

**Report to the  
2005 North Carolina General Assembly  
Joint Legislative Education Oversight Committee**



**The University of North Carolina  
Report on Overhead Receipts  
[Facilities and Administrative (F&A) Receipts]  
2003-04**

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

**February 11, 2005**



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**[Facilities and Administrative (F&A) Receipts]**  
**2003-04**

Legislation enacted by the 2001 General Assembly (S.L. 2001-424) included the following special provision directing the Board of Governors to report on the amount and uses of facilities and administrative receipts:

**UNC BOARD OF GOVERNORS REPORT ON OVERHEAD RECEIPTS**

**SECTION 31.14.** The Board of Governors of The University of North Carolina shall report to the Joint Legislative Education Oversight Committee by March 1, 2002, and annually thereafter, on the amount of overhead receipts for The University System and the use of those receipts.

In response to that legislation, this report covers the fiscal year ending June 30, 2004.

Background

The University of North Carolina serves the state's interests through a three-part mission of teaching, research, and public service. UNC's reputation as one of the nation's top public university systems has been built, in part, on the volume and quality of research and sponsored programs conducted by its faculty. With limited direct appropriations for research, the University has depended heavily on obtaining competitive grants and contracts to support its research efforts.

In recent decades, the federal government has increased efforts to promote scientific research at United States universities, as well as research conducted by federal, nonprofit, and commercial laboratories. Recognizing that research carries necessary administrative, facilities, and other expenses above and beyond the direct costs of the project, federal agencies have included in research grants and contracts a portion of funds to help offset these related costs – commonly called "indirect costs," "overhead receipts," or "facilities and administrative (F&A) receipts." In keeping with federal reporting practices, the term "facilities and administrative (F&A) receipts" is used for the remainder of this report.

Under federal OMB Circulars, facilities and administrative receipts generally reimburse for costs associated with supporting grants and contracts activities of the institution in a manner consistent with the formulae under which the funds were recovered. Internal university controls pertaining to the compliance requirements for sponsored project expenditures under OMB Circular A-133 are designed to provide reasonable assurance regarding the achievement of the following objectives:

1. Transactions are properly recorded and accounted for in order to permit preparation of reliable financial statements and reports and maintain accountability over assets.
2. Transactions are executed in compliance with laws, regulations and provisions of federal and state laws and in accordance with sponsored agreement terms.
3. Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Research and other sponsored program awards to the 16 UNC campuses totaled \$1.016 billion for FY 2003-04 with about two-thirds of this from federal sources. State and local governments provide less than 10 percent. Among public university systems, in the latest national survey (FY 2002), UNC ranks third in science and technology research expenditures, behind only the University of California and the University of Texas systems. Grants and contracts support thousands of individual projects that improve human health, understanding of the natural world, education, national defense, and other areas critical to the nation and state. Not only do grants and contracts support leading-edge science and public service, but these funds are also used to support the state's workforce. Grants and contracts support salaries for faculty, post-doctoral fellows, staff, graduate assistants, and undergraduates, all of whom keep UNC campuses in the forefront of regional economic development and training.

In 2003-04, UNC institutions received a total of \$149.4 million in facilities and administrative receipts (Attachment A). F&A receipts were expended by each campus to support costs associated with maintaining an environment conducive to conducting research

and scholarly advancement and ensuring competitiveness for attracting additional research funds. The associated expenditures of F&A receipts in 2003-04 are shown on Attachment B.

In order to provide the requested information regarding the amount and uses of facilities and administrative receipts, each campus was asked to provide a report for the 2003-04 fiscal year. The institutional responses are summarized in the following sections of this report, and individual campus examples are detailed in Attachment C. (Copies of the individual institutional responses are available upon request.)

