



GAO Technical Bulletin

Arizona Department of Administration ♦ General Accounting Office

Subject: ***Reimbursement of Appropriated Funds*** Issued: 09/29/00
Manual Section: II. Q. Effective: 09/29/00
Supersedes: Technical Bulletin No. 99-7 Page: 1 of 5

TO: Technical Bulletin Administrators
All Agency Directors

FROM: Robert Rocha
State Comptroller

AUTHORITY

A.R.S. 35-101 Definitions
A.R.S. 35-142.01 Reimbursement of appropriated funds; receipt and deposit
TB 95-1 Technical Bulletins

DEFINITIONS

Agency: For GAO Technical Bulletin and accounting policy purposes, an agency is defined as any department, authority, board, commission, council, administration, court, registrar, office, institution, or other Arizona entity in the Executive, Legislative, or Judicial branch.

Budget unit: "Budget unit" means any agency of the State organization receiving, expending or disbursing State funds or incurring obligations against the State.

JLBC: The Joint Legislative Budget Committee.

OSPB: The Governor's Office of Strategic Planning and Budgeting.

INTRODUCTION

The amendment to A.R.S. 35-142.01 that granted the directors of budget units the authority and responsibility of administering and reporting reimbursements of appropriated funds became effective August 6, 1999. On October 20, 1999, Technical Bulletin No. 99-7 was issued to familiarize directors of budget units and their representatives with the accounting implications of these new responsibilities. Since the publication of Technical Bulletin No. 99-7, experience has revealed that the legally mandated report must contain information beyond that required by statute to fully comprehend the intent and impact of the contemplated transaction. This Technical Bulletin enlarges upon and supersedes Technical Bulletin No. 99-7 by expanding prior reporting requirements.

Subject: *Reimbursement of Appropriated Funds*
Manual Section: II.Q.
Supersedes: Technical Bulletin No. 99-7

Issued: 09/29/00
Effective: 09/29/00
Page: 2 of 5

POLICY

In summary, ARS 35-142.01 states that:

1. If monies are appropriated to a budget unit for a specific program or purpose and if such monies may be reimbursed in whole or part from any funding source and:
 - A) if this is noted in the appropriation bill, then the budget unit shall, upon receipt of such reimbursement, deposit the monies to the credit of the general fund or the fund from which the appropriation was originally made, or
 - B) if this is not noted in the appropriation bill, it may be credited to the account out of which the expenditure was incurred if the director of the budget unit determines:
 - i) that the reimbursement within the fiscal year is necessary for operation of the budget unit, and
 - ii) it was not specifically considered and rejected by the Legislature at the time of appropriating monies to the budget unit.
2. The director of the budget unit shall **notify the JLBC, the OSPB and the State Comptroller in writing** of determinations made pursuant to this section. The report should include **all** of the elements listed below:
 - A) A description of the transaction or event.
 - B) The frequency with which the transaction occurs.
 - C) The total dollar amount of the reimbursement.
 - D) The fund or funds to which the reimbursement will be deposited.
 - E) The source of the reimbursement.
 - F) The reason for the reimbursement.
 - G) A written affirmation that this matter was not specifically considered and rejected by the Legislature at the time of appropriating monies to the budget unit.
 - H) A written explanation of why the transaction meets the requirements of the statute to be treated as a reduction of appropriate expenditures.

Subject: ***Reimbursement of Appropriated Funds***
Manual Section: II.Q.
Supersedes: Technical Bulletin No. 99-7

Issued: 09/29/00
Effective: 09/29/00
Page: 3 of 5

Only one notification is necessary for recurring reimbursements throughout a fiscal year related to specific transactions or events. Only one notification related to specific transactions or events is necessary for recurring reimbursements throughout a fiscal year. There must be, nonetheless, a separate notification for each fiscal year affected.

In the case of paragraph 1.A above, whether the funds should be credited to the general fund or to the fund from which the monies originated depends upon the language of the appropriation and the provisions of governing statute or law. It must be noted that, in most cases, **the reimbursement is not intended to increase spending authority.**

GUIDELINES

This policy is intended to promote efficiency and enhance the abilities of State agencies to comply with Legislative intent. The statute provides flexibility to the directors of budget units to cover unanticipated expenditures not accommodated by existing resources that will be reimbursed by other funding sources.

In the following example, the appropriation bill noted that the reimbursement was to be credited to the general fund or to the fund from which the appropriation had originally been made. It illustrates the types of mistakes that can be made and the way in which they can be avoided.

Example

An agency has qualified for a Federal computer equipment grant of \$200,000. In anticipation of this grant, the Legislature appropriates \$500,000 to the agency from the General Fund to be spent for new computer equipment. *The appropriation bill notes that the federal grant monies shall, upon receipt, be returned to the general fund.*

The agency spends \$475,000 for the computer equipment and charges the appropriate expenditure account. It then receives its Federal grant and *incorrectly* reduces expenditures for that line item by \$200,000. At this point, the net year-to-date expenditures for computer equipment would *mistakenly appear* to be only \$275,000. The agency's procurement officer might then *erroneously* proceed to spend another \$150,000 on computer purchases under the assumption that these expenditures still total less than the appropriation of \$500,000 when, in fact, *these additional expenditures exceed the budget by \$125,000.*

*The agency in this example should **not** have recorded the reimbursement as a reduction of expenditures; it should have recorded it in the miscellaneous receipts account.* The agency, upon discovery of this error, should contact its GAO liaison immediately so that corrective measures can be implemented.

Subject: **Reimbursement of Appropriated Funds**
Manual Section: II.Q.
Supersedes: Technical Bulletin No. 99-7

Issued: 09/29/00
Effective: 09/29/00
Page: 4 of 5

Properly recording reimbursements when they are initially received will help agencies avoid spending more than authorized by appropriation. An agency's **expenditures may not exceed appropriated amounts**. In accounting for reimbursements, agency management must also assure compliance with the reporting requirements imposed by the provisions of Federal grants.

There are, however, circumstances under which a reimbursement can be credited to the account from which the