

Basic Spending Guidelines

BY FUND SOURCE

University of North Carolina at Chapel Hill
Basic Spending Guidelines by Fund Source
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November 2018

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The University has a wide variety of sources of funds, each of which has its own spending characteristics. No set guidelines can be written that address every possible expenditure decision which may arise. There are some basic rules, regulations, and precedents presented here, that can help to guide an employee in making wise spending decisions. These guidelines are provided to ensure that faculty/staff can carry out the University's mission effectively, while ensuring that fiscally responsible and legal spending practices are followed.

All Sources of Funds

University Expectations

The University expects that expenditures from each fund will be for the purposes specified in the fund authority and that each fund will have a positive fund balance. If a fund incurs a deficit balance without approval, the owning unit is responsible to cover the deficit from other available funds.

Exceptions and Interpretations

Every attempt has been made to make these guidelines comprehensive. There may be cases; however, which would fall outside the guidelines and yet be legal expenditures and in the best interests of the University. If a case occurs in which an individual believes an exception should be made to the guidelines, he/she should request from the unit's Business Manager that an individual determination be made on a particular item. The University Controller or designee will work with the Business Officer to determine the latitude available on the request, the University business purpose of the request, and other options which may be available.

Responsible Person/Project Custodian Duties

The responsible person or the project custodian (individual responsible for the funds in a contracts and grants project, commonly referred to as a Principal Investigator or PI) has the responsibility to ensure that proper documentation procedures are followed and that only authorized expenditures are charged to the project. Further, the PI is responsible for ensuring that projects are reviewed at least monthly and any transactions which are incorrect or do not belong on the project are reported to the Office of Sponsored Research (OSR) or Accounting Services if the project is not administered by OSR. Finally, a PI is responsible for maintaining a positive or zero fund balance on trust fund projects unless specifically exempted from this requirement in writing by the University Controller.

Payment to Employees

Regardless of funding source, payments to employees are limited to authorized reimbursements, authorized awards, or authorized salaries. Payments to employees for compensation for work must follow guidelines published by the Department of Human Resources and must be initiated through the payroll system.

Personal reimbursements for items such as supplies, travel, or meals to an employee must be approved by an individual at a higher level of authority in the University organization. Personal reimbursements for items and supplies should be for emergencies only, not for the daily operational needs of the department and must be for less than \$5,000. These purchases should normally be made with prior planning and through the University's ePro vendor catalogs, purchasing card, voucher or requisition process. Any such approved reimbursement must be documented appropriately for the expenditure.

Adverse Weather Events and Other Emergency Conditions

In the event of emergency weather conditions, certain departments have personnel critical to the University for health, safety, or welfare reasons, and the care and handling of animals. Examples of personnel who might fit this criterion are key individuals from Facilities Services, Carolina Dining Service, Housing and Residential Education, Transportation and Parking, Public Safety, Information Technology Services, Campus Health Services, and certain other support or research services. Under emergency circumstances, units which have such critical functions may make prudent and reasonable lodging and/or meal arrangements for critical employees who must be at the University and pay for the arrangements from their normal operating budgets, regardless of source of funding. For example, Facilities Services or the Campus Health Services might make arrangements at a local lodging establishment within walking distance of the campus or with Housing and Residential Education when local weather forecasts indicate a high probability that roads will be impassable and hazardous to traverse. Requests for payment for these expenses should be clearly documented including the nature of the emergency, names of personnel covered, date(s) and time(s) of the event, and any other relevant information which might serve to document the expenditure.

Penalties and Charges Resulting from Cancellations of Travel Reservations

Penalties and charges resulting from the cancellation of travel reservations (including airline or hotel reservations and conference registrations) may be paid by a department if the employee's travel has been approved in advance and the cancellation or change is made at the direction of and/or for the convenience of the department. If the cancellation or change is made for the personal benefit of the employee, it is the employee's obligation to pay the penalties and charges. In the event of accidents, a major disaster, a serious illness or death within the employee's immediate family, or other critical circumstances beyond the control of the employee, the department may pay the penalties and charges.

Travel Reimbursement and Expenditures

A complete set of travel reimbursement policies and procedures may be found at <http://financepolicy.unc.edu>.

