit or closing an existing academic or inter-institutional program or administrative unit. No action should be taken which permanently reduces the

number or amount of Regular Term budgeted teaching positions supported by General Fund appropriations thereby changing the student-faculty ratio or the budgeted average teaching salary established by the Board of Governors.

Implementation of all personnel actions shall be subject to the availability of funds within the institution's current budget to fund the full annualized costs of these actions.

D. Purchasing

Notwithstanding G.S. 143-53.1 or G.S. 143-53(a)(2), the expenditure benchmark for a special responsibility constituent institution with regard to competitive bid procedures and the bid value benchmark shall be an amount not greater than \$250,000. The Board shall set the benchmark for each institution from time to time. In setting an institution's benchmark, the Board shall consider the institution's overall capabilities including staff resources, purchasing compliance reviews, and audit reports. The Board shall also consult with the Director of the Division of Purchase and Contract and the Director of the Budget prior to setting the benchmark.

E. Impact on Education

Each special responsibility constituent institution shall include in its institutional effectiveness plan those assessment measures that are determined by the Board to be measures that will assure some standard measure of student learning and development in general undergraduate education. The intent of this requirement is to measure the impact of G.S. 116-30.1 through G.S. 116-30.5, establishing and administering special responsibility constituent institutions, and their implementation on undergraduate student learning and development. The measures shall be taken from monthly accountability reports to the Board and any other performance measures developed for this purpose by the Board.

F. Reporting Requirements

1. Monthly Report

Each designated institution must prepare a monthly operating report for each budget code in the format of the current BD-701 report. The "Authorized Budget" included in this report, which may be changed under the direction of the Chancellor, will show the institution's current expenditure plan. The current Chart of Accounts will be used for reporting purposes.

2. Fiscal Year Plan

Each Chancellor of a special responsibility constituent institution must prepare a fiscal year plan, due to the President by July 15, as follows:

- a. An annual plan specifying programmatic, and major expenditure classification detail, for expending funds carried forward from the previous fiscal year as allowed under G.S. 116-30.3.
- b. An annual plan for expending anticipated lapsed salary funds for the fiscal year. This portion of the plan would be a projection of the amount of lapsed salaries and the programmatic priorities for expending the estimated funds.

Note: For FY 2000-01, the plans prepared by the Chancellors would be submitted to the President by August 31, 2000.

23. Annual Report

An annual report, and other reports as may be directed by the President, are required from each special responsibility constituent institution. The annual report must be submitted to the Office of the President by October 10 following fiscal year end, and shall include the following information:

- a. an annual operating report in the same format as the monthly report described above
- b. the impact on undergraduate student learning and development as demonstrated by the standard assessment measures related to this topic
- c. fiscal savings
- d. management initiatives undertaken
- e. increased efficiency and effectiveness achieved, including institutional purchases under the expenditure benchmark established by the Board of Governors for the institution
- f. other outcomes made possible by the flexibility provided
- g. documentation of any reallocation of resources which distinguishes between one-time and permanent transfers, including the actual uses of funds reallocated during the fiscal year as a result of lapsed salaries
- h. the actual uses of appropriations carried forward from the previous fiscal year
- i. any additional costs incurred
- j. a schedule of positions established and positions abolished
- k. list of positions that were vacant for more than 9 months during the fiscal year and an explanation for the length of the vacancy
- l. compliance certification letter to the President from each SRCI Chancellor

Note: For fiscal year 1999-2000, the report must be submitted to the Office of the President no later than October 27, 2000.

Each institution must establish the administrative procedures necessary to accumulate this information for reporting purposes.

approved by the
Board of Governors
8/11/2000

**Selection Criteria and Operating Guidelines for
Special Responsibility Constituent Institutions**

A. Achieving and Retaining Status as a Special Responsibility Constituent Institution

Management Staffing Standards and Internal Controls and Safeguards

1. Responsibilities of Special Responsibility Constituent Institutions

The following standards and safeguards must be met and maintained in order to receive and retain the designation as a special responsibility constituent institution.

- a. The Chancellor must assume personal responsibility and also establish the appropriate administrative and internal control procedures for carrying out the special delegations of authority. In this regard, the Chancellor must certify that the administrative capability on campus in the areas of budgeting and accounting, personnel, and purchasing, as noted in b., c., and d. below, are sufficient to carry out the increased flexibility being granted.
- b. The capability of the staff and the system of budgeting, accounting and internal controls must be sufficient to administer the increased budget flexibility given to the designated institutions.
- c. The personnel capacity, which must be exercised under the direction of appropriate administrative officials, must be available on campus to evaluate jobs, classify positions appropriately, set compensation properly, and carry out the related functions of position management at the level of authority provided by the delegation.
- d. The on-campus expertise must be available to purchase properly the equipment, supplies, and other goods and services for the institution up to the benchmark level established by the Board of Governors for the institution pursuant to G.S. 116-31.10.
- e. The institution must maintain its financial records in such a manner that there are no significant findings in the annual financial audit reports, special reports, electronic data processing reports, performance reports, management letters, or any other report issued by the State Auditor's Office.
- f. Each Chancellor shall prepare a plan for the uses of appropriations carried forward from the previous fiscal year and anticipated lapsed salary funds for the current fiscal year, which should be submitted to the Office of the President by July 15 of each year.
- g. Chancellors may delegate the authority for approving departmental plans for expenditures authorized under budget flexibility, but may not delegate the authority below the level of the appropriate Vice Chancellor.
- h. The Chancellors shall review an annual internal audit report on expenditures authorized under budget flexibility.