#### Amount of Facilities and Administrative Receipts – 2003-04 Fiscal Year

University-wide, a total of \$149.4 million was recovered in facilities and administrative receipts (see Attachment A) for the 2003-04 fiscal year. Consistent with their research missions, the two major research universities, North Carolina State University (18.9%) and UNC-Chapel Hill (68.9%), accounted for almost 88 percent of the University-wide total. As shown on Attachment A, five institutions – East Carolina University, North Carolina A & T State University, UNC Charlotte, UNC Greensboro, and UNC Wilmington – accounted for most of the remaining F&A receipts.

#### Uses of Facilities and Administrative Receipts – 2003-04 Fiscal Year

Each institution provided a programmatic summary of priorities and an object of expenditure summary of facilities and administrative receipts disbursements made during the 2003-04 fiscal year, which totaled \$139.6 million (Attachment B).

. The principal priorities for programmatic expenditures were designed to:

- support research-related administrative functions;
- encourage new research activity;
- maintain and expand research infrastructure;
- provide for research support and assistantships;
- promote grantsmanship education;

- fund faculty "start-up" packages (support staff, laboratory facilities, equipment, and operating expenses);
- sustain academic programs, including the libraries;
- provide for capital improvements and debt service; and
- support strategic initiatives.

Each of the campuses also reported on its expenditure priorities for the year. The most frequently cited use of F&A receipts was to support the administrative functions related to the grants themselves. This ranged from support for campus administrative units (finance offices, contract and grant functions, controller's offices, and facilities services) to public safety positions to guarantee laboratory security to costs for clean up and disposal of unique or hazardous materials. Campuses also used F&A receipts to sponsor grant workshops for students and faculty, support academic programs, and to provide laboratory space and equipment for research. Since the expenditures by UNC-Chapel Hill and North Carolina State University account for most of the total, the following illustrative examples are drawn from their reports. Similar expenditures were made by the other campuses, but in relatively smaller amounts. Attachment C provides additional examples of the uses of F&A receipts as reported by the institutions.

UNC-Chapel Hill committed almost \$30 million of its F&A receipts toward various capital improvement projects and debt service payments on additional projects. These projects included the Genetic Medicine Building, Beard Hall Renovation, Burnett Womack Renovations, Molecular Biology Research Building Renovation, Public Health Teaching and Research Center, and the School of Nursing Addition. The School of Medicine, for example, used \$2.3 million in F&A funds to renovate or retrofit nine research buildings, thereby easing overcrowding, increasing safety, upgrading classrooms, and enabling new research.

UNC-Chapel Hill committed to match the 2000 bond funds with an equal amount of non-state campus receipts during the capital improvements plan approved by the Board of Governors and the General Assembly that formed the basis for the bond program. F&A receipts comprise a significant portion of the campus "match," either through direct expenditure or through the issuance of special obligation bonds to be retired from future F&A receipts. UNC-Chapel Hill issued its first series of these special obligation bonds during 2001, committing these receipts as one of the sources of debt repayment. 2003-04 was the third year of bond issuance for these projects at UNC-Chapel Hill.

Facilities and administrative receipts at UNC-Chapel Hill contributed significantly to instructional support and research of the units that generated the receipts. The academic units generating the receipts used the funds to support student fellowships and research assistantships, to provide needed equipment and furniture, to invest in new technologies to support research and training programs, and to support proposal development and grant management. UNC-Chapel Hill used F&A funds to purchase materials for library collections, to renovate and retrofit facilities, and to provide training experiences for undergraduate, graduate, and professional students. In addition, F&A receipts were used for computing resources on the campus, which included funding for faculty computers, and operational costs for classroom technologies. Classrooms were updated with computers, projectors, and sound systems to improve learning. Many research grants require matching funds, which has also been a priority for F&A receipts at UNC-CH. Examples of research grants matched with F&A funds include the following:

- Biology: "Partnership for Minority Advancement in the Biomolecular Sciences"
- Physics/Astronomy: "The Virtual Lung"
- Social Work: "Teen Media Effects Study"
- Public Health: Genomics Research

