

Basic Financial Principles for Agency Managers

Key budget and control information

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The purpose of this information is to provide a basic fiscal introduction for agency managers. There are a number of resources that managers should consult in order to understand specific budgetary controls. Some of these include each agency's internal fiscal area, the Office of Budget and Management's State Accounting division (644-5759), and the agency budget analyst from the Office of Budget and Management (466-4034). Two specific documents are particularly helpful for additional information:

Information-Action Manual (I-AM). This manual is published by the Office of Budget and Management's State Accounting division. The I-AM provides easy access to essential information for agency personnel involved in fiscal operations. Agencies may download sections of the Information-Action Manual from the Office of Budget and Management's website at <http://www.obm.ohio.gov/sa/iam/>.

CAS Manual Procedures. CAS Manual Procedures contains the general processing requirements for documents within Ohio's Central Accounting System (CAS). This manual also shows reports and on-line inquiries available from CAS. Agencies use these inquiries and reports for day-to-day processing and for assistance in making fiscal management decisions. The CAS manual procedures are available on-line at <http://www.obm.ohio.gov/sa/casproc/>.

Key Principles

The following represent some key principles regarding the state's financial policies and operations. While these may not be absolute for all circumstances, they represent good basic rules.

- **Disbursements are limited to available cash in a fund.**
The state has over 900 different funds. Cash must be available in a fund before any payment can be disbursed. CAS allows agencies to verify available cash in a fund. While the appropriation amount represents the ceiling for spending from the fund, ultimately CAS will not process a payment if there is insufficient cash.
- **Spending is limited to the amount of appropriation authority (ORC 131.33).**
The Office of Budget and Management (OBM) must certify that there is available appropriation authority before dollars can be encumbered or payments authorized. It should be understood that *appropriation authority* is different than *available cash*. Cases may arise when an agency has cash on hand and no appropriation authority or appropriation authority but no cash on hand. In either case, system edits will prohibit spending unless both cash and appropriation are available.

- **Spending must benefit the agency and not another agency (ORC 131.331).**
 When the General Assembly makes appropriations, those spending authorizations are designated for a specific agency. Document review by OBM's State Accounting division verifies which agency is benefiting from a purchase.
- **Spending must be appropriately based on line item purpose.**
 The line item number has meaning. 100 can be used only for personal services, 200 can only be used for maintenance expenses. 300 can be used only for equipment. 321 can be used for any operating expense, but not subsidy expenses. The 400 series refers to special purpose accounts. 500 series line items designate subsidy accounts and operating expenses can not be paid from those items. Similar rules apply for other line items. Line item names are also important. Spending must be consistent with the name and definition of the line item.
- **Spending must be for public purposes generally.**
 The state must receive something in return for its expenditures and subsidies must be properly authorized and consistent with the agency's purpose. The state does not make charitable contributions, purchase alcoholic beverages for consumption, or allow expense accounts or "entertainment" expenses. Agencies' purchases must be for public purposes and must be consistent with their mission and legal authority.
- **Transactions must comply with applicable laws and rules.**
 All purchases must follow and adhere to state purchasing laws, regulations, and policies. Certain contractual relations are prohibited with certain campaign contributors (ORC 3517.13). Purchases must also comply with the applicable purchasing laws, Controlling Board laws and procedures, the state travel rule, printing laws, and other laws and rules. Consult with agency purchasing experts or the Office of State Purchasing at the Department of Administrative Services for more information.
- **Bills must be paid promptly (ORC 126.30).**
 Generally, the state must pay its bills within 30 days or the state is required to pay interest accrued to those to whom payment is due.
- **Payments may not be made in advance.**
 The state pays for goods and services only after they are received.
- **Goods and services are paid for in fiscal year received.**
 The state avoids shifting obligations between fiscal years.
- **Payment can not be made without a proper Federal ID number (W-9).**
 The Internal Revenue Service has become increasingly strict with Ohio regarding the state's verification for accuracy of vendor identification numbers. OBM does

not process payments to anyone who does not have a W-9 on file with the State Accounting division.

- **Travel Reimbursement must be in compliance with the state's travel policy.**
The OBM Travel Policy, including rates of reimbursement and limitations, along with a link to a summary of Rule 126-1-02 of the Ohio Administrative Code can be found at <http://www.obm.ohio.gov/mppr/travel.asp>.
- **Agencies must not issue un-bid contracts to any vendor who has contributed more than \$500.00 to the Governor's campaign.**
Review ORC 3517.13 for details about restrictions for vendors who have made campaign contributions.
- **Agencies must not do business with vendors who have not completed the Declaration of Material Assistance form.**
Review Senate Bill 9 of the 126th General Assembly, for detailed information regarding the requirements.