2. Responsibilities of the President and the Board of Governors

The President is directed to establish the administrative procedures necessary to carry out the following rules:

- a. The President and the General Administration staff shall review the annual financial audit reports, special reports, electronic data processing reports, performance reports, management letters, or any other report issued by the State Auditor's Office for each special responsibility constituent institution.
- b. The President shall take immediate action regarding reported weaknesses in the internal control structure, deficiencies in the accounting records, and noncompliance with rules and regulations. In any instance where significant findings are identified, the President shall notify the Chancellor of the particular special responsibility constituent institution that the institution must make satisfactory progress in resolving the findings, as determined by the President of The University, after consultation with the State Auditor, within a three-month period commencing with the date of receipt of the published financial audit report, any other audit report, or management letter.
- c. If satisfactory progress is not made within a three-month period, the President shall recommend to the Board of Governors at its next meeting that the designation of the particular institution as a special responsibility constituent institution be terminated until such time as the exceptions are resolved to the satisfaction of the President of The University of North Carolina, after consultation with the State Auditor. However, once the designation as a special responsibility constituent institution has been withdrawn by the Board of Governors, reinstatement may not be effective until the beginning of the following fiscal year at the earliest.
- d. Any actions taken by the Board of Governors with respect to withdrawal or reinstatement of an institution's status as a special responsibility constituent institution shall be reported immediately to the Joint Legislative Education Oversight Committee.
- e. The President and the General Administration staff, after consultation with the State Auditor, shall review and consult with the Director of the Office of State Personnel and the Director of the Division of State Purchasing and Contracts in ascertaining whether or not a constituent institution has the management staff and internal financial controls to administer the additional authorities authorized under G.S. 116-30.2, 116-30.4, and 116-31.10. Such review and consultation must take place no less frequently than once each biennium.
- f. The President shall review plans submitted by the Chancellors for uses of funds carried forward from the previous fiscal year and anticipated lapsed salary funds and, upon approval, present a summary of these plans to the Board of Governors at its August meeting each year.

B. Budget Administration

1. Appropriations to Special Responsibility Constituent Institutions

- a. All General Fund appropriations made by the General Assembly for continuing operations of a special responsibility constituent institution of The University of North Carolina shall be made in the form of a single sum to each budget code of the institution for each year of the fiscal period for which the appropriations are being made.
- b. Notwithstanding G.S. 143-23(a1), G.S. 143-23 (a2), G.S. 143-23(a3), and G.S. 120-76(8), each special responsibility constituent institution may expend the General Fund monies so appropriated to it in the manner deemed by the Chancellor to be calculated to maintain and advance the programs and services of the institutions, consistent with the directives and policies of the Board of Governors including but not limited to the following:
 1. A current institutional expenditure plan for each budget code must be established and maintained under the direction of the Chancellor.
 2. No action shall be taken that would materially change the capability of the institution to carry out its educational mission as defined by the Board of Governors. The Board of Governors will retain program responsibility. No actions taken should have the effect of either establishing a new academic, research, or public service program or closing such a program without the specific approval by the Board. Reallocation of academic program resources should not be made to the extent that a particular existing program is seriously weakened or effectively discontinued, or a new activity not expressly authorized by the Board of Governors is initiated.
 3. Reallocations of interinstitutional program resources should not be made to the extent that campus participation in a particular program is materially weakened without specific approval by the Board.
 4. No action should be taken which would have the effect of establishing a new community service or student financial aid program without specific approval by the Board of Governors.
 5. Appropriations providing support for Distance Education/Extension degree credit instruction at off-campus locations cannot be reallocated for other purposes without specific approval by the Board of Governors.
- c. The quarterly allotment procedure established pursuant to G.S. 143-17 shall apply to the General Fund appropriations made for the current operations of each special responsibility constituent institution.
- d. All General Fund monies so appropriated to each special responsibility constituent institution shall be recorded, reported, and audited in the same manner as are General Fund appropriations to other constituent institutions.
- e. The preparation, presentation, and review of General Fund budget requests of special responsibility constituent institutions shall be conducted in the same manner as are requests of other constituent institutions.

2. Reversions and Carry-Forwards of Appropriations

Of the General Fund current operations appropriations credit balance remaining in each budget code of a special responsibility constituent institution, at the close of a fiscal year, any amount of the General Fund appropriations for that budget code, may be carried forward by the institution to the next fiscal year and may be used for one-time expenditures that will not impose additional financial obligations on the State. However, the amount carried forward under this section shall not exceed two and one-half percent (2 1/2%) of the General Fund appropriation. The Director of the Budget, under the authority set forth in G.S. 143-25, shall establish the General Fund current operations credit balance remaining in each budget code of each institution. *(Note advanced approval requirement in Sections A1.f. and A2.f. above.)*

C. Personnel Administration

The Chancellor of a special responsibility constituent institution, when he finds that to do so would help to maintain and advance the programs and services of the institution, may establish and abolish positions, acting in accordance with:

- (1) State Personnel policies and procedures if these positions are subject to the State Personnel Act and if the institution is operating under the terms of a Performance Agreement or a Decentralization Agreement authorized under Chapter 126 of the General Statutes; or
- (2) Policies and procedures of the Board of Governors if these positions are exempt from the State Personnel Act.

The results achieved by establishing and abolishing positions pursuant to the conditions set forth in subdivision (1) of this section shall be subject to postauditing by the Office of State Personnel.

With respect to personnel actions taken under subdivision (2) of this section, no action should have the effect of either establishing a new academic program or administrative unit or closing an existing academic or inter-institutional program or administrative unit. No action should be taken which permanently reduces the number or amount of Regular Term budgeted teaching positions supported by General Fund appropriations thereby changing the student-faculty ratio or the budgeted average teaching salary established by the Board of Governors.

Implementation of all personnel actions shall be subject to the availability of funds within the institution's current budget to fund the full annualized costs of these actions.