Internet Connections

Home internet connections are considered the equivalent of home telephones, i.e., personal expenses which are not reimbursable. In rare cases, a specific connection may be paid for by the University, if it is required by the University and is for the convenience of the University. An example would be an internet connection needed for a research project which requires a special connection and monitoring outside of normal working hours. The simple use of a home computer and home internet service for business purposes is not considered justification for reimbursement.

Wireless internet connection charges, as with home internet connections, are considered personal expenses. The University provides wireless internet throughout campus at no charge.

Moving Expenses

When authorized, moving expenses for *new* employees must be paid from an allowable source. The following are source restrictions.

Funding Source	Fund Authority Guidelines
Appropriated State Funds	Moving expenses are not allowable.
Receipt-Supported State Funds	Moving expenses are not allowable.
Facilities and Administrative Receipts (F&A)	Moving expenses are allowable for faculty and research staff only.
Sponsored Research Awards	Moving expenses are allowable only if specified in the contract or grant.
Trust Funds (Gifts, Endowment Income, Investment Income)	Moving expenses are allowable if consistent with the fund authority.
Internal Service Funds (Recharge Centers)	Moving expenses are not allowable.
Student and Institutional Auxiliaries and Health Care Clinics	Moving expense are allowable if consistent with the fund authority.

Moving expenses should be carefully documented and charged to account code 517140.

Expenditure Account Codes

Expenditure account codes are codes that must be used when processing financial transactions to identify various classes of expenditures, for example, salaries, travel, supplies, equipment, etc. The actual codes will provide even more detailed breakdowns of these groupings. This coding scheme gives the University the ability to create reports that include, or are broken down by, the various classes of expenditures.

Information regarding account codes for coding expenditures may be found at:

<http://ccinfo.unc.edu/resource-docs/accounts-to-object-codes/>

State Budget Codes – General Operating Funds

This group of funds consists of state appropriated funds and receipt supported funds in the state budget code.

These funds should provide for expenditures for the normal activities necessary to operate the University. The nature of the purchases will depend upon the mission of the unit and the types of supplies, equipment, etc. necessary to accomplish that mission. To a certain degree, the appropriateness of expenditures will depend on that mission. For example, a purchase of a tractor might be appropriate from the Facilities Services budget, but inappropriate from the English department's institutional budget.

Miscellaneous State Budget Code Rules

The following provides information on some specific items that may or may not be purchased from State operating funds:

1. Membership Dues – Membership dues may not be paid for individual employees or for the benefit of an individual employee. Membership dues paid from State funds must be for the benefit of the University and not the individual. If the University is to benefit from an individual's membership in an organization, that benefit should derive not because of the individual, but because of the individual's position with the University, regardless of who is in the position. Although a membership may be in the name of the individual, his/her membership terminates at the same time he/she terminates employment with the University or moves to another department.
2. Passports and Visas – Reimbursements for costs incurred in obtaining or renewing a passport may be made to an employee who, in the regular course of his/her duties, is required to travel overseas in the furtherance of official University business. Passport expenses are chargeable to

the same fund that supports the employee's trip. The University also interprets this to mean that similar related fees or expenses such as required visas may also be reimbursed.

3. Immigration and Naturalization (INS) Fees – Payment of INS fees is allowable if the fees are for paperwork required of the employer and not the employee. Allowable fees include payment for the I-129, the I-140, and the I-907. Payment for processing forms (for example, I-485, I-765, and I-539) required of the prospective employees are not allowable. The expediting fee for an H1B Visa may be paid from State funds if the salary source is State funds.
4. Payment for food/refreshments for Continuing Education classes/workshops – in the case of certain Continuing Education classes/workshops which are operated within State budget codes (Fund is 211xx and Source is 13001 or 13003 or between 13100 and 13999) and which are paid from participants' fees; there is an established procedure for payment of food/refreshments so long as it is part of the fee charged to participants. A trust fund must be established and the portion of the revenue which is to be used to pay for the food/refreshments must be deposited into the trust fund. Under no circumstances may these payments be made directly from the State budget code project.
5. Scholarships – Scholarships may be paid from State funds only if they are part of a legislatively approved and separately budgeted scholarship program.

Unallowable Purchases from State Budget Codes

There are some purchases that are specifically not allowed from State funds. Listed below is information about unallowable purchases.

