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: 02/18/2015
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 5.01 Authority:

> "Section 16.72 (4) (a), Stats., requires that the department receive all requisitions for purchases by state agencies and provides the department with the authority to establish rules regarding the submission of requisitions."

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 Strategic Sourcing (BSS) 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 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. BSSshall review the requisition to ensure items have been/will be procured in the appropriate competitive manner and that purchases meet applicable standards. BFS shall review the proposed funding to verify that such funding is both appropriate and available.

2. To support timely and effective budgetary control and ongoing monitoring, encumbrances shall be entered into the DHS accounting system at least weekly and prior to release of 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, as 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 DHS accounting or payment systems prior to BFS review and approval that the funding is appropriate and available 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 DHS budget monitoring tools and processes. These include, but are not limited to, BFS quarterly projections, spending plans developed by the divisions/offices (such as the appropriations 401/412/414 spending plan), monitoring of projects and cost centers within the DHS accounting system and use of the DHS Queries and Fiscal Menu add-in to Excel (see http://dhsweb.dhs.wistate.us/Fiscal/ACCT-SVC/index.htm).

   - 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 Office of Policy Initiatives and Budget (OPIB) or your BFS lead accountant. Written operating budget requirements and policies are available on the DHS WorkWeb. (See the Operating Budget Instructions at the bottom of the WorkWeb fiscal page: http://dhsweb.dhs.wistate.us/Fiscal/BUDGET&FINS/index.htm.)

   - 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.

   The Division of Health Care Access and Accountability (DHCAA) procedures for its administrative funds have been documented and are attached.

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 1.2 (Encumbrance Processing)
DHS APP Section 6 – Purchasing 3.0 (Purchasing Processes)

ATTACHMENTS

Managing DHCAA Administrative Appropriations

CONTACTS

Director, Bureau of Fiscal Services

Deputy Director, Bureau of Fiscal Services

Lead Accountant , Bureau of Fiscal Services

ATTACHMENT

Managing DHCAA Administrative Appropriations

Goals
The process for monitoring and controlling the DHCAA administrative appropriations (401, 412,419 and 414) and associated federal funding is intended to achieve the following goals.

- Effective. The overall process: (a) keeps spending within budgeted funding levels; (b) informs management of fiscal options and consequences of making competing program decisions; (c) facilitates decision making to ensure that new commitments are, if necessary, offset with expenditure reductions; and (d) supports the division in fulfilling its mission.
- Quality Information. Information on commitments, funds spent, funds available, etc., is complete, accurate and timely to support good decision making.
- Efficient and manageable. The monitoring and control process is streamlined and understood by those responsible for steps within the process. The process facilitates timely decisions and is not weighed down by unnecessary or confusing activities/paperwork.
- Accountable. The roles and responsibilities of each party involved in the budget development, monitoring and expenditure control processes are clear, with well-understood benchmarks for assessing performance.
- Transparent. All parties share information, raise potential issues respectfully and work to resolve differences in an open and collegial manner.

Core Monitoring Team
A DHCAA/DES (Division of Enterprise Services)/OPIB Core Monitoring Team will meet no less often than monthly to monitor expenses in the four DHCAA administrative appropriations: 401, 412, 419 and 414. The Bureau of Fiscal Services (BFS), with assistance from DHCAA and OPIB, will prepare and distribute projections in advance of each meeting. The team will consist of:

DHCAA	DES/BFS	OPIB
		Budget Director
Director, BOC	Chief, Managerial Accounting Section	Medicaid Team Leader
BOC staff assigned to Appropriations	Accountants assigned appropriations 401/412/414/419	Medicaid Admin Budget Analyst

Projections
On a monthly basis, the Core Monitoring Team will provide the DHCAA and DES administrators a summary of the projection for the DHCAA administrative appropriations. These projections will be a standing agenda item at the DHCAA-DES monthly meetings. Additionally, projections will be issued for these appropriations in a manner, format and timing (roughly quarterly) similar to the projections done for all other GPR administrative and certain PR appropriations.

Process for Planning for and Monitoring Expenditures
Spending Plan – At the beginning of the fiscal year, the three divisions will develop a spending plan for the administrative appropriations. The plan will be presented to the DHCAA administrator for review and approval by the end of July. 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 the DHCAA general purpose revenue (GPR) administrative appropriations:

1. All commitments of funds will be documented in the accounting system. Purchases below $100 or appropriate to procure on the State of Wisconsin P-Card are excluded from this requirement. (Note that the current threshold established by DOA for purchases not requiring a requisition is $1500. However, until the transparency requirements under Act 32 for all transactions greater than $100 have been sorted out, changing the requisition threshold is not recommended.) A commitment of funds occurs when DHS authorizes a vendor to provide goods or services.

    - DHCAA staff will prepare a resource directive or requisition, as appropriate.

    - If the work will be funded from existing amounts committed on an existing purchase order, DHCAA will so note. For example, DHCAA has generally issued a large purchase order at the beginning of each fiscal year to HP. As specific work is agreed upon, a resource directive is issued to document what is being done and what DHCAA has agreed to pay, but there is no need to change the purchase order established at the start of the year. Provided the sum of all resource directives issued for a particular state fiscal year do not exceed the purchase order issued in July, no change in the purchase order (or the spending plan) would be needed.

    - 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.

    - While purchase orders are not required for purchasing goods or services from other state agencies, to better manage funds in appropriations 401/412/414/419, purchase orders shall be cut and entered for all purchases greater than $5,000 from other state agencies. In addition, to better managing funds within the appropriations, use of purchase orders simplifies the payment process and assists in identifying balances with other state agencies (such as the Center for Health Systems Research and Analysis), which are potentially available to be redirected.

    - Requisitions shall be processed through standard procedures prior to authorizing work or shipment of goods. A resource directive may be used in lieu of a requisition when it contains the needed information on what is being purchased, from whom and at what expected cost. DHCAA will submit the requisition or resource estimate to the Bureau of Strategic Sourcing (BSS) and BFS for review prior to final DHCAA final approval.

        - BSS will review the requisition or resource estimate to assure that the acquisition of goods or services complies with applicable state law, DOA requirements, and procurement and contract terms.

- o BFS will review the requisition or resource estimate to determine whether the proposed funding is adequate and appropriate.

The results of the BSS and BFS reviews will be communicated to DHCAA within three business days of receiving the requisition or resource estimate.

2. When there is insufficient funding within the GPR appropriation(s) for a resource directive or a requisition, DHCAA, OPIB and BFS staff will identify options to reduce spending and/or provide increased/alternative funding (aka fix plan).

3. The DHCAA administrator has final authority to approve a requisition or resource estimate. Work will not be authorized until and unless the DHCAA administrator has reviewed and approved the resource directive/requisition.

4. DHCAA will maintain an invoice tracking tool that provides information on the invoices received by month and the payment or dispute status of those invoices. That tracking tool will be shared with the DES/OPIB monitoring team to manage invoice payment timeliness and the completeness of projections.

5. 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.

6. DES will establish a shared directory where DHCAA, OPIB and DES managers and staff who are part of monitoring/managing these appropriations can access the 2011-2012 projections and associated issues. The projections will be updated monthly and will be named with the data of the monthly projection meeting.