D. Purchasing

Notwithstanding G.S. 143-53.1 or G.S. 143-53(a)(2), the expenditure benchmark for a special responsibility constituent institution with regard to competitive bid procedures and the bid value benchmark shall be an amount not greater than \$250,000. The Board shall set the benchmark for each institution from time to time. In setting an institution's benchmark, the Board shall consider the institution's overall capabilities including staff resources, purchasing compliance reviews, and audit reports. The Board shall also consult with the Director of the

Division of Purchase and Contract and the Director of the Budget prior to setting the benchmark.

E. Impact on Education

Each special responsibility constituent institution shall include in its institutional effectiveness plan those assessment measures that are determined by the Board to be measures that will assure some standard measure of student learning and development in general undergraduate education. The intent of this requirement is to measure the impact of G.S. 116-30.1 through G.S. 116-30.5, establishing and administering special responsibility constituent institutions, and their implementation on undergraduate student learning and development. The measures shall be taken from monthly accountability reports to the Board and any other performance measures developed for this purpose by the Board.

F. Reporting Requirements

1. Monthly Report

Each designated institution must prepare a monthly operating report for each budget code in the format of the current BD-701 report. The "Authorized Budget" included in this report, which may be changed under the direction of the Chancellor, will show the institution's current expenditure plan. The current Chart of Accounts will be used for reporting purposes.

2. Fiscal Year Plan

Each Chancellor of a special responsibility constituent institution must prepare a fiscal year plan, due to the President by July 15, as follows:

- a. An annual plan specifying programmatic, and major expenditure classification detail, for expending funds carried forward from the previous fiscal year as allowed under G.S. 116-30.3.
- b. An annual plan for expending anticipated lapsed salary funds for the fiscal year. This portion of the plan would be a projection of the amount of lapsed salaries and the programmatic priorities for expending the estimated funds.

Note: For FY 2000-01, the plans prepared by the Chancellors would be submitted to the President by August 31, 2000.

3. Annual Report

An annual report, and other reports as may be directed by the President, are required from each special responsibility constituent institution. The annual report must be submitted to the Office of the President by October 10 following fiscal year end, and shall include the following information:

- a. an annual operating report in the same format as the monthly report described above
- b. the impact on undergraduate student learning and development as demonstrated by the standard assessment measures related to this topic
- c. fiscal savings
- d. management initiatives undertaken
- e. increased efficiency and effectiveness achieved, including institutional purchases under the expenditure benchmark established by the Board of Governors for the institution

- f. other outcomes made possible by the flexibility provided
- g. documentation of any reallocation of resources which distinguishes between one-time and permanent transfers, including the actual uses of funds reallocated during the fiscal year as a result of lapsed salaries
- h. the actual uses of appropriations carried forward from the previous fiscal year
- i. any additional costs incurred
- j. a schedule of positions established and positions abolished
- k. list of positions that were vacant for more than 9 months during the fiscal year and an explanation for the length of the vacancy
- l. compliance certification letter to the President from each SRCI Chancellor

Note: For fiscal year 1999-2000, the report must be submitted to the Office of the President no later than October 27, 2000.

Each institution must establish the administrative procedures necessary to accumulate this information for reporting purposes.

*approved by the
Board of Governors
8/11/2000*

Institution

**1999-2000 Annual Report of Results
UNC Management Flexibility
covering the period of July 1, 1999 through June 30, 2000**

Please follow the format outlined in preparing the formal response and respond fully to each of the following sections in the order indicated. Those campuses with more than one General Fund budget code are asked to prepare a separate report for each code.

a. Annual Operating Report

The year-end 1999-2000 expenditure report (BD-701) will serve this purpose; no separate submission is required.

b. Impact on Education

The reports on institutional assessment and the specific measures which have been developed to assure a standard measure of student learning and development in general undergraduate education will meet this reporting requirement. The Impact on Education will be a part of the 1999-2000 assessment report. No submission is required at this time.

c. Fiscal Savings

Please report all fiscal savings that have resulted from flexibility during 1999-2000.

- Please distinguish between one-time and permanent savings. For example, if funds were spent on energy savings devices that result in annual utilities cost savings, these would be reported as permanent savings since the annual benefit would continue to be realized. If, for example, the opportune purchase of a microscope resulted in a one-time savings of "x" dollars, this would be reported accordingly.
- It is recognized that one-time savings, as well as certain permanent savings, will be reallocated to high priorities of the institution during the fiscal year and not available after the end of the fiscal year for other expenditures or budget reductions.
- Please provide separate totals of one-time and permanent savings in the format indicated below.
- In addition to the tabular presentation suggested, a listing may also be used to identify savings that cannot be readily quantified.
- Do not report lapsed salaries as fiscal savings.

Please use the following format for reporting fiscal savings.

Fiscal Savings

*(Prepare a **separate** listing for one-time and permanent savings)*

**Brief Description
of Savings**

**Amount of
Savings**

d. Management Initiatives

Identify major management initiatives undertaken in 1999-2000 and the amounts reallocated to accomplish these initiatives.

It is noted from a review of previous institutional reports that most management initiatives can be grouped into major categories as follows:

1. Strengthening undergraduate instruction and improving graduation rates.
2. Strengthening graduate instruction and research.
3. Expanding library collections and improving library services.
4. Upgrading classrooms and laboratories, including replacing and updating related equipment.
5. Enhancing physical facilities (other than classrooms and laboratories) and their operations.
6. Expanding computing, information resources, and telecommunications capabilities (include developing a distance learning capability)
7. Strengthening student support services.
8. Improving administrative services infrastructure.
9. Enhancing student financial aid programs.
10. Strengthening targeted program areas (identify).
11. Other (identify)

To the extent that major management initiatives undertaken on your campus during 1999-2000 clearly fall within these categories, please use them. Identify and use additional categories to the extent they are needed. It is noted that the suggested categories are not mutually exclusive since the same reallocation could be associated with more than one category of initiatives. However, each campus is asked to relate reallocations to the **principal objective of the initiatives undertaken** (rather than to the budget coding purpose).