- Nursing: "Cardiovascular Health in Children," "Elder Abuse Screening," "Preventing Chronic Illness"
- Government: Strategy development for environmental protection assistance to local and state governments

During FY 2003-04, Facilities and Administrative receipts provided for the establishment of the Office of Economic and Business Development at UNC-Chapel Hill. In addition, UNC-Chapel Hill's F&A receipts were instrumental in making competitive employment offers through the provision of research support, laboratory set-ups, and scientific equipment. Faculty start-up was provided for 96 individuals in multiple departments, including: Biology, Computer Science, Chemistry, Anthropology, Linguistics, Public Health, Dentistry, Nursing, and Medicine.

Like UNC-Chapel Hill, NCSU is planning to obligate a portion of its facilities and administrative receipts toward the required campus match in the 2000 Higher Education Bond program. In 2003-04, NCSU committed 14% of its F&A receipts expenditures towards capital projects, such as Burlington Lab, West Research Annex, Partners II, the Turfgrass Facility, the Animal Health Lab, Flounder Research Facility, Centennial Campus Infrastructure, and D.H. Hill Library.

At North Carolina State University, approximately one-third of the facilities and administrative revenues were used to provide salary support for those offices supporting the research infrastructure of the campus, such as purchasing, payroll, accounting, budget, administrative computing, facilities operations, legal, and personnel. In addition, F&A receipts at NCSU were allocated to provide start-up packages and equipment for new faculty, matching costs for special research initiatives, interinstitutional programs, and facility upfits and renovations. Specifically, \$123,757 in F&A funds was used in a start-up package to recruit a highly competitive faculty member to the Department of Physics and \$19,500 was



used as a matching grant for a United States Air Force grant for faculty in physics and engineering that will focus on understanding friction of materials at the atomic and nanoscale level. Instruments were also purchased for a study in the Textile Engineering, Chemistry, and Science Departments at NCSU whose purpose is to develop the next generation of turnouts for first responders. The instruments will allow the researchers to do fundamental studies on polymeric materials that can be used as barriers in protective clothing. F&A funds were also used to provide equipment or matching funds for projects focused on production protocols for southern flounder (including economic analyses), identification of genes underlying production traits in poultry, and the application of genomic and proteomic approaches to the improvement of disease resistance and performance in farm animals.

In addition to the programmatic summary provided by each institution, an accounting by object of expenditure was also provided. In summary, the categories of expenditures follow:

<b>Object of Expenditure</b>	<b>Amount</b>	<b>% of Total</b>
Personnel services	\$ 45,468,174	32.6%
Supplies, utilities, fixed charges & other current services	47,349,902	33.9%
Renovation and capital improvements projects	31,803,774	22.8%
Educational, computing and other equipment	9,497,699	6.8%
Educational awards	2,611,971	1.9%
Library materials	587,138	0.4%
Other expenditures	2,264,853	1.6%
<b>TOTAL</b>	<b>139,583,511</b>	<b>100.00%</b>

#### University Research Facilities and Administrative Receipts Reporting Policy

Recognizing the need for uniform policies and procedures for reporting University research facilities and administrative receipts, the Board of Governors at its meeting on March 6, 2002, adopted a new policy statement. A copy of the policy is attached (Attachment D).

The requirements of the policy are:

1. UNC institutions determine expenditure of F&A receipts. The chancellor of each constituent institution shall expend F&A funds only to support scholarly development of its faculty, staff and students or to ensure that the campus infrastructure is supported to enhance such scholarly activities.
2. In a format to be provided by the Office of the President, each campus will report by December 1, the amount of F&A funds received, amount expended by purpose, and uncommitted balance. A report will be made to the Board of Governors at the February Board meeting.
3. Chancellors shall formulate and submit a copy of an administrative procedure for the use and reporting of F&A funds to the President, consistent with Board of Governors' guidelines for the expenditure of F&A funds.

