

# **Report on Facilities and Administrative (F&A) Receipts**



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

**February 2006**

**The University of North Carolina**  
**Report on Overhead Receipts**  
**[Facilities and Administrative (F&A) Receipts]**  
**2004-05**

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, 2005.

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 state 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 current 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 billion for FY 2004-05 with about two-thirds of that amount from federal sources. State and local governments provide less than nine percent. Among public university systems, in the latest national survey (FY 2003), UNC ranks third in federal obligations for science and technology research, 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 2004-05, UNC institutions received a total of \$159.7 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 2005-06 are shown on Attachment B. It is important to note that F&A receipts do not revert at the end of the year, therefore expenditures and receipts for a given year are usually not equal.

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 2004-05 fiscal year. The institutional responses are summarized in the following sections of this report, and individual campus examples are detailed in Attachment C.

#### Amount of Facilities and Administrative Receipts – 2004-05 Fiscal Year

University-wide, a total of \$159.7 million was recovered in facilities and administrative receipts (see Attachment A) for the 2004-05 fiscal year. Consistent with their research missions, the two major research universities, North Carolina State University (18.1%) and UNC-Chapel Hill (70 %), accounted for 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 – 2004-05 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 2004-05 fiscal year, which totaled \$124.8 million (Attachment B).

. The principal priorities for programmatic expenditures were designed to:

- maintain and expand research infrastructure;
- provide matching funds/cost-sharing for external grants;
- support research-related administrative functions;
- encourage new research activity;

- foster research/creative activity in the classroom;
- 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 examples of the uses of F&A receipts as reported by the other institutions.

UNC-Chapel Hill committed approximately \$9 million of its F&A receipts toward various capital improvement projects and debt service payments on additional projects. These projects included the Mary Ellen Jones Building Renovation, Gerard Hall Classroom Building Renovation, Ambulatory Care Renovation, Carrington Hall Addition, Glaxo Molecular Biology, Bioinformatics Building, Medical Biomolecular Science Building, School of Public Health, and the School of Nursing Addition.

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 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. Additional bonds were issued during 2004-05 for these projects.

UNC-Chapel Hill uses a portion of its F&A receipts each year to stimulate new projects related to the research mission of the university. For example, in fiscal year 2004-05, the university allocated \$650,000 for the Renaissance Computing Institute (RENCI). RENCi builds on a long history of research and software development related to high-performance computing, resource management, performance analysis, and application engagement. Most of the F&A receipts allocated to the RENCi project were used to pay for start-up and facilities requirements, but some funding was also used to support two projects – the NC Bioportal and the Southeastern Coastal Ocean Observing and Prediction Program (SCOOP). The NC Bioportal will provide biologists access to over 100 computational tools and 300 Gigabytes of data, and a collaborative environment. SCOOP will be used to help develop more accurate predictions of hurricanes and storm surges for North Carolina.

As a condition of funding, many sponsors require the university to contribute some of the total cost of a project, called “cost sharing.” Depending on the sponsor and the type of project, required cost sharing may range from one percent to fifty percent. During fiscal year 2004-05, UNC-Chapel Hill contributed cost sharing funds to hundreds of projects, including

efforts in Environmental Sciences, the Neurodevelopmental Disorders Research Center, Physics and Astronomy, Statistics, Urban and Regional Studies, and the Center for AIDS Research.

At UNC-Chapel Hill, a portion of the F&A cost reimbursements each year goes to strengthen funding for the libraries. In fiscal year 2004-05, \$456,228 was allocated for the purchase of library materials and other operating expenses. This is recognition of the fact that the university must provide access to the latest research materials in order for its faculty and students to conduct the research needed to receive grant awards, and thus F&A receipts.

UNC-Chapel Hill had more than \$579 million of extramurally funded research and other sponsored programs in fiscal year 2004-05. Operating a program of that magnitude requires the expenditure of funds for central research services in direct support of the grants and contracts received. UNC-Chapel Hill spent more than \$9 million of its F&A receipts last year on central research services through the Office of the Vice Chancellor for Research and Economic Development. These expenditures fell primarily into four categories:

- 1) assisting faculty members and students in the development, preparation, and submission of proposals;
- 2) administering and accounting for the grant and contract funds expended in accordance with the terms and conditions of each individual award;
- 3) maintaining compliance with federal and state laws and regulations regarding the protection of human subjects, humane care and use of laboratory animals, use and disposal of hazardous substances, laboratory safety, and conflicts of interest; and
- 4) applying the results of research for the benefit of the state and nation through the effective stewardship of intellectual property, the promotion of economic development, and efforts to make the results of research available to the public.

