

<b>Maricopa County Policies and Procedures</b>	<b>Subject: Accounting for Expenditures Against Revenue Sources</b>	<b>Number: A2503 Issue Date: 05/00</b>
<b>Approved: <i>David R. Smith</i></b>	<b>Initiating Department: Department of Finance</b>	

### A. Purpose

Provides procedures to ensure that all financial activity is accounted for in an accurate and timely manner, as set forth in the budget adopted by the Board of Supervisors, all appropriate grant agreements, and other governing authorities. This will help ensure the integrity of our periodic financial reporting.

The budgetary process for governments is critical because of the public nature of the process and the fiduciary responsibility of public officials. The budget approved by the Board of Supervisors is a plan to ensure fiscal integrity, incorporating sound financial forecasting, and serves as a basis for control and evaluation.

The monthly variance analysis, reported to the Board of Supervisors, is intended to identify and correct negative budget variances early so that the problems do not become unmanageable at year-end. Excessive shifting of transactions from one part of the budget to another, particularly when the shifts occur months after the fact, undermines the County's budget monitoring and forecasting processes, and increases the risk that negative budget variances will go undetected and uncorrected.

### B. Policy

This Finance Department Policy reinforces Budget policies, **B1001, Lump Sum Budgeting Policy, and B1006, Annual Policy Guidelines for Development of the Fiscal Year Budget**. This policy is designed to ensure that Federal/State Awards, Special Revenue Funds, and Special Districts bear their legal share of the cost of providing County services in all cases where the terms of the awards or State or Federal law so provide.

Departments and Special Districts are required to develop and submit detailed calendarized revenue and expenditure budgets that are loaded into the County's central accounting system. These calendarized budgets are prepared by organization, object code and position per instructions developed by the Office of Management and Budget. A department's financial performance against their budget is monitored, reviewed, and reported to the Board of Supervisors on a monthly basis. Departments, which report a negative variance at month-end, are required to develop a plan to correct the deficiency per B1001.

All expenditures budgeted to be paid from non-County funds must be charged to such funds, unless prior approval is obtained from the Office of Management and Budget and the Department of Finance. All original transactions and expense reclassifications must be done in accordance with the planned budget calendarization.

This policy specifically prohibits:

- The reclassification of expenditures between funds for the purpose of preserving grant or special revenue funds at the expense of the General Fund. Expenditures budgeted to be paid from non-General Fund sources must be paid from such funds unless prior approval is obtained from the Office of Management and Budget and the Department of Finance.
- Charging grants or special revenue funds for inappropriate expenditures in order to remain within the General Fund budget. As noted above, grants and special revenue funds should be charged on a monthly basis to ensure that the variance reporting is as accurate as possible.

**C. Procedures**

1. To the fullest extent possible, personnel costs as well as supplies, services and capital should be charged directly to the grant or special revenue fund. Allocations through journal vouchers should only be used when necessary and require supporting documentation. The actual financial expenditures and revenues should be reported in the same way and same month that the calendarized budget anticipated their recording.
2. Allocated expenses and any administrative overhead must be reclassified to the appropriate fund and agency on a monthly basis. If actual expenses cannot be allocated in a timely manner, an estimate can be used. However, the department must adjust all monthly estimates to reflect their actual allocations before the end of the next month-end close.
3. Any change in the funding source of planned expenditures from a non-General Fund to the General Fund must have the prior approval of OMB and Finance.
4. Any year-end reclassification of expenditures between funding sources must be adequately supported and approved by a Finance department manager prior to submittal for processing.

Any questions regarding this policy should be submitted to the Financial Reporting section of the Department of Finance.