Prepare a schedule (example enclosed) that relates the management initiatives and reallocations of resources described in **g. Documentation of Reallocation of Resources**. Also include a listing of the major actions (indicating whether one-time or permanent) taken to accomplish management initiatives during 1999-2000; these actions should be listed under each initiative as shown on the example enclosed. **Please note that dollar amounts reallocated should now be identified by initiative for all reallocations.**

e. Increased Efficiency and Effectiveness Achieved

Please identify increased efficiency and effectiveness achieved as a result of flexibility during 1999-2000. **Each campus is expected to identify a minimum of six areas, followed by specific actions taken and results achieved for each one identified.**

- First, identify each specific area that was addressed and then list the actions taken and the results achieved. For example, "Improvements in Budget Administration," "Improvements in Purchasing Administration," and "Enhancement of Personnel Administration" would be the level of identification desired.
- Each area would be followed by a list of actions taken and efficiencies achieved.
- Quantify and report any related fiscal savings under Section c. above.

Since the flexibility legislation gives specific additional authority in the areas of Purchasing, please provide the number and total amount of purchase orders issued on campus from all funding sources that would have been processed through the Division of Purchase and Contract before flexibility was granted.

	Number	Total Amount
Number of purchase orders issued on campus between the old benchmark of \$10,000 and the revised benchmark of \$_____ * during the period July 1, 1999 and June 30, 2000 (All sources — appropriated and non-appropriated funds)	_____	_____
Total 1999-2000 Purchases under SRCI Delegation	_____	_____

* Insert the authorized benchmark for your institution.

f. Other Outcomes

Please list any other outcomes made possible by management flexibility during 1999-2000.

g. Documentation of Reallocation of Resources

Report on a **gross** basis all budget transfers which were authorized by the institution during the 1999-2000 fiscal year and which previously required the approval of the Office of State Budget, Planning and Management. Individual budget transfers should not be reported.

Do not include the following transactions as reallocations of resources:

- "Repeat" budget revisions originally made in 1998-99 and continued in 1999-2000 that were previously reported in 1998-99 operating results.
- Distribution of the "Reserve - Budget Flexibility" representing appropriations carried forward from 1998-99 and distributed and/or spent in 1999-2000.
- Transfers among 2000 - 5000 accounts within the same budget purpose since all institutions previously had the authority to make such transfers (Type 14).
- Distributions of operating reserves for new facilities.
- Transfers between EPA Academic Salaries (1310) and Academic Services (1970).

1. One-Time Reallocations

a. Reallocation of Lapsed Salaries

Lapsed salaries are defined as funds reallocated, on a one-time basis, from objects 1110, 1210, 1310, and related benefits (18XX). Transfers between objects 1310 and 1970 are not considered to be a use of lapsed salary funds.

For part a., report at the object class (X000) with the addition of 1110 EPA Regular Salaries, 1120 EPA Overtime Payments, 1210 SPA Regular Salaries, 1220 SPA Overtime Payments, 1310 EPA Academic Salaries, 1400 Temporary Employee Wages, 1800 Staff Benefits, 1900 Contracted Services (excluding 1970), 3300 Utilities, and 5600 Library Books and Journals:

- 1110 EPA Regular Salaries
- 1120 EPA Overtime Payments
- 1210 SPA Regular Salaries
- 1220 SPA Overtime Payments
- 1310 EPA Academic Salaries
- 1400 Temporary Employee Wages
- 1800 Staff Benefits
- 1900 Contracted Services (excluding 1970)
- 1000 Personnel Compensation (not captured above)
- 2000 Supplies and Materials
- 3000 Current Services (all except 3300)
- 3300 Utilities
- 4000 Fixed Charges
- 5000 Capital Outlay (all except 5600)
- 5600 Library Books and Journals
- 6000 Aids and Grants
- 8000 Reserves and Transfers

b. Other One-Time Reallocations

For one-time reallocations from sources other than lapsed salaries and related benefits, the general instructions described above will apply.

Summarize both sections a. and b. to arrive at total one-time reallocations.

2. Permanent Reallocations

Please report at the object class outlined in 1.a above.

h. Availability and Use of Nonreverted Appropriations

1998-99 Appropriations Carried Forward – Each institution has previously reported the amount of appropriations carried forward from the 1998-99 fiscal year and the **planned** 1999-2000 expenditures. At this time, a final schedule of **actual** expenditures at the object class with the addition of 1310 EPA Academic Salaries, 3300 Utilities, and 5600 Library

Books and Journals, as identified in **g.** above, should be prepared. The schedule should begin with Purpose 101 Regular Term Instruction and continue through the other budget purposes as applicable, showing a subtotal at the end of each budget purpose. **At the end of the schedule, please prepare a summary by expenditure objects at the same level of detail.** In cases where funds have been transferred to a Capital Improvements code, indicate the project, the code, and the item number. *Note: The 8000 account should only be used for capital improvements, except in extraordinary circumstances. For any non-capital improvements-related 8000 account, please provide a detailed explanation of the item.*

i. Additional Costs Incurred

List any additional costs that have been incurred during 1999-2000 as a result of flexibility and indicate how these costs were met.

j. Positions Established and Positions Abolished

Please summarize permanent position changes made under flexibility during the 1999-2000 fiscal year and provide the following information in the suggested format (see example **j.**):

- Position classification (if SPA) or title (if EPA)
- Identification of the program area where the position change was made
- FTE
- Budget purpose/object
- Position number
- Annual salary

Please include only budget transfers that involve permanent FTE changes of .5 or greater. This will eliminate the reporting of minor position changes related to providing funds for increasing the level of existing positions as a result of reclassifications, new hires at salary levels above the currently budgeted levels, minor changes in the time periods covered by part-time positions, and similar minor adjustments.