Like UNC-Chapel Hill, North Carolina State University also obligated a portion of its facilities and administrative receipts toward the required campus match in the 2000 Higher Education Bond program. In 2004-05, NCSU committed 19% of its F&A receipts

expenditures to capital projects, including the Engineering Facility, Burlington Lab, Flounder Breeding Facility, Turfgrass project, Library Addition, and Centennial Campus.

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 services, and personnel. In addition, F&A receipts at NCSU were allocated to provide start-up packages and equipment for new faculty, matching/cost sharing for research initiatives, and facility upfits and renovations.

Specifically, over 8,000 square feet of space on Centennial Campus was converted and equipped with the best power electronics and power system equipment to create the Semiconductor Power Electronics Center. Research done in this facility will provide applications cell phones, computers, and automobile electronics. CREE and other industrial partners have funded research efforts in this facility. Largely through F&A receipts, NCSU and its College of Physical and Mathematical Sciences have been able to provide the required physics and chemistry laboratories for studies in nanosciences, with the construction of 34,000 square feet of space on Centennial Campus. Over the past two years, the faculty members in these facilities have received multiple grant awards. Applications for this research include the development of new integrated circuit materials, coatings for corrosion resistant machined materials, and computer storage technologies. F&A funds were also used to update facilities for molecular biology research that may aid in adapting crops such as corn and soybeans to cope with harsh environmental conditions such as drought.



Examples from the other campuses are listed in Attachment C. In addition to the programmatic summary, each institution also provided an accounting by object of expenditure as to how F&A receipts were spent in FY 2004-05. Across the system, expenditures and percentages of each were categorized as follows:

| <b><u>Expenditures</u></b>                                  | <b><u>Amount</u></b> | <b><u>Percent of Total</u></b> |
|---|----------------------|--------------------------------|
| Personnel services  | \$ 50,621,951        | 40.55%                         |
| Supplies, utilities, fixed charges & other current services | 46,830,755           | 37.52%                         |
| Renovation and capital improvements projects                | 18,011,085           | 14.43%                         |
| Educational, computing, and other equipment                 | 5,221,504            | 4.18%                          |
| Educational awards  | 2,502,276            | 2.00%                          |
| Library materials   | 456,557              | 0.37%                          |
| Other expenditures  | <u>1,180,007</u>     | <u>0.95%</u>                   |
| <b>TOTAL</b>  | <b>124,824,135</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 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, 2004-05**

| <b>Institution</b>                  | <b>2004-05<br/>Receipts</b> | <b>% of<br/>TOTAL</b> |
|-------------------------------------|-----------------------------|-----------------------|
| Appalachian State University        | \$ 442,701                  | 0.3%                  |
| East Carolina University            | 3,587,779                   | 2.2%                  |
| Elizabeth City State University     | 307,158                     | 0.2%                  |
| Fayetteville State University       | 437,245                     | 0.3%                  |
| North Carolina A&T State University | 3,079,495                   | 1.9%                  |
| North Carolina Central University   | 1,176,293                   | 0.7%                  |
| North Carolina School of the Arts   | 0                           | 0.0%                  |
| North Carolina State University     | 28,846,412                  | 18.1%                 |
| UNC Asheville                       | 152,166                     | 0.1%                  |
| UNC-Chapel Hill                     | 111,714,654                 | 70.0%                 |
| UNC Charlotte                       | 2,919,514                   | 1.8%                  |
| UNC Greensboro                      | 3,522,092                   | 2.2%                  |
| UNC Pembroke                        | 375,922                     | 0.2%                  |
| UNC Wilmington                      | 1,991,785                   | 1.2%                  |
| Western Carolina University         | 259,930                     | 0.2%                  |
| Winston-Salem State University      | 457,571                     | 0.3%                  |
| UNC-General Administration          | 383,744                     | 0.2%                  |
| <b>TOTAL</b>                        | <b>\$159,654,461</b>        | <b>100%</b>           |