1. The purchase of alcoholic beverages and "setups" is prohibited from State funds.
2. The purchase of items for personal use is prohibited.
3. The purchase of food, beverages, candy, snacks, break refreshments, etc. for consumption by employees or guests is prohibited from State operating funds under all circumstances other than those provided under University and State travel regulations. The travel regulations provide specific guidance as to allowable reimbursable expenses for meals when in travel status. State budget regulations do provide for the purchase of refreshments for coffee breaks not to exceed \$4.50 per person for meetings/conferences which are planned in detail in advance, with a formal agenda or curriculum, where there is a formal written invitation to participants setting forth the calendar of events and the detailed schedule of costs, and there are 20 or more participants per day.
4. Purchases of food, flowers, and plants are permissible when purchased for use in research, education, or for consumption by research animals rather than for decorative or personal use.

5. The purchase of medications (pain relievers, aspirin, etc.) and/or medical supplies for employees other than as may be required by federal or state regulations or for emergency first aid is not allowable.
6. The purchase of microwave ovens, coffee pots, refrigerators, or related items for personal office use is not allowable. This prohibition does not extend to equipment or supplies utilized for educational or research purposes or for equipment purchased for all employees' use in the outfitting of a building.
7. The purchase of plants or flowers (live or artificial) for decorative use in an office is prohibited.
8. The purchase or framing of pictures, art, diplomas, etc. for use in a personal office for decorative purposes is not allowed. Exceptions include the purchase/framing of motivational or informational wall hangings which are functional rather than an individual office.
9. The purchase of party items or other decorative items to decorate an office for an holiday or party or general decorative use including the purchase of balloons and other like items is prohibited.
10. The purchase of picnic tables for a department other than by Facilities Services as part of the campus maintenance function is not allowable.
11. The purchase of picnic items (paper plates, cups, napkins, forks, spoons, etc.) for office/employee use is not allowable.
12. The rental of portable water dispensers and the purchase of bottled water from State funds is not normally (see exceptions below) allowable and is considered a personal expense. In the event that the quality of the water in a campus building is in question, the department should call Environment, Health and Safety to have the water tested. Facilities Services may be contacted to determine if additional water fountains are needed in a campus building. A portable water dispenser may be rented or bottled water purchased using State appropriated or F&A funds only if there is a health or safety reason for the purchase. Examples would be if a temporary conditions existed where water quality in a facility was below State standards or when University personnel (for example, Facilities' personnel) are working in conditions where water is not available otherwise.
13. The purchase of gifts or flowers for an employee or non-employee is considered a personal expense and is not allowable.
14. The purchase of greeting cards or holiday cards is considered a personal expense and not allowable.
15. The purchase of personal clothing items or t-shirts which are not part of required uniforms or safety related is not allowable.

16. Moving expenses are not allowed from state funds.

State Budget Codes – Education and Technology Fees

The Educational and Technology Fee (EFT) is used for two major purposes:

1. The provision of equipment, supplies, and maintenance for departmental laboratories with specific curricular objectives, and
2. The provision of campus-wide student computer services.

These funds are State appropriated funds and must follow all State guidelines and must be used for the purposes above.

State Appropriated Carry-forward Funds

State appropriated carry-forward funds are State operating funds which have not been expended as of June 30 of a fiscal year and have been approved to “carry forward” as budget in the next fiscal year. Expenditures of these funds follow the same guidelines as normal State appropriated operating funds except that, with the appropriated approvals related to capital improvement budgets, and inclusion in the budget flexibility plan, funds may be transferred to capital improvement codes and used for renovation and/or new construction projects. Once transferred to capital improvement code, the carry-forward funds cannot be transferred back to an operating code.

Facilities and Administrative (F&A) Funds

Facilities and Administrative (F&A) funds are funds generated by contracts and grants activity used to support infrastructure and other research-related activities – commonly referred to as indirect costs. These costs are not readily identifiable with a particular project or activity, but are necessary to the general operation of the University and the conduct of the activities it performs. The costs of operating and maintaining buildings and equipment, depreciation, general and departmental administrative salaries and expenses, and library costs are examples of these types of expenditures.