**University of North Carolina  
Facilities and Administrative Receipts, 2003-04**

<b>Institution</b>	<b>2003-04 Receipts</b>	<b>% of TOTAL</b>
Appalachian State University	\$ 478,552	0.3%
East Carolina University	3,136,267	2.1%
Elizabeth City State University	410,846	0.3%
Fayetteville State University	369,233	0.2%
North Carolina A&T State University	2,778,349	1.9%
North Carolina Central University	1,183,395	0.8%
North Carolina State University	28,208,280	18.9%
UNC Asheville	124,387	0.1%
UNC-Chapel Hill	102,932,940	68.9%
UNC Charlotte	2,595,790	1.7%
UNC Greensboro	3,866,958	2.6%
UNC Pembroke	231,270	0.2%
UNC Wilmington	1,975,803	1.3%
Western Carolina University	286,612	0.2%
Winston-Salem State University	440,698	0.3%
UNC-General Administration	430,008	0.3%
<b>TOTAL</b>	<b>\$149,449,388</b>	<b>100%</b>

**University of North Carolina  
Facilities and Administrative Expenditures, 2003-04**

<b>Institution</b>	<b>2003-04 Expenditures</b>	<b>% of TOTAL</b>
Appalachian State University	\$ 444,613	0.3%
East Carolina University	2,520,782	1.8%
Elizabeth City State University	330,640	0.2%
Fayetteville State University	176,448	0.1%
North Carolina A&T State University	2,060,676	1.5%
North Carolina Central University	509,279	0.4%
North Carolina State University	25,685,061	18.4%
UNC Asheville	121,215	0.1%
UNC-Chapel Hill	100,722,071	72.2%
UNC Charlotte	113,405	0.1%
UNC Greensboro	3,159,414	2.3%
UNC Pembroke	232,683	0.2%
UNC Wilmington	2,509,510	1.8%
Western Carolina University	476,748	0.3%
Winston-Salem State University	355,528	0.3%
UNC-General Administration	165,438	0.1%
<b>TOTAL</b>	<b>\$139,583,511</b>	<b>100%</b>

**University of North Carolina  
Facilities and Administrative (F&A) Receipts  
Examples of Usage By Campus  
FY 2003-04**

**Appalachian State University**

- ◆ An allocation of \$15,000 in F&A receipts was made to the Belk Library to provide support for the acquisition of materials suitable for the research and creative endeavors of the faculty and students.
- ◆ Approximately \$68,000 was used for start-up funds for new faculty.
- ◆ \$75,000 of F&A receipts were used to provide cash matches for external grants that required institutional commitment.
- ◆ Approximately \$22,816 was provided to the new Vivarium for continuing costs in support of the teaching and research activities of that facility.
- ◆ The Office of Research and Sponsored Programs was allocated approximately \$20,000 of the receipts to support its mission of providing the infrastructure necessary for the solicitation of grants and contracts.

**East Carolina University**

- ◆ ECU used the largest portion of its F&A receipts to support the direct cost of the research-related administration, including the Office of Sponsored Programs, the Office of Contracts and Grants, and the Office of Technology Transfer.
- ◆ F&A receipts of \$30,427 were used to purchase two sonic anemometers (measure wind speeds) and one instrument to measure the exchange of water and carbon dioxide between terrestrial flora and the atmosphere. This equipment is used in collaboration between ecologists and geographers as research is done on the study of land use change and its impacts on energy, water and gas exchanges between biota and the atmosphere. This research is important in understanding global climate changes.
- ◆ Some of the F&A funds at ECU have been used to meet cost sharing requirements for grant submissions of investigators, as well as to support the purchase of necessary equipment.
- ◆ F&A funds of \$48,547 were used to install a security system in the Warren Life Sciences Building, thereby creating the type of secure environment required by some granting agencies.
- ◆ ECU used \$43,950 in F&A receipts to purchase a sputtering system and a critical point dryer needed for ECU's electron microscopy research facility.
- ◆ In 2003-04, \$17,500 in F&A funds was used to support two workshops at ECU for High School Science teachers from eastern North Carolina. This is a beneficial program to update teachers on progress in science and provide an opportunity for the teachers to meet with ECU faculty.
- ◆ ECU used \$75,000 in F&A funds to purchase a Spectrometer for collaborative grant activities.

