STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUDGET OFFICE
One Capitol Hill
Providence, R.I. 02908-5886

To: Department Directors and Agency Heads

From: Rosemary Booth Gallogly
Executive Director/State Budget Officer RBG

Date: June 26, 2006

Subject: **IMPORTANT - RIFANS Budget Accountability**

As you all know, the State will begin using the RIFANS system on July 1, 2006. During the development process, the Department of Administration reviewed its business practices to assess the routing of documents, and the role each person played in the process.

In the past, the Budget Office invoked one of the allowable, but not statutorily required, duties of the Budget Officer, to review all expenditures over $5,000. Section 35-3-24 gives responsibility of budgetary control to the department and agencies heads and their employees. The practicality of this Budget Office review both in terms of expenditure control and timeliness of processing was reconsidered. For the future, Budget Office resources will be allocated to more productive analysis and activities that can not be performed elsewhere in State government.

You should be aware that the "procure to pay" system in RIFANS incorporates Budget Office approval for expenditures for vehicles, and expenditures funded from bonds, and COPS. Each Agency will be internally responsible for ensuring that expenditures authorized by their respective agency are consistent, and funded within the legislatively enacted budget. You should **NOT ASSUME** that your Agency WILL BE PROVIDED A SUPPLEMENTAL APPROPRIATION FOR OVERSPENDING!!!

As always, the Budget Office will be engaged in the considerations of Authorized Red Balances, payroll encumbrances and other adjustments to encumbrances. We will not be in a position to expand general revenue funding authorizations except in rare instances; for this to occur, I will be requiring extensive documentation concerning any over expenditures at the category level or lower. For other fund sources, please be aware that we are encountering increased resistance from the Legislature and the Auditor to modifications to enacted authorizations outside of the appropriation process. For this reason, it is important that, to the extent possible, eligible costs are charged to the correct accounts upon origination, and that the reliance on complicated post-expenditure adjustments should be minimized. Similarly, it is essential that your program managers forecast federal and restricted grant awards in advance in order to identify them in recommended appropriations sufficiently in advance of budget enactment.

Each individual in your agency designated as an approver is critical to your success in maintaining budget integrity. Section 35-3-24 clearly states that department and agency heads and their employees are responsible for ensuring that expenditures do not exceed appropriated levels and are expended in accordance with state law. Section 35-3-24 (d) and (e) provide for disciplinary action or fines for those who knowingly and willingly expend funds in excess of appropriations.

The RIFANS system provides a detailed diary of each transaction, including who acted on each step of the transaction. All staff in the approval chain will be held accountable. Program managers and Chief Financial Officers should be held accountable for their administration of their respective budgets. Everyone in your agency should be reminded of the importance of their approver's role. Also, approvers who are line accounting and procurement staff should not be put in an uncomfortable position of having to refuse a request from a manager to process documents that will cause the agency to exceed the enacted budget.

We fully understand that unanticipated events occur during the operating year that require an unplanned commitment of funds. The Agency's commitment of funds must be in a manner that is accountable to the taxpayers of our State.

RBG:sm06-21
Attachment
cc: Chief Financial Officers
Budget Analysts

TITLE 35
Public Finance

CHAPTER 35-3
State Budget

SECTION 35-3-24

§ 35-3-24 Control of state spending. – (a) All department and agency heads and their employees are responsible for ensuring that financial obligations and expenditures for which they have responsibility do not exceed amounts appropriated and are spent in accordance with state laws.

(b) Persons with the authority to obligate the state contractually for goods and services shall be designated in writing by department and agency heads.

(c) In the event of an obligation, encumbrance, or expenditure in excess of amounts appropriated, the department or agency head with oversight responsibility shall make a written determination of the amount and the cause of the overobligation or overexpenditure, the person(s) responsible, and corrective actions taken to prevent reoccurrence. The plan of corrective actions contained within the report shall detail an appropriate plan to include, but not limited to, such issues as the implementation of waiting lists, pro-rata reduction in payments and changes in eligibility criteria as methods to address the shortfall. The report will be filed within thirty (30) days of the discovery of the overobligation or overexpenditure with the budget officer, the controller, the auditor general, and the chairpersons of the house and senate finance committees.

(d) A state employee who has knowingly and willingly encumbered, obligated, or authorized the expenditure of state funds in excess of amounts appropriated for those purposes or entered into contracts without proper authorization may be placed on disciplinary suspension without pay for up to thirty (30) days in accordance with § 36-4-36.

(e) A state employee who knowingly, willfully, and repeatedly authorizes actions resulting in encumbrances or spending of state funds in excess of amounts appropriated may be fined up to one thousand dollars ($1,000) and/or terminated from employment.