STATE OF WISCONSIN
DEPARTMENT OF HEALTH SERVICES
DIVISION OF ENTERPRISE SERVICES
BUREAU OF FISCAL SERVICES

ACCOUNTING POLICY AND PROCEDURES (APP) MANUAL

TOPIC: Section 5 – Budget Control 1.A	EFFECTIVE DATE: 02/02/2012
TITLE: Managing Appropriations and Spending	REVISION DATE: 2/20/2017
AUTHORIZED BY: Deputy Director, Bureau of Fiscal Services	

BACKGROUND

Under Wis. Stat. § 20.903 (1):

> "…no state agency, and no officer or employee thereof, may contract or create, directly or indirectly, any debt or liability against the state for or on account of any state agency, for any purpose, without authority of law therefor (sic), or prior to an appropriation of money by the state to pay the debt or liability, or in excess of an appropriation of money by the state to pay such debt or liability. Any arrangement made by a state agency, or any officer or employee thereof, with a vendor or contractor to deliver merchandise or provide services and inordinately delay the billing for such merchandise or services for the purpose of circumventing budgetary intent is a violation of this subsection. Unless otherwise empowered by law, no state agency may authorize, direct or approve the diversion, use or expenditure, directly or indirectly, of any money or property belonging to, or appropriated or set aside by law for a specific use, to or for any other purpose or object than that for which the same has been or may be so set apart."

Under Wis. Stat. § 16.72 (4) (a):

> "…as provided in this subchapter, all supplies, materials, equipment, and contractual services shall be purchased for and furnished to any agency only upon requisition to the department. The department (DOA) shall prescribe the form, contents, number, and disposition of requisitions and shall promulgate rules as to time and manner of submitting such requisitions for processing. No agency or officer may engage any person to perform contractual services without the specific prior approval of the department for each such engagement."

Wisconsin Administrative Code ADM 5.02 Definitions:

> "(2) 'Requisition' means the internal agency information, generated or reproduced by any means, that defines the desired material or services, provides internal accounting information and grants the internal agency authorization for the expenditure."

The purpose of this bulletin is to summarize the process and expectations for monitoring and controlling the appropriations, spending and funding.

POLICY

Managers and staff of the Department of Health Services (DHS) are responsible to administer funds within their control in accordance with Wis. Stat. § 20.903 (1). DHS managers and staff shall manage fiscal commitments and all spending within the limits of the appropriations from which they are authorized to spend. The limits include the amount appropriated, the period for which the funds are appropriated, and the purpose for which the funds may be used.

Each division and office shall have sufficient and effective processes in place to ensure that:

1. Appropriation laws and limits are enforced.
2. Justifications for expenditure of funds are sufficient and document that the expenditure meets budget intent.
3. All purchases and/or contracts meet the State of Wisconsin's purchasing and/or contracting policies, rules and regulations and, when applicable, federal rules and regulations.
4. There is sufficient available and appropriate budget authority to proceed with the commitment or expenditure of funds. Such verification of funding must occur prior to DHS committing or expending the funds.

PROCEDURES

1. Purchase requisitions shall be processed through standard procedures and subject to appropriate review **prior** to authorizing work, shipment of goods or provision of services. Divisions/offices shall submit to the Bureau of Procurement and Contracting (BPC) and the Bureau of Fiscal Services (BFS) requisitions or comparable documentation detailing what they need to acquire and, to the extent known, the expected cost of the goods or services, the proposed contract, the proposed vendor(s), how the vendor was selected, and the funding for the purchase. The requisition shall include approval from the appropriate level of division/office management. BPC shall review the requisition to ensure items have been procured in the appropriate competitive manner and that purchases meet applicable standards. BFS shall review the proposed funding to verify that such funding is appropriate, available, and allowable.
2. To support timely and effective budgetary control and ongoing monitoring, encumbrances shall be entered into the State Accounting System at least weekly and prior to release of purchase orders to vendors. Encumbrances record the commitment of funds and must be documented by signed contracts, purchase orders, printing orders or comparable documentation. Encumbrances are generally reduced as expenditures and recorded against the related purchase order. In some instances, such as when all payments against a purchase order have been made but a balance remains, encumbrances are reduced other than through expenditure processing. Transactions to reduce encumbrances other than through expenditure processing should be processed in a timely manner, at least monthly through submitting requests for purchase order closure to BPC. This improves the reliability of available budget balances within the accounting system.
3. Contracts and grant agreements outside of the procurement process must have sufficient, appropriate, and documented funding prior to entering into such contracts or grant agreements with vendors/grantees. Such contracts and grant agreements shall not be entered into the State Accounting or payment systems prior to BFS review and approval that the funding is appropriate, available, and allowable for the intended use (see DHS APP Section 15 – Contract Administration 4.0).
4. Funding/budget sufficiency and the appropriateness of the planned expenditure must be determined prior to contracting or creating liabilities.
    - Divisions/offices should use available State Accounting System (STAR) and DHS budget monitoring tools and processes. These include, but are not limited to, BFS quarterly projections, spending plans developed by the divisions/offices, monitoring of projects and cost centers within STAR and use of available accounting system queries and reports.