**University of North Carolina**  
**Expenditures of Facilities and Administrative Receipts, 2004-05**

| <b>Institution</b>                  | <b>2004-05<br/>Expenditures</b> | <b>% of<br/>TOTAL</b> |
|-------------------------------------|---------------------------------|-----------------------|
| Appalachian State University        | \$ 512,383                      | 0.4%                  |
| East Carolina University            | 2,859,830                       | 2.3%                  |
| Elizabeth City State University     | 359,385                         | 0.3%                  |
| Fayetteville State University       | 245,365                         | 0.2%                  |
| North Carolina A&T State University | 3,070,247                       | 2.5%                  |
| North Carolina Central University   | 823,446                         | 0.7%                  |
| North Carolina School of the Arts   | 0                               | 0.0%                  |
| North Carolina State University     | 27,205,062                      | 21.8%                 |
| UNC Asheville                       | 150,033                         | 0.1%                  |
| UNC-Chapel Hill                     | 81,156,443                      | 65.0%                 |
| UNC Charlotte                       | 2,777,630                       | 2.2%                  |
| UNC Greensboro                      | 3,382,290                       | 2.7%                  |
| UNC Pembroke                        | 217,960                         | 0.2%                  |
| UNC Wilmington                      | 1,463,815                       | 1.2%                  |
| Western Carolina University         | 315,072                         | 0.3%                  |
| Winston-Salem State University      | 41,895                          | 0.0%                  |
| UNC-General Administration          | 243,279                         | 0.2%                  |
| <b>TOTAL</b>                        | <b>\$124,824,135</b>            | <b>100%</b>           |

**University of North Carolina  
Facilities and Administrative (F&A) Receipts  
Examples of Usage By Campus  
FY 2004-05**

**Appalachian State University**

- ◆ Funds were set aside to provide for cost-sharing for those proposals requiring a match.
- ◆ F&A funds supported faculty start-ups and the purchase of significant pieces of scientific research equipment.
- ◆ Funds were used to provide partial salary support for individuals involved in significant research initiatives.

**East Carolina University**

- ◆ As an incentive to encourage the entrepreneurial pursuit of additional research grants and contracts, 30% of F&A receipts were returned to the academic divisions that originated the projects.
- ◆ F&A funds were used to support direct costs of the research-related administrative functions, including operations such as the Office of Sponsored Programs, the Office of Contracts and Grants, and the Office of Technology Transfer. Because of the significant dependence of the research function on core administrative services such as accounting, purchasing, information technology, and human resources, a prorata portion of this administrative infrastructure was also supported by F&A funds.
- ◆ The largest portion of ECU's F&A expenditures (\$1,335,692) represented the cost of labor directly related to research activities and indirect labor costs associated with administrative functions that support the research enterprise. This amount included the costs of scholarships provided to graduate students in an effort to improve the quality and quantity of research assistants.
- ◆ F&A funds of \$33,370 were used to purchase a multichannel electrocardiogram recorder for use in cardiology research, including the study of mechanisms of abnormal heart rhythms during heart attacks and the diagnosis of heart rhythm disorders.
- ◆ ECU used \$23,800 in F&A receipts to purchase a medical ultrasound imager for use in pediatrics research.

**Elizabeth City State University**

- ◆ ECSU used F&A receipts to support a Contracts and Grants Accountant position.
- ◆ On-campus seminars and training workshops were provided for ECSU faculty and staff to enhance proposal writing and grants management skills.
- ◆ ECSU also used F&A funds to provide matching funds for external grants and to fund audit expenses related to F&A receipts.

**Fayetteville State University**

- ◆ F&A receipts in 2004-05 were used for the charges associated with the annual audit of federal contracts and grants. F&A funds were also used for the budget and accounting of grant funds.
- ◆ F&A receipts at FSU were used to provide services, and to monitor and review all grant applications for the University. The services helped promote and encourage faculty and staff to apply for new grants.

**North Carolina Agricultural and Technical State University**

- ◆ NCA&T used 2004-05 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 NCA&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 2004-05, F&A funds supported 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.
- ◆ Seed funding was provided for the Joint Millennial Campus initiative between NCA&T and UNCG to develop the north and south campus programs.
- ◆ NCA&T 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 2004-05, 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. F&A funds helped support the academic departments by providing funds for departmental needs not financed through state appropriations.
- ◆ NCCU’s Sponsored Research unit used F&A funds to provide “seed grants” in order to promote grant writing opportunities for the university.
- ◆ F&A funds at NCCU were used to fund expenses related to the annual audit of federal grants and programs.

**North Carolina School of the Arts**

NCSA had no F&A receipts or expenditures in 2004-05.