Although classified as Institutional Trust Funds, expenditures from F&A funds must follow the same guidelines as those for State appropriated operating funds except that the funds may be transferred to the capital improvement budgets for use in renovations or new construction. The following table provides allowable F&A funds expense category:

Expense Category	Fund Authority Guidelines
Business Entertainment	Business entertainment should not be paid from F&A funds.
Employee Awards	Employee awards, including gift certificates, should not be paid from F&A funds.
Instructional Costs	Faculty salaries and other costs of instruction should not be paid from F&A funds.
Membership Dues	Membership dues are allowed based on departmental policy.
Moving Expenses	Moving expenses paid to or on behalf of faculty or research staff is allowable.
Office Appliances	Expenses for office appliances are allowed if the need is sufficiently documented.
Professional License and Certification Fees	Expenses for professional license and certificate fees are allowed
Scholarships and Fellowships	Scholarships and fellowships are allowable. A separate Source should be established to provide segregation of financial aid funds.
Training Grants	Training grants are allowable.

Institutional Trust Funds

Institutional Trust Funds include gift and other expendable funds derived from monies contributed to the University. Gift funds can include gifts received from individuals, corporations, affiliated foundations, and other organizations. These gifts are classified as either restricted or unrestricted. Some gifts are restricted (budgeted and expended) on a current basis based on the restrictions of the donor such as professorships, student financial aid, or other departmental programs. Sometimes the donor may or may not require detailed periodic accounting reports. Other gifts are unrestricted (budgeted and expended) on a current basis and such funds are held in reserve for the University or are internally designated for a specific use. Designation of funds by the University for a particular expense classification do not make the funds restricted.

Examples of other expendable funds include: monies collected by the University to support extracurricular activities of students, and monies received by the University pursuant to contracts with outside entities for the purpose of conducting research, training or public service programs, or to provide financial aid to students. The latter are commonly referred to as contractual services funding sources.

Institutional Trust Funds are considered expendable, which means the funds are immediately available for expenditure.

Institutional Trust Funds must maintain a positive cash balance unless prior approval has been obtained in writing from the Vice Chancellor for Finance and Operations or designee.

Auxiliary and Related Trust Funds

Auxiliary funds are another category of Institutional Trust Funds and result from the sales of merchandise and the rendering of services by self-supporting operations.

Auxiliary and similar operations include Patient Services, Residential Life, Student Union Services, Campus Dining, Student Health, Physical Education and Recreational Services, Parking and Transportation, other professional income (Faculty Physicians), and institutional auxiliary operations. Institutional auxiliary operations provide goods and services to University departments, as well as its customers. These institutional auxiliary operations include activities such as utility services, telecommunications, central stores, printing and copy centers, postal services, repairs and maintenance services. In addition, the University has other miscellaneous sales and service units that operate either on a reimbursements or charge basis. The funds generated from these activities are expended to meet the service mission of the department. Expenditures from auxiliary funds must follow the same guidelines used for State funds except when used for certain program related activities as noted in the individual auxiliary sections below. In all cases, State funds expenditure guidelines must be followed when using the funds for staffing an office or carrying on activities which are similar to State funded activities. No extra benefits, compensation, food, or any other item which could not be paid from State funds may be provided to University employees. The purchase of alcoholic beverages from auxiliary funds is prohibited except as noted below for University Dining.

Patient Services – is comprised of services provide by the Dental Faculty Practice and UNC Faculty Physicians. State appropriated funds guidelines for administrative-related operations for University employees must be used. The items purchased outside the State funds guidelines must be an integral part of the contracted services and appropriate for the program to which they are being provided.

Student Union Services – Must use State appropriated funds guidelines for administrative related operations for University employees. May purchase items falling outside the State funds guidelines for activities/programs for the benefit of students.

Campus Dining – Must use State funds guidelines for administrative related operations for University employees. May purchase items falling outside the State funds guidelines for program activities relating to students or for decorating the Dining Center facilities. May also purchase alcoholic beverages as needed if they are part of a recipe used in the Dining Services catering operation. (See vending receipts section below for additional information regarding expenditures.)

Parking and Transportation – Must use State appropriated funds guidelines except for items that are purchased as part of providing a specific service contracted and paid for by a department such as Housing or Athletics. The items purchased outside the State appropriated funds guidelines must be an integral part of the contracted service and appropriate for the purpose to which they are being provided.