Do not include positions set up as a part of activating operating reserves to new facilities or other special purpose reserves.

k. Positions Vacant for More than Nine Months

List positions which have been vacant for more than nine (9) months of the fiscal year. A position that was occupied by a temporary employee, graduate assistant, etc. is not considered to be vacant if any of the funds were expended for the same purpose and from the same budget line as originally budgeted. *(Note that such a position would, however, generate lapsed salary funds to the extent the original budget was unexpended and reallocated to another budget line.)*

Provide the following information in the suggested format (see Example **k.**) for each vacant position:

- Position classification (if SPA) or title (if EPA)
- Identification of the program area
- Budget purpose/object
- Date position was vacated
- Date (if any) position was filled
(Note: Please provide this date if the position was filled after the end of the reporting fiscal year if this date is known)
- Annual salary
- Explanation of why position has been vacant for an extended period of time (include plan for filling position, if known) – use additional sheets for explanation if needed.

1. Adequate Internal Financial Controls and Management Staff.

Complete the attached example of the "Compliance Certification Letter." This certification has been designed to demonstrate that each institution has adequate internal financial controls and management staff as required by the Special Responsibility Constituent Institution legislation (G.S. 116-30.1). A detailed explanation should be attached to this certification to explain any items with which the university was not able to comply. Please do not list audit findings as exceptions.

Chancellor

Date Submitted

Special Note: If you wish, this memorandum and/or attachments can be sent via e-mail so that the forms are available electronically for your reporting purposes. Please contact Mrs. Karen Russell at 919-962-4606.

EXAMPLE

XYZ University
Institution

d. Management Initiatives
1999-2000 Annual Report

	One-Time Reallocations	Permanent Reallocations
1. Strengthening undergraduate instruction and improving graduation rates	\$ 75,000	\$ 71,000
• Faculty development – additional workshops (one-time)	25,000	
• Renovation of an undergraduate chemistry laboratory (one-time)	50,000	
• Additional graduate assistants (permanent)		21,000
• Additional undergraduate laboratory supplies (permanent)		50,000
2. Expanding library collections and improving library services	200,000	
• Acquisition of library books and journals (one-time)	150,000	
• Install additional computer terminals in circulation area (one-time)	50,000	
3. Upgrading classrooms and laboratories including replacing and updating related equipment	100,000	
• Acquisition of laboratory equipment (one-time)		
4. Improving administrative services infrastructure		43,000
• Additional secretarial positions for College of Arts and Sciences (permanent)		
5. Strengthening student support services		50,000
• Additional interpreters for hearing and visually impaired (permanent)		10,000
• Expand operating hours of the Counseling office (permanent)		40,000
Total Reallocations	375,000	164,000

XYZ University
Institution

g. Documentation of Reallocation of Resources
1999-2000 Annual Report

1. One-time Reallocations

a. Reallocation of Lapsed Salaries

		Increase	Decrease
<u>Regular Term Instruction</u>			
101-1000	Personnel Compensation		
101-1110	EPA Regular Salaries		\$50,000
101-1210	SPA Regular Salaries		60,000
101-1220	SPA Overtime Payments		15,000
101-1310	EPA Academic Salaries		75,000
101-14XX	Temporary Wages	\$10,000	
101-18XX	Related Benefits		50,000
101-19XX	Contractual Services	40,000	
	Total - Personnel	50,000	250,000
101-3000	Current Services	25,000	
	Total - Non-Personnel	25,000	-
	Total - 101	75,000	
<u>Libraries</u>			
151-5000	Capital Outlay	50,000	
151-5600	Library Books and Journals	100,000	
	Total - 151	150,000	-
<u>General Instruction Support</u>			
189-2000	Supplies and Materials	5,000	
189-3000	Current Services	10,000	
189-5000	Capital Outlay	10,000	
	Total - 189	25,000	-
	Total Reallocation of Lapsed Salaries	250,000	250,000

XYZ University
Institution

g. Documentation of Reallocation of Resources
1999-2000 Annual Report

1. One-time Reallocations

b. Other One-Time Reallocations

		Increase		Decrease
<u>Regular Term Instruction</u>				
101-3000	Current Services			\$ 20,000
	Total - Non-Personnel	-		20,000
	Total - 101	-		20,000
 <u>Libraries</u>				
151-5000	Capital Outlay			10,000
151-5600	Library Books and Journals	\$ 80,000		
	Total - 151	80,000		10,000
 <u>General Instruction Support</u>				
189-2000	Supplies and Materials			30,000
189-3000	Current Services			65,000
189-5000	Capital Outlay	45,000		
	Total - 189	45,000		95,000
	Total Other One-Time Reallocations	125,000		125,000
	TOTAL One-Time Reallocations	375,000		375,000

* Totals should agree to corresponding Management Initiatives amount reported in section d.

XYZ University
Institution

g. Documentation of Reallocation of Resources
1999-2000 Annual Report

2. Permanent Reallocations

		Increase	Decrease
<u>Regular Term Instruction</u>			
101-1210	SPA Regular Salaries	\$ 69,000	
101-1800	Staff Benefits	20,000	
	Total - Personnel	89,000	
101-2000	Supplies and Materials	25,000	
101-5000	Capital Outlay		\$ 89,000
	Total - Non-Personnel	25,000	89,000
	Total - 101	114,000	89,000
<u>General Institutional Support</u>			
189-1210	SPA Regular Salaries	40,000	
189-1810	Staff Benefits	10,000	
	Total - Personnel	50,000	-
189-5000	Capital Outlay		75,000
	Total - Non-Personnel	-	75,000
	Total - 189	50,000	75,000
	Total Permanent Reallocations *	164,000	164,000

* Totals should agree to corresponding Management Initiatives amount reported in section d.