**North Carolina State University**

*(See pages 7-8 of the report)*

**University of North Carolina at Asheville**

- ◆ Facilities and administration receipts at UNCA were used to fund contract preparation as well as policy formulation, review, and adoption.
- ◆ UNCA used F&A funds to support post-award project accounting/reporting, compliance reviews, and liaison services with funding agencies.
- ◆ F&A receipts in 2004-05 supported 2.5 office staff positions that support F&A activities.

**University of North Carolina at Chapel Hill**

*(See pages 5-7 of the report)*

**University of North Carolina at Charlotte**

- ◆ UNC Charlotte used F&A receipts to upgrade and enhance bond funded buildings. Additional scientific equipment was purchased, which will facilitate the research and instructional functions that are housed within these newly constructed facilities. Projects at UNCC that will use F&A receipts to upgrade facilities and purchase equipment were: Graduate Engineering and Research Building – construction, College of Education Building – furniture and equipment, Science and Technology Building – furniture and equipment, Applied Optics Building – construction, and the construction of the Physical Plant/Public Safety Building.
- ◆ UNCC academic departments also continued to fund faculty start-up packages with F&A receipts.

**University of North Carolina at Greensboro**

- ◆ In 2004-05, UNCG made \$170,000 in F&A receipts available to faculty as seed funding for research. Approximately 46% of these funds were awarded to newly hired faculty. These funds allow the faculty members to be more competitive in seeking external support.
- ◆ \$175,000 was provided to academic units in partial support of start-up costs associated with hiring new faculty. One such hire was an analytical biochemist that is using novel chemical approaches to develop bioassays linked to human health and disease.
- ◆ Renovations to offices and facilities associated with research were managed through the use of F&A funds. The Animal Facility was upgraded, including the removal of surplus equipment, mounting tables in procedure rooms, installation of storage cabinets, installation and activation of data ports, installation of timers for room doors, and replacement of floors. In addition, the offices of technology transfer and research compliance were renovated.
- ◆ In 2004-05, UNCG's Office of Technology Transfer used F&A receipts to work with faculty on four patent applications and one spin-off company.
- ◆ F&A funds were used to support the joint Millennial Campus with NCA&T. In 2004-05, a director was hired and plans are being developed for research activities that will be located at the campus.

**University of North Carolina at Pembroke**

- ◆ UNCP's F&A receipts were used to support two full-time staff (the Coordinator of Research & Training and the Administrative Assistant) and a part-time Student Researcher.
- ◆ In 2004-05, F&A receipts supported activities of the Controller's Office, including costs associated with the university audit.
- ◆ UNCP's Center for Sponsored Research and Programs Infrastructure used F&A funds to hire a Research and Training Coordinator who will offer grants workshops and work directly with faculty and staff to develop proposals.

**University of North Carolina at Wilmington**

- ◆ Salaries and benefits for UNCW's Office of Sponsored Programs and the Center for Marine Science were supported from F&A receipts.
- ◆ The Division of Academic Affairs used F&A funds to directly or indirectly support university research programs through funds for administrative personnel in the Office of Sponsored Programs, other research/grant administrative support, graduate and minority scholarships, equipment/facility start-up costs for new scientific faculty, equipment matches for grant proposals, equipment maintenance/insurance for research facilities, construction and renovation expenditures directly related to research, and software licenses for research-related applications.
- ◆ In 2004-05, UNCW used F&A receipts to purchase scientific equipment for the Center for Marine Science, to maintain and operate scientific buildings, and to purchase equipment for new faculty members.

**Western Carolina University**

- ◆ F&A receipts at WCU were used to pay the salary of the director and other operating expenses of the Office of Grants Management and Research.
- ◆ Receipts from F&A allowed WCU to sponsor a proposal writer's workshop, to fund initiatives for student recruitment and retention, and to award Chancellor's Graduate Fellowships to exceptionally promising graduate students.

**Winston-Salem State University**

- ◆ F&A receipts at WSSU were expended for admissions/recruitment activities, funding temporary staff, and audits of federal programs.

**University of North Carolina General Administration**

- ◆ F&A receipts at UNC General Administration were used to fund related administrative infrastructure costs, including
  - research associate and accounting tech positions (1 of each) to administer A-87, A-102, and A-133 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-102, and A-133 compliance training
- ◆ F&A receipts were also used to provide funding for the UNC Research website and to provide for cost-sharing requirements of grant proposals, as appropriate.
- ◆ In addition, F&A receipts provided funding for the UNC database of research activity (SPARC database), to provide support for proposal development for large multi-institutional submissions and for cost-sharing requirements of grant proposals, as appropriate.



# 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.