Division/office staff responsible for committing funds are responsible for understanding state budget requirements/concepts and how they apply. The requirements are available from the Wisconsin Accounting Manual (WAM), from the Office of Policy Initiatives and Budget (OPIB) or

your BFS lead accountant. **(See Appropriations Types, Operating Budget Controls and Allotment changes in** Section 3 subsections 1, 2, and 3 of the WAM):

- In order to determine appropriateness and sufficiency of funding, it is necessary to determine which appropriations will be charged for the costs and whether the funding is GPR (general-purpose revenue: state funds), PR (program revenue) or PR-F (federal funding). PR and PR-F appropriations must have both sufficient budget authority and sufficient anticipated revenues to support the expenditures. Your BFS lead accountant can assist in determining correct coding.
- Divisions which use a spending plan to manage some or all appropriations must identify how a commitment "fits" within its spending plan.
- If there are questions about the appropriateness or availability of funding for a planned expenditure, please contact your BFS lead accountant for assistance.

5. GPR appropriations are expendable only up to the amount and for the year(s) identified in the budget schedule (Wis. Stat. § 20.005) as enacted by the Legislature and approved by the Governor.
6. Federal appropriations must be managed within the federal grant awards and state appropriation authority. Your BFS lead accountant can assist in determining available funds. (See also DHS APP Section 5 – Budget Control 3.0.)
7. Divisions are encouraged to establish and document their specific procedures to assure appropriate controls over commitment of funds.

REFERENCES

DHS APP Section 15 – Contract Administration 4.0 (Standard Procedures for Developing, Issuing and Processing Aids Contracts)

DHS APP Section 5 – Budget Control 1.0 (Administering GPR Annual Appropriation Laws and Year-End Encumbrance Policies)

DHS APP Section 6 – Purchasing 3.0 (Purchasing Processes and Transaction Thresholds)

ATTACHMENTS

Managing GPR, PR, and PR-F Appropriations

CONTACTS

Director, Bureau of Fiscal Services

Deputy Director, Bureau of Fiscal Services

Lead Accountant , Bureau of Fiscal Services

ATTACHMENT
Managing GPR, PR, and PR-F Appropriations

Goals
The process for monitoring and controlling the GPR, PR, and PR-F appropriations) and associated federal funding is intended to achieve the following goals.

- The overall process should be effective to (a) keep spending within budgeted funding levels; (b) inform management of fiscal options and consequences of making competing program decisions; (c) facilitate decision making to ensure that new commitments are, if necessary, offset with expenditure reductions; and (d) support the division in fulfilling its mission.
- Information on commitments, funds spent, funds available, etc., needs to be complete and accurate as possible to support good decision-making.
  - The roles and responsibilities of each party involved in the budget development, monitoring, and expenditure control processes should be clear and accountable.
- All parties should share information, raise potential issues respectfully, and work to resolve differences in an open and collegial manner.

The Process described below serves as a model for those designated appropriations that are managed and monitored more formally and intensely.

Core Monitoring Team
A Program division, Division of Enterprise (DES) and OPIB (Office of Policy Initiatives and Budget) Core Monitoring Team should be established. The team can consist of:

Division	BFS	OPIB
		Budget Director
Bureau or Section Chief	Chief, Managerial Accounting Section	Team Leader
Staff assigned to Appropriations	Accountants assigned to appropriations	Budget Analyst

Projections
On a monthly or quarterly basis, projections provided by BFS and or State Accounting System reports should be reviewed by the Core Monitoring Team for selected GPR, PR, and PR-F appropriations. These projections will help divisions to monitor expenses and encumbrances and keep spending within budget-approved level.

Process for Planning for and Monitoring Expenditures
Spending Plan – At the beginning of the fiscal year, Divisions, OPIB, and BFS will develop a spending plan for the designated GPR, PR, and PR-F appropriations. The plan will be presented to the division administrator for review and approval. The plan submitted for approval shall not exceed the amount provided in the biennial budget. Should needs exceed available budget, spending reductions and/or additional funding must be in process prior to committing additional funds. BFS will encumber funds during the year as requisitions and/or resource directives are approved within the annual spending plan.

Changes to Spending Plan – to increase controls over spending from GPR, PR, and PR-F appropriations the following should occur.

1. All commitments of funds will be documented in the accounting system. DHS requires requisitions/purchase orders (POs) for most procurements greater than $5,000. All requisitions/POs should be entered into the State Accounting System prior to the release of the PO to the contractor. A commitment of funds occurs when DHS authorizes a vendor to provide goods or services.
   - Division staff will prepare a resource directive or requisition, as appropriate.
   - Where the directive/requisition is committing new/additional funds, the directive/requisition shall so note and a modified or new purchase order will be generated and entered into the accounting system. The spending plan will be updated as appropriate.
2. When there is insufficient funding within the GPR appropriation(s) for a resource directive or a requisition, Division, OPIB and BFS staff will identify options to reduce spending and/or provide increased/alternative funding (aka fix plan).
3. The division administrator has final authority to approve a requisition or resource estimate. Work will not be authorized until and unless the division administrator has reviewed and approved the resource directive/requisition.
4. The Core Monitoring Team will document results of meetings and will maintain a list of issues affecting projections which are pending resolution. The listing will summarize the issue, options for resolution and the person/organization responsible for resolving.
5. BFS will establish a shared directory where division, OPIB and BFS managers, and staff who are part of monitoring/managing these appropriations can access the projections and associated issues. The projections will be updated periodically.