



**NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**  
*Dr. R. Scott Ralls, President*

August 21, 2008

**FOR YOUR INFORMATION**

**MEMORANDUM**

**TO:** Presidents  
Business Officers

**FROM:** Kennon D. Briggs  
Vice President of Business and  
Finance and Chief Financial Officer

**SUBJECT:** Amendment to the Accounting Procedures Manual: Section X. Overhead Receipts

On Friday, August 15, 2008, the State Board of Community Colleges (State Board) amended Section Four, Subsection X of the Accounting Procedures Manual (APM) to make clear the authority of colleges to use overhead receipts for the payment of audit costs, and for grants administration and student services. It is the purpose of this memorandum to clarify the actions of the State Board.

**Background**

Over the past three years, the Division of Business & Finance (Division) has received comments and concerns from college chief financial officers (CFOs) about the ability of the colleges to pay increasing costs associated with the “Single Audit Act”; the lack of fund availability to provide services of direct benefit to students; and, more flexibility with respect to the use of overhead receipts<sup>1</sup>. In response to these concerns, staff in the Division worked both internally and externally

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**E-mail**

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<sup>1</sup>:Overhead Receipts” are funds as indirect costs funds earned from the administration of a contract or federal grant (where allowable), by a governmental entity.

with a group of ten CFOs of urban and rural, large and small colleges, to craft new language in the APM that would provide for more flexible use of resources, and to provide even more student services opportunities. This group included the president of ACCBO among the participants. The “draft” language was revised at least three times.

Once consensus was reached among the group, revised language was taken in July 2008 to both the Finance Committee of the Presidents’ Association, where it received unanimous approval, and to the full Presidents’ Association, where it also received approval.

### **Clarification of the Authority to use Funds**

The proposed changes to the APM are summarized as follows:

1. From the 25 percent unrestricted portion of overhead receipts, colleges may pay for costs associated with the financial audit required under the “Single Audit Act.” In addition, if colleges have insufficient funds within this portion to do so, colleges may use state funds to pay costs billed by the State Auditor.<sup>2</sup> Further, if equipment purchase was allowed under the terms and uses of the grant generating the receipts, equipment may be purchased using this same fund source. Local boards of trustees need only approve uses of funds once, and not revisit that unless the uses change.
2. From the 75 percent restricted portion, permissible uses have been expanded to include student services, grants administration. “Student services” have been customarily defined as the 510 budget purpose in the “Chart of Accounts” portion [Section 3] of the APM.
3. A definition of the “fund balance” is provided for clarity.

### **Final Language Adopted by the State Board**

The following language was adopted by the State Board:

#### **X. Overhead Receipts**

##### **Authorized Use of Overhead Receipts**

All amounts earned by a college as overhead receipts, indirect cost allowances subject to OMB circulars, reporting fees or other similar items, shall be divided into two parts: Unrestricted and Restricted.

The first part will be called Unrestricted, and is calculated to be twenty-five percent (25%) of the total amount received each year. This unrestricted portion may be used for purposes directly benefiting students, and for the costs associated with the “Single Audit Act”, as billed by the State Auditor. In the absence of sufficient unrestricted receipts, **the College may use state funds** to pay audit costs billed by the State Auditor. If there are costs incurred related to a county Presidents

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<sup>2</sup> The use has been approved by the Office of State Budget & Management [April 23, 2008]

audit, they should be paid from county funds. These purposes shall be approved by the college's board of trustees only once, unless the purposes are changed. Funds cannot be approved for any purpose under Plant Funds, since renovation or construction are generally not among the items allowed in the original grants responsible for generating overhead receipts. If equipment was permitted under the original grant, equipment may be purchased with the unrestricted portion only.

The second part will be called Restricted, and is calculated to be seventy-five percent (75%) of the total amount received each year. This restricted portion may be used for the following:

1. Publications containing financial aid and other student services information.
2. College Work-Study matching or continuation of the College Work-Study Program after regular funds have been exhausted
3. Salaries and related fringe benefits in financial aid, business office, grants administration or student services, which are necessitated by grants earning overhead receipts. (Supplements to regular salaries are not permitted.)
4. Supplies and materials for use in either the financial aid office, business office, grant administration or student services which are related to the grants providing the overhead receipts.
5. Travel of persons in the financial aid office, student services or others who are responsible for administration of grants providing overhead receipts.
6. Membership dues or fees paid to financial aid and student services associations.
7. Service fees paid to billing and collection services.

Requests to spend the Restricted portion (75%) of overhead receipts for any purpose not listed above must be submitted in writing to the North Carolina Community College System Vice President of Business and Finance.

### **Special Provisions**

The fund balance that accumulates from year-to-year in Overhead Receipts restricted, and is available for uses as described in the second part above. Funds should be transferred out of the Overhead Receipts Fund to other appropriate funds to be expended.

*Effective July 1, 2008*

Mrs. Brandy Andrews, Manager of State Funds, will update the Accounting Procedures Manual shortly to reflect these changes.

/kdb