Receipts from Vending Facilities Trust Funds

The term “vending facilities” includes both of the following: (1) any mechanical or electronic device dispensing items or something of value or entertainment or services for a fee, regardless of the method of activation, and regardless of the means of payment, whether by coin, currency, tokens, or other means; and (2) a snack bar, cafeteria, restaurant, café, concession stand, vending stand, cart services, or other facilities at which food, drinks, novelties, newspapers, periodicals, confections, souvenirs, tobacco products or related items are regularly sold. [N.C.G.S. 143-12.1(g), N.C.G.S. 111-42(d)]

North Carolina general statutes specifically restrict the use of vending receipts. The following uses of net proceeds from the operations of vending facilities are authorized:

1. Scholarships and other direct student financial aid programs;
2. Debt service on self-liquidating facilities;
3. Any of the following student activities if specifically authorized by the Chancellor:
 - Social and recreational activities for students residing in self-supporting University housing. However, expenditures for these purposes shall not exceed the amount of total net proceeds derived from vending facilities located in such housing facilities;
 - Special orientation programs for targeted groups of students (e.g., peer mentor program);
 - Operating expenses of scholarships and other student awards and honors programs.
4. Specified use of net proceeds as a condition of certain gifts, grants, or bequests. For example, a condition of a gift of a vending facility to the University might be that proceeds are to support some specific segment of the University.
5. Retention to provide for working capital, replacement of facilities and equipment, and other purposes to support the continuing, orderly operation of the particular self-supporting service operation.
6. Transfers to other self-supporting student service operations and authorized capital improvement projects, upon the written recommendation of the chancellor and subject to the written, advance approval of the president. [N.C.G.S. 116-36.4]

Contracts and Grants Trust Funds

Contracts and grants must follow all State appropriated funds guidelines, sponsor specific terms, and conditions noted in the awards documents unless excepted as noted below.

Exceptions to the State funds guidelines must be discussed with/approved by the Office of Sponsored Research. An example of an exception would include a Federal or Federal flow through specifically allowing for the payment of travel expenses at a Federal per diem rate (for example, for foreign travel) or allowances for food costs for seminars or workshops associated with the objectives of the award.

Contracts and grants may also be subject to Cost Accounting Standards (CAS) as set forth OMB Circular A-21 (Federal awards issued prior to 12/26/2014) and in Uniform Guidance (Federal awards issued after 12/26/2014 or continuation of awards issued prior to 12/26/2014 which are deemed as opportunities to significantly change the award terms/conditions). Cost Accounting Standards and other guidance in OMB A-21 and Uniform Guidance are applicable to Federal and Federal flow through awards as well as any other external funds referenced by the OMB A-21 or Uniform Guidance.

Remaining Available Balances from “Fixed Price” Contracts Trust Funds (Residual Funds)

Residual funds are funds from sponsored program awards that remain unspent at the conclusion of the grant period. Unless specifically restricted by the grantor, these are University unrestricted funds of the department and not for the direct benefit of an employee, and do not have a “gift component”. Expenditures of residual funds must follow the guidelines for State appropriated funds and expended to meet the service mission of the department.

Industry (non-governmental funds) Membership Centers Trust Funds

An industry membership research center must follow all State appropriated fund guidelines unless otherwise authorized in writing by the external Board which governs its activities. These memberships do not fall under the Cost Accounting Standards guidelines so long as they do not include governmental funds and are not being used as cost sharing Federal or Federal flow through funded activities. Examples of exceptions to State funded guidelines which may be approved include such things as the allowance for food costs for business meetings and seminars. Also, direct payment from the project of salaries for clerical/secretarial employees and related administrative costs which may not be permitted on many sponsored awards is permitted if approved by the Board.

Endowment Principal Funds

Endowment principal funds provided to the University, normally in the form of a trust or gift, where the principal is to remain intact (the gift exists in perpetuity) and is to be invested to produce income that may be expanded or reinvested. Endowments can be funded by one gift or several gift installments over

time. The income from the endowment, distributed annually, may be unrestricted or restricted for a particular purpose.

Expenditures are not allowable against these endowment principal funds. All endowment related expenditures must be made from *endowment income funds*.

Gift and Endowment Income Funds

Expenditures from gift and endowment income funds must be made prudently with the intent of the donor in mind and follow the restrictions set by the donor. Expenditures for alcoholic beverages should be strictly limited and must have the approval of the appropriate Director, Dean, or Vice Chancellor. The primary purpose of the expenditure must be for the benefit of the University and, therefore, not for the direct benefit of an employee.