**Elizabeth City State University**

- ◆ ECSU used F&A receipts to pay for Sponsored Program Administration and additional support staffing, including a Contract and Grants Accountant.
- ◆ On-campus seminars and training workshops were provided for ECSU faculty and staff to enhance proposal writing and grants management skills.

**Fayetteville State University**

- ◆ F&A receipts in 2003-04 were used to promote grantsmanship workshops and to cover general operations related to the grants (Business Office, Sponsored Research, etc.).

**North Carolina Agricultural and Technical State University**

- ◆ NCA&TSU used 2003-04 F&A receipts to offer graduate assistantships, a practice that contributes greatly to the recruitment and retention of exceptional graduate students. An additional group of undergraduate students benefited from F&A receipts that were set aside to provide scholarship opportunities for exceptional undergraduate students in the various research intensive majors.
- ◆ F&A receipts at NC A&T were used to strengthen technology transfer by continued funding for intellectual property disclosures, faculty and staff development, and seed funding for new innovations. This has resulted in a more competitive technology portfolio, increased exposure to the intellectual assets of the university, and greater capability to engage in industry collaborations and community outreach for economic development.
- ◆ In 2003-04, F&A funds were used to support the development of emerging interdisciplinary research initiatives in computational sciences as well as agricultural technology and safety. The support included "seed funding" for shared research support staff, laboratory acquisitions and upgrades, faculty visits to prospective sponsors, and matching funds.
- ◆ NCA&TSU used F&A funding for continued assistance in the NASA-CAR, Defense Information Systems Agency, and the Office of Naval Research programs in conjunction with the College of Engineering and School of Technology.

**North Carolina Central University**

- ◆ NCCU's F&A receipts benefited many academic programs in 2003-04, including Human Sciences, Biology, Chemistry, Health Education, and Physics. These funds were used to support faculty in their administration of grants and to help begin research that can lead to new grants and breakthrough developments. The Physics Department also provided computer monitors and printers for use by faculty and students, for teaching and for research projects.
- ◆ F&A funds at NCCU were used to fund expenses related to the annual audit of federal grants and programs.

**North Carolina State University**

- ◆ NCSU's Vice Chancellor for Research and Graduate Studies administers an allocation of F&A receipts to help support start-up packages and equipment for new faculty, provide matching/cost-sharing funds for special research initiatives and inter-institutional programs, and facility upfits and renovations.
- ◆ F&A funds at NCSU were used to invest in funding repairs to equipment and facilities.
- ◆ NCSU has prioritized F&A funds for use on the Centennial Campus – to support the continuing development of the campus through retro-fitting and constructing new research facilities and to support the Centennial Campus Development Office.
- ◆ F&A funds are allocated to NCSU's library to maintain the currency of research-related collections and services. Recent expenditures have been made to renovate space in the old Central Stores facility to provide an archival storage, acquire a new automated system, and provide for accessibility-related renovations to the library.
- ◆ The Office of Sponsored Programs and the Contracts and Grants Office at NCSU are supported through an allocation of F&A receipts for personnel costs and ongoing maintenance.

**University of North Carolina at Asheville**

- ◆ Facilities and administration receipts at UNCA were used to fund the auditing expenses and provide accounting support for contracts and grants.
- ◆ UNCA's Office of Sponsored Research used approximately \$66,000 to offer workshops and grant-writing support to the campus.