XYZ University
Institution

j. Positions Established and Positions Abolished
1999-2000

Title/Classification	Program Area	FTE	Purpose/ Object	Position Number	Annual Salary
EPA Positions Established					
Extension Specialist	Extension Short Courses	1.00	107-1110	007409	48,000
Librarian	Library – Library Collections	1.00	151-1110	007403	40,561
Client Services Librarian	Library – Networked Resources	1.00	151-1110	007503	39,268
University Counsel	Office of Legal Affairs	1.00	187-1110	007365	60,600
Total		4.00			
EPA Positions Abolished					
Assistant Director	Institutional Advancement	1.00	188-1110	002723	35,000*
Net Change – EPA Positions		3.00			
SPA Positions Established					
Office Assistant IV	Physics Department	1.00	101-1210	050031	19,119
Computing Consultant I	College of Management	0.50	101-1210	042515	12,793
Applications Programmer	College of Management	0.50	101-1210	042518	17,168
Processing Assistant III	Outreach, Extension & Continuing Studies	0.50	107-1210	050093	8,639
University Safety Technician	Business Division – Office of Public Safety	1.00	188-1210	050067	18,500
Processing Assistant III	Student Affairs Division – Financial Aid Office	0.50	187-1210	046112	8,228
Application Analyst Programmer II	Administrative Computing Services	1.00	188-1210	050039	36,201
Facilities Planner I	University Architect & Planning	1.00	188-1210	044783	39,954
Security Guard	Finance & Business – Public Safety	1.00	188-1210	050085	15,235
Total		7.00			
SPA Positions Abolished					
Personnel Assistant III	Finance & Business – Personnel Office	1.00	188-1210	043274	17,280
Building Systems Engineer II	Physical Plant – Facilities Operations Division	1.00	188-1210	044783	39,954
Total		2.00			
Net Change – SPA Positions		5.00			
Total Net Changes		8.00			

Note: Annual salary amounts should be reported in all cases.

XYZ University

k. List of Positions Vacant for more than 9 months

<u>Title/Classification</u>	<u>Program Area</u>	<u>Purpose/ Object</u>	<u>Date Vacated</u>	<u>Date Filled</u>	<u>Annual Salary</u>	<u>Explanation</u>
<u>EPA Positions</u> Director, U/G Academic Services University Design Instructor	College of Arts & Sciences Design & Construction	101-1110 188-1110	Mar-99 Feb-99	Jan-00	\$35,000 32,000	Still in committee (search extended) Poor applicant pool
<u>SPA Positions</u> Police Officer II	University Police Department	188-1210	Nov-99		34,889	Have not been able to attract qualified applicant

*I. Sample Compliance Certification Letter
From Each Chancellor of a SRCI to the President*
PREPARE ON UNIVERSITY LETTERHEAD
(Date)

President Molly Corbett Broad
UNC-General Administration
P. O. Box 2688
Chapel Hill, North Carolina 27515-2688

Dear President Broad:

In accordance with the "Special Responsibility Constituent Institution" internal financial control and management staff requirements outlined in G. S. 116-30.1, as amended by the General Assembly in 1996, and the February 11, 1997 memorandum from Vice President of Finance McCoy, I confirm to the best of my knowledge and belief that "*University Name*" is in compliance with the following (any exceptions must be identified and explained in an accompanying statement):

1. All statewide policies and procedures promulgated by the North Carolina Office of the State Controller (i.e. financial reporting guidance, accounting guidance, tax compliance and cash management).
2. All policies and procedures promulgated by the University Board of Governors and the memorandums from UNC-General Administration.
3. All applicable sections of official state policy and procedure manuals (i.e., State Budget Manual, State Personnel Manual, State Purchasing Manual, State Construction Manual, etc.).
4. All guidelines established for financial aid and various contracts and grants (i.e., state and federal).
5. "*University Name*" has at least one position that is designated 50% internal auditor and that position reports to the Chancellor or the Chancellor's designee.
6. The June 30 Internal Control Questionnaire, issued by the North Carolina Office of the State Controller, has been completed by the institution's internal auditor and any identified weaknesses have been satisfactorily resolved.
7. The Board of Trustees has an audit committee comprised only of trustees.
8. The Chancellor attended all exit conferences conducted by the North Carolina Office of the State Auditor.
9. All areas of concern identified by the Office of State Personnel have been satisfactorily resolved.
10. All areas of concern identified by the Division of Purchase and Contract have been satisfactorily resolved.
11. The audit plan of the institution's internal auditor included on-going monitoring of any previous year audit findings identified by the North Carolina Office of the State Auditor and some level of testing of institutional compliance with applicable policies and procedures.
12. All weaknesses outlined in reports issued by the institution's internal auditor have been or are in the process of being resolved to the satisfaction of the internal auditor and management.

(Chancellor's Name)

The University of North Carolina

GENERAL ADMINISTRATION

POST OFFICE BOX 2688, CHAPEL HILL, NC 27515-2688

WILLIAM O. McCOY, *Vice President - Finance*

Telephone 919 962-1591

FAX: 919 962-0008

MEMORANDUM

To: Chancellors

From: William O. McCoy

Date: February 11, 1997

Subject: Compliance with Amended General Statute 116-30.1

General Statute 116-30.1 "Special Responsibility Constituent Institutions" (SRCI's) was amended during the 1996 legislative short session. A major thrust of the amended legislation is aimed at rescinding budget flexibility if certain levels of financial integrity are not maintained (see attached legislation). The amended General Statute contains two parts.

The first part involves significant exceptions and audit findings that are discovered during the State Auditor's audit process. The amendment states that an audit can be the regular financial audit, a special audit or a performance audit. The President is addressing his statutory budget flexibility evaluation requirements for these reports as the audits occur and are published by the State Auditor.

