

# Budget Entries Allowed under Management Flexibility Legislation

## REG07.15.01 Current Version

**Authority:** Chancellor

**History:** Placed in University Policy Manual after EXPEDITED REVIEW, transitioned without substantive change from prior version, March 25, 2013.

### **Related Policies:**

**Additional Resources:** University of North Carolina: Selection Criteria and Operating Instructions for Special Responsibility Constituent Institutions [UNC Policy Manual 600.3.1](#)

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## 1. Purpose

To establish guidelines and procedures for budget codes 16065 and 16066 to insure compliance with UNC Policy 600.3.1 Section A1 (g) and to aid the required audit of expenditures authorized under budget flexibility as required in Section A1 (h).

## 2. Definitions

2.1 Special Responsibility Constituent Institution (SRCI): Designation received by universities who qualify for privileges granted under the Management Flexibility Legislation.

2.2 Lapsed Dollars: Salary and benefit dollars lapsed due to vacancy in position or temporary move of person to a different funding source.

### 3. Budget Entries Authorized Under Flexibility Legislation

#### 3.1 Budget Entries Moving Lapsed Dollars to Operating Lines (i.e. Supplies, Equipment, Current Services, Temporary Employment, etc.)

##### 3.1.1 Requirements

These entries must be processed by the University Budget Office for Budget code 16065 and by DHS Budget Office for Budget code 16066.

a. Lapsed dollars generated by moving state-funded salary/benefit expenses may be spent as directed by the unit in accordance with state and university guidelines. This is to provide incentive for and encourage units and individuals to seek external funding or to provide operating support in the unit generating the lapsed dollars.

b. Lapsed dollars are used by the Graduate School to support graduate students via tuition remissions and awards. The Dean of the Graduate School makes these allocations after conferring with the Vice Chancellor for Research and Graduate Studies.

c. Faculty lapsed dollars may be used to conduct faculty searches for new faculty positions up to a maximum of \$2,500 per search. All costs related to the search are allowable, including advertising. If the cost related to searches exceeds the \$2,500 maximum, use of additional lapsed salary dollars requires the approval of the appropriate Vice Chancellor.

d. Lapsed dollars may be used to support temporary payroll expenses directly related to vacant positions where like duties are being performed.

Note: Faculty lapsed dollars may also be used to support honorariums, contractual salaries, or temporary faculty salaries directly related to academic or research activities. This may not always require a budget entry involving operating lines.

##### 3.1.2 Procedure

The Financial Support Team, a team consisting of administrative financial managers from each of the Universitys Divisions, will prepare a projection of lapsed dollars and recommendation of expenditure commitments (qualifying commitments are for non-recurring items consistent with the use of state appropriated funds). These recommendations are reviewed by the Universitys Executive Council (the Chancellor, Vice Chancellors and the Chancellors direct reports).

Projections are updated, and the status of funds available is communicated to the Executive Council throughout the fiscal year. Lapsed Salaries are reallocated in phases as projections indicate availability of funds.

The actual requests are reviewed and prioritized by the Chancellor and the Executive Council., In accordance with Section 600.3.1 Section A 1(g), the Chancellor has delegated authority to the respective Vice Chancellors to allocate his/her divisions funds among approved initiatives. If a Vice Chancellor determines that he/she does not have an approved initiative on which the funds can be spent by June 30, then he/she should notify the University Budget Director so that funds can be redirected centrally in a later phase. If this determination is not made in time for redirection, then the funds will be managed along with any other remaining University funds. The Vice Chancellor has the authority to redirect any funds under his/her delegation as long as the University Budget Office has prior notification and documentation. This money will be used to address remaining institutional priorities, any state reversion requirements or carry-forward targets established to support University priorities in the following fiscal year. (The expectation is that these reallocated funds will be spent by June 30 for approved initiatives.)

Prior to preparation of the annual Management Flexibility Report, the University Budget Office will request from divisions information regarding any redirections made at the division level.

3.2 Movement of Budget Between Purpose Codes (i.e. Instruction, Academic Support, Institutional Support, Student Support, Physical Plant, etc.)

#### 3.2.1 Requirement

These entries must be processed by the University Budget Office for 16065 and by the DHS Budget Office for 16066.

3.3 Permanent Moves of Budget Between Salary/Benefit Lines and Other Lines to Reduce/Abolish or Increase/Create Positions

#### 3.3.1 Requirement

These entries must be processed by the University Budget Office for 16065 and by the DHS Budget Office for 16066.

#### 4. Budget Entries Not Allowed Under Flexibility Legislation

These funds may not be used to support regular salary and/or benefit

payments to permanent employees.

#### 5. Review by Internal Audit

UNC Policy requires each SRCI institutions Chancellor to review an annual internal audit report on expenditures authorized under flexibility. ECUs Internal Audit staff will perform this review and submit a report to the Chancellor. To facilitate this process, units must maintain and be able to provide appropriate documentation supporting all expenditures from these lapsed dollars. (This would include purchase orders, travel information, etc.)

#### 6. Review of PRR

This regulation will be reviewed periodically for ways to improve efficiency and effectiveness.