**University of North Carolina at Chapel Hill**

- ◆ The academic departments that generated F&A receipts at UNC-Chapel Hill used them to fund the following:
  - Individual investigator research project support
  - Student fellowships and research assistantships
  - General operating expenses and computing services
  - Equipment, furniture, wiring and software
  - Project staff and research personnel
  - 193 Stepper Scanner for nanoscience technology research
  - Videoconferencing
  - Proposal development and grant management
  - Publishing the Injury Prevention Research Center newsletter
  - Purchase of a new integrated library system
- ◆ UNC-Chapel Hill used F&A receipts to maximize an opportunity to negotiate with SGI and DELL to fund a new computing infrastructure to meet the faculty demand for research by upgrading and replacing research computing facilities.
- ◆ General university operations and research at UNC-Chapel Hill also benefited from F&A funds. These included:
  - Horace Williams cleanup
  - Libraries
  - Center for International Initiatives
  - Clinical Trials Office
  - Women's Center
  - Undergraduate and Graduate student research awards
  - K-12 Outreach program to North Carolina schools
  - Frank Porter Graham Child Development Center
  - Center for Teaching and Learning
  - Health Careers and Access
  - Stone Center
  - Sheps Center
  - Institute on Aging
  - Highway Safety Research
- ◆ A portion of the F&A funds are used to meet obligations for new construction, renovation of facilities, debt service, enhancing technology through campus wiring and upgrades to other infrastructure. Major capital obligations, minor repairs, and renovations included expenditures on the following facilities: Genetic Medicine Building, Beard Hall Renovation, Stone Center, Smith Hall – Playmakers, Mary Ellen Jones Building, and the Science Complex Phase I.

**University of North Carolina at Charlotte**

- ◆ The majority of F&A expenditures at UNCC in 2003-04 were for related personnel expenditures and equipment purchases.
- ◆ Additionally, UNCC has planned large-scale capital improvements expenditures from F&A receipt balances in 2004-05 to upgrade and enhance bond-funded buildings. Additional scientific equipment will also be purchased to facilitate the research and instructional functions which are housed within these newly constructed facilities.

**University of North Carolina at Greensboro**

- ◆ In 2003-04, UNCG allocated F&A funds to provide 25 opportunities for faculty to improve grant-writing skills. These events ranged from video workshops for research administrators, to grant writing seminars for beginning and skilled grant writers, to brown-bag meetings with the staff of the Office of Research and Public/Private Sector Partnerships. Over 350 faculty, almost 60 students, and 200 individuals from off-campus attended these events.
- ◆ UNCG used F&A receipts to host a Small Business Innovation Research and Small Business Technology Transfer program for UNCG faculty and community small business owners.
- ◆ UNCG's F&A receipts supported the undergraduate research program by providing for 134 undergraduate research assistantships. In addition, the receipts supported an Excellence Day presentation for 52 undergraduate research assistants to show their research, a training workshop for faculty on preparing competitive proposals to procure funds to support an undergraduate researcher, a workshop for students on how to make effective research presentations, and the development of a webpage for information on the undergraduate research program.
- ◆ F&A funds at UNCG have also been used to support the research-related infrastructure:
  - A new Assistant Director position was funded in the Office of Sponsored Programs, to develop and monitor post-award agreements and actions.
  - The responsibilities associated with research compliance were transferred from the Office of Sponsored Programs to a new Office of Research Compliance, for which a Director was hired.

**University of North Carolina at Pembroke**

- ◆ UNCP's F&A receipts supported a full-time Research/Training Coordinator/Assistant Director position and an Administrative Assistant position in the Center for Sponsored Research and Programs, as well as a part-time contractual position. These positions are responsible for: identifying and distributing appropriate grant and contract competition announcements; supporting proposal development and submission; networking; and training faculty and community participants in grant research and writing.
- ◆ UNCP uses F&A receipts to fund related audit activities.

**University of North Carolina at Wilmington**

- ◆ Salaries and benefits for UNCW's Office of Sponsored Programs and the Center for Marine Science are supported from F&A receipts.
- ◆ Using F&A receipts, UNCW purchased a 500Mhz High Performance Digital NMR Spectrometer to support researchers in Chemistry Department, Biology Department, and the Center for Marine Science.
- ◆ UNCW also used F&A receipts to renovate scientific laboratories in Science and Behavior Science and Deloach Halls, supporting the departments of Psychology and Physics.