The second part of the amendment, which is the focus of this memorandum, reads as follows:

"The rules established under this section shall include review and consultation with the State Auditor, the Director of the Office of State Personnel, and the Director of the Division of State Purchasing and Contracts in ascertaining whether or not a constituent institution has the management staff and internal financial controls to administer the additional authorities authorized under G.S. 116-30.2, 116-30.4 and 143-53.1. Such review and consultation must take place no less frequently than once each biennium."

This memorandum outlines our policies and procedures with regard to assessing institutional internal financial controls and management staff. These policies and procedures are designed to provide the President with sufficient information with which to comply with the amended general statute and to be the basis for our consultations with the State Auditor, the Director of the Division of State Purchasing and Contracts and the State Personnel Director.



Appalachian State
University

East Carolina
University

Elizabeth City
State University

Fayetteville State
University

North Carolina
Agricultural and
Technical State
University

North Carolina
Central University

North Carolina
of
State

North Carolina
State University
at Raleigh

Pembroke State
University

University of
North Carolina
at Asheville

University of
North Carolina
at Chapel Hill

University of
North Carolina
at Charlotte

University of
North Carolina
at Greensboro

University of
North Carolina
at Wilmington

Western Carolina
University

Winston-Salem
State University

Memo to: Chancellors
February 11, 1997
Page 2

Internal control is a process designed to provide reasonable assurance regarding the achievement of various objectives. These objectives include (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations. In order for the SRCI's to comply with these internal control objectives, we are asking that you verify that your institution is in compliance with all applicable policies and procedures. Examples of these policies and procedures include, but are not limited to, the following:

- (1) All applicable statewide policies and procedures issued by the Office of the State Controller. Most of these policies and procedures are contained within the "North Carolina Accounting System Information Guide". These policies and procedures cover such topics as financial reporting guidance, accounting guidance, tax compliance and cash management.
- (2) All policies and procedures issued by the University Board of Governors and contained within "The Administrative Manual of the University of North Carolina". This would also include all policies and procedures issued through Memorandum.
- (3) Annual completion or updating, by June 30, of the Internal Control Questionnaire issued by the Office of the State Controller. The questionnaire should be completed by the institution's internal auditor. This questionnaire is the starting point for the State Auditor's evaluation of internal controls.
- (4) All applicable sections of official state policy and procedure manuals (i.e. State Budget Manual, State Personnel Manual, State Purchasing Manual, State Construction Manual etc.).
- (5) All guidelines established for financial aid and various contracts and grants (i.e. state or federal).

In addition to complying with the above published policies and procedures, I am requesting that your institution comply with the following policies:

- (1) Each institution is required to have a least one position that is designated 50% internal auditor. The internal auditor should report either to the Chancellor or to the Chancellor's designee. This policy has already been communicated to you by a July 16, 1996 memorandum from me.
- (2) The Board of Trustees should form an audit committee comprised only of trustees.

Memo to: Chancellors
February 11, 1997
Page 3

- (3) It is expected that the Chancellor will be present at each exit conference conducted by the Office of the State Auditor. It is recommended that a member of the audit committee be invited to attend the exit conference.
- (4) The audit plan for your internal auditor shall include an on going monitoring of any previous year audit findings identified by the state auditor's staff. In addition, the internal auditor should perform some level of testing of institutional compliance with the above outlined policies and procedures during each fiscal year.

To help in ensuring we maintain the needed internal controls, processes and management staff, we plan the following:

- (1) We will ask each Chancellor to certify that they are satisfied that their institution is in compliance with the above outlined policies and procedures. The certification will be due to me in October of each year and should cover the preceding fiscal year.
- (2) My staff will make regular campus visits to assist in the resolution of any identified internal control weaknesses and to review the compliance test work being performed by the institution's internal auditor.
- (3) Representatives from General Administration and the Office of State Personnel will meet on an annual basis, beginning in October 1997, to discuss the status of SPA personnel administration at each constituent institution. The primary focus of these meetings will be to identify and resolve outstanding issues to ensure the effective operations of personnel functions within the University.

Using the Chancellor's certification outlined above, the results of the internal auditor's reviews and the results of any reports issued by the Office of the State Auditor and the Office of State Personnel, The President, in consultation with the State Auditor, the Director of the Division of State Purchasing and Contracts, and the State Personnel Director, will ascertain whether or not a constituent institution has the management staff and internal financial controls to administer as authorized under G.S. 116-30.2, 116-30.4 and 143-53.1.

If for any reason your institution can not comply with any aspect of the above outlined policies and procedures, please write to me outlining the reason. By following these policies and procedures, the president will be able to satisfactorily complete his assessment of internal financial controls and management staff.

Thank you for your cooperation and assistance in this matter.



Chapter 18 of the 1995 Session Laws
(House Bill 53)

Requested by: Representatives Holmes, Creech, Esposito, Senators Plyler, Perdue,
Odom
CHANGES IN THE EXECUTION OF THE BUDGET

Sec. 7.4.

(i) G.S. 116-30.2 reads as rewritten:

"§ 116-30.2. Appropriations to special responsibility constituent institutions.

All General Fund appropriations made by the General Assembly for continuing operations of a special responsibility constituent institution of The University of North Carolina shall be made in the form of a single sum to each budget code of the institution for each year of the fiscal period for which the appropriations are being made. Notwithstanding G.S. 143-23(a1), G.S. 143-23(a2), and ~~G.S. 143-23(a3)~~, G.S. 143-23(a3) and G.S. 120-76(8), each special responsibility constituent institution may expend the General Fund monies so appropriated to it in the manner deemed by the Chancellor to be calculated to maintain and advance the programs and services of the institutions, consistent with the directives and policies of the Board of Governors. The preparation, presentation, and review of General Fund budget requests of special responsibility constituent institutions shall be conducted in the same manner as are requests of other constituent institutions. The quarterly allotment procedure established pursuant to G.S. 143-17 shall apply to the General Fund appropriations made for the current operations of each special responsibility constituent institution. All General Fund monies so appropriated to each special responsibility constituent institution shall be recorded, reported, and audited in the same manner as are General Fund appropriations to other constituent institutions."

(k) G.S. 116-30.1 reads as rewritten:

"§ 116-30.1. Special responsibility constituent institutions.

The Board of Governors of The University of North Carolina, acting on recommendation made by the President of The University of North Carolina after consultation by him with the State Auditor, may designate one or more constituent institutions of The University as special responsibility constituent institutions. That designation shall be based on an express finding by the Board of Governors that each institution to be so designated has the management staff and internal financial controls that will enable it to administer competently and responsibly all additional management authority and discretion to be delegated to it. The Board of Governors, on recommendation of the President, shall adopt rules prescribing management staffing standards and internal financial controls and safeguards, including the lack of any significant exceptions or audit findings in the annual financial audit by the State Auditor's Office, that must be met by a constituent institution before it may be designated a special responsibility constituent institution and must be maintained in order for it to retain that designation. These rules shall not be designed to prohibit participation by a constituent institution because of its size. These rules shall establish procedures for the President and his staff to review the annual financial audit reports or any other special or performance audit reports issued by the State Auditors Office for each special responsibility constituent institution. The President shall take immediate action regarding reported weaknesses in the internal control structure, deficiencies in the accounting records, and noncompliance with rules an

Chapter 18 of the 1995 Session Laws
(House Bill 53)

regulations. In any instance where such audit exceptions are identified, the President shall notify the Chancellor of the particular special responsibility constituent institution that such exceptions must be resolved to the satisfaction of the State Auditor and the President of The University within a three-month period commencing with the date of receipt of the published financial audit report. If the exceptions are not satisfactorily resolved within a three-month period, the President of The University shall recommend to the Board of Governors at its next meeting that the designation of the particular institution as a special responsibility constituent institution be terminated until such time as the exceptions are resolved to the satisfaction of the State Auditor and the President of The University of North Carolina. However, once the designation as a special responsibility constituent institution has been withdrawn by the Board of Governors, reinstatement may not be effective until the beginning of the following fiscal year at the earliest. Any actions taken by the Board of Governors with respect to withdrawal or reinstatement of an institution's status as a special responsibility constituent institution shall be reported immediately to the Joint Legislative Education Oversight Committee.

The rules established under this section shall include review and consultation with the State Auditor, the Director of the Office of State Personnel, and the Director of the Division of State Purchasing and Contracts in ascertaining whether or not a constituent institution has the management staff and internal financial controls to administer the additional authorities authorized under G.S. 116-30.2, 116-30.4, and 143-53.1. Such review and consultation must take place no less frequently than once each biennium."

Management Flexibility for the University of North Carolina General Administration

§ 116-14. President and staff.

(a) The Board shall elect a President of the University of North Carolina. The President shall be the chief administrative officer of the University.

(b) The President shall be assisted by such professional staff members as may be deemed necessary to carry out the provisions of this Article; who shall be elected by the Board on nomination of the President. The Board shall fix the compensation of the staff members it elects. These staff members shall include a senior vice-president and such other vice-presidents and officers as may be deemed desirable. Provision shall be made for persons of high competence and strong professional experience in such areas as academic affairs, public service programs, business and financial affairs, institutional studies and long-range planning, student affairs, research, legal affairs, health affairs and institutional development, and for State and federal programs administered by the Board. In addition, the President shall be assisted by such other employees as may be needed to carry out the provisions of this Article, who shall be subject to the provisions of Chapter 126 of the General Statutes. The staff complement shall be established by the Board on recommendation of the President to insure that there are persons on the staff who have the professional competence and experience to carry out the duties assigned and to insure that there are persons on the staff who are familiar with the problems and capabilities of all of the principal types of institutions represented in the system. Subject to approval by the Board, the President may establish and abolish employment positions within the staff complement authorized by this subsection in the manner of and under the conditions prescribed by G.S. 116-30.4 for special responsibility constituent institutions.

(b1) The President shall receive General Fund appropriations made by the General Assembly for continuing operations of The University of North Carolina that are administered by the President and the President's staff complement established pursuant to G.S. 116-14(b) in the form of a single sum to Budget Code 16010 of The University of North Carolina in the manner and under the conditions prescribed by G.S. 116-30.2. The President, with respect to the foregoing appropriations, shall have the same duties and responsibilities that are prescribed by G.S. 116-30.2 for the Chancellor of a special responsibility constituent institution. The President may establish procedures for transferring funds from Budget Code 16010 to the constituent institutions for nonrecurring expenditures. The President may identify funds for capital improvement projects from Budget Code 16010, and the capital improvement projects may be established following the procedures set out in in G.S. 143-18.1.

(b2) The President, in consultation with the State Auditor and the Director of the Office of State Personnel, shall ascertain that the management staff and internal financial controls are in place and continue in place to successfully administer the additional authority authorized under G.S. 116-14(b1) and G.S. 116-30.3(e). All actions taken by the President pursuant to G.S. 116-14(b1) and G.S. 116-30.3(e) are subject to audit by the State Auditor.

(c) The President, with the approval of the Board, shall appoint an advisory committee composed of representative presidents of the private colleges and universities and may appoint such additional advisory committees as are deemed necessary or desirable. (1971, c. 1244, s. 1; 1999-237, s. 10.14(b).)

Editor's Note. — Session Laws 1999-237, s. 1.1 provides: "This act shall be known as the 'Current Operations and Capital Improvements Appropriations Act of 1999'."

Session Laws 1999-237, s. 30.4 contains a severability clause.

Effect of Amendments. — Session Laws 1999-237, s. 10.14(b), effective July 1, 1999, substituted "The President" for "He" in the second sentence of subsection (a); added the last sentence in subsection (b); and added subsections (b1) and (b2).