Student Activity Fee Funds

Student activity fees may be expended for student activities including the purchase of items many of which may not be paid from State funds so long as a prescribed student budget allocation process is followed in the allocation of funds. The funds may not be used to fund activities for University staff or University staff offices which could not be purchased from State funds. No extra benefits, compensation, food, gifts, or any other items which could not be paid from State funds may be provided to University employees except where food is incidentally served to employees attending a student function. Expenditures for alcoholic beverages are prohibited.

Utilization of State-term contracts or State purchasing regulations is not required for student activity funds; however, good business practices are encouraged in expending the funds.

Patent Royalty Funds

Patent royalty funds are royalties derived from licensing of a patent. These funds must be used for support of research. They are flexible in nature and may be used like an unrestricted gift, including payment for items which could not normally be paid from State funds, so long as the funding is for the benefit of the University and not for the personal benefit of an individual.

Orientation Fees

Orientation fees are fees paid by students to fund the new students' orientation program. The fees may be used for payment of normal orientation expenses including food and refreshments for student attendees, orientation training (includes training retreats), and other expenses as necessary to provide a full orientation experience for students. Expenditures for alcoholic beverages are prohibited. The funds

may not be used for refreshments for University staff meetings or other business which is outside the confines of the retreat, orientation training programs, or orientation program.

Faculty Physicians Plan Funds

These funds include fees and other payments for services rendered by medical professionals under the University's approved practice plan. These funds may be utilized to maintain and/or improve the areas of teaching, research, public service, and support administration of the plan.

Agency Funds

Funds are classified as agency funds when the University is acting as an agent for these monies belonging to an external organization affiliated with the University. These are funds held by the University as the fiscal agent for student, faculty, and staff members, University-related foundations and organizations. These funds do not belong to the University and the University does not determine what they can be spent for except as follows:

1. The University requires a formal approval process to ensure, to the extent possible, that funds in these projects are not misused.
2. The funds should not be spent for any purpose which would be detrimental to the image of the University.

Funds held in a University-related foundation are transferred to University trust sources for spending.

Discretionary Funds

Discretionary funds, those funds that are not budgeted to be used for some specified purpose, can be used to meet a broad range of University needs. The flexibility that is associated with discretionary funds is vitally important to the University. At the same time expenditures of discretionary funds must be consistent with the general guidelines listed below.

1. Each expenditure of discretionary funds must be for a valid University purpose. These expenditures (whether for meals, travel, lodging, entertainment, official functions, gifts and awards, or memberships) must follow all University policies that apply to that type of expenditure and must be accompanied by appropriate documentation including receipt(s), purpose, date, location, and names of persons involved.
2. The very flexibility associated with discretionary funds means that determining the propriety of some expenditures will require judgment. In these cases, the prudent person test applies. The individual making the decision about the expenditure must be comfortable with the prospect

that the specific expenditure could come under the scrutiny of individuals outside the University.

3. Expenditures that confer a personal benefit upon the individual authorizing the expenditures are not allowable. Expenditures for items such as a retirement gift or an employee award that are authorized by one individual to be received by another are allowable.

Discretionary funds should come from unrestricted investment income and allocations from the respective Vice Chancellor.

Other Information

Expediting Fee for H1B-Visa Forms

Normal processing of an H-1B petition is lengthy. Petitioners may submit a request to expedite H-1B petition if they meet the criteria on U.S. Citizenship and Immigration Services Expedite Criteria webpage. <https://www.uscis.gov/forms/expedite-criteria>

Payments for expediting fees for H1B-Visa Forms may track the salary funding source so long as the payment is made for a business reason for the convenience of the University and not the employee, except that contracts and grant funds may not be used to pay the fee. The expediting fee is considered a business expense, specifically, a recruiting expense. Some examples of how the funding sources would track are as follows:

Salary Source

State funds
Contracts/Grants
Gift funds

Possible Funding Source for Expediting

State funds or discretionary funds
F&A funds or discretionary funds
Gift funds or discretionary funds

Various Related Documents and Excerpts from Documents

Appendix

- 1) North Carolina State Budget Manual
<https://www.osbm.nc.gov/state-budget-manual>
- 2) Finance Policy and Procedures
<https://unc.policystat.com/>