**Western Carolina University**

- ◆ F&A receipts at WCU provided support funds for student recruitment and retention efforts including promotional materials and marketing initiatives. One example was the Power Your Mind Spring Tour, where Western representatives and other support offices held instant-decision recruiting events in several North Carolina locations.
- ◆ WCU's Catching the American Dream: A Summit on Entrepreneurship (November 2003) was supported by F&A receipts. The Summit provided organizations and individuals a chance to meet with some of North Carolina's major strategists and policy leaders in the area of small business start-up, and to hear success stories as well as the strategies that were employed.
- ◆ F&A receipts were also used to support audit costs related to grants and contracts, fund operating expenses of the Office of Grants Management and Research, and sponsor a proposal writer's workshop.

**Winston-Salem State University**

- ◆ WSSU used 2003-04 F&A receipts to provide funds for student enrichment programs, such as the Minority Science Outreach Program, Summer Honors Program, and Accelerated Nursing Program.
- ◆ F&A receipts at WSSU were also used to fund related staff positions in Academic Affairs and Finance and Administration.

**University of North Carolina General Administration**

- ◆ F&A receipts at UNC General Administration were used to fund related administrative infrastructure costs, including
  - a research associate position and operating costs to administer A-102 and A-110 compliance standards and to manage pre-award and post-award operations
  - the establishment and maintenance of the negotiated F&A rate proposal and the UNC Cost Allocation Plan
  - staff development for OMB Circular A-87, A-110, and A-133 compliance training
- ◆ F&A receipts were also used to cover administrative overhead costs for central administrative cost pools and fund unfunded cost-sharing requirements for grant proposals.



# POLICIES

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

Number 500.5  
Adopted: 3/6/02

### University Research Facilities and Administration Receipts Reporting Policy

#### Purpose

The University of North Carolina receives reimbursement of Facilities and Administration (F&A) costs related to grants and contracts and is expected to allocate these funds within the appropriate state and federal guidelines. Pursuant to the provisions of Senate Bill 1005, Section 31.14 (2001), the UNC Board of Governors is required to report to the Joint Legislative Education Oversight Committee by March 1, each year, the amount of overhead receipts for the University System and the use of those receipts.

#### Background

F&A costs (sometimes called indirect or overhead receipts) are calculated for such items as facilities maintenance and renewal, libraries, salaries of technical, compliance and administrative personnel, equipment, scholarly development, and facilities support. F&A rates are set by negotiation between the federal government and each university. Lower rates are often established statutorily or by policy by certain programs and sponsors.

Under federal OMB Circular A-21 indirect costs generally reimburse for costs of the grants and contracts operations of the institution and other overhead expenses of the university in a manner consistent with the formulae under which the funds were recovered. Internal university controls pertaining to the compliance requirements for sponsored project expenditures under OMB Circular A-133 are designed to provide reasonable assurance regarding the achievement of the following objectives:

1. Transactions are properly recorded and accounted for in order to permit preparation of reliable financial statements and reports and maintain accountability over assets.
2. Transactions are executed in compliance with laws, regulations and provisions of federal and state laws and in accordance with sponsored agreement terms.
3. Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

#### Requirements

1. UNC institutions determine expenditure of F&A receipts. The chancellor of each constituent institution shall expend F&A funds only to support scholarly development of its faculty, staff and students or to ensure that the campus infrastructure is supported to enhance such scholarly activities.
2. In a format to be provided by the Office of the President, each campus will report by December 1, the amount of F & A funds received, amount expended by purpose, and uncommitted balance. A report will be made to the Board of Governors at the February board meeting.
3. Chancellors shall formulate and submit a copy of an administrative procedure for the use and reporting of F&A funds to the President, consistent with Board of Governors' guidelines for the expenditure of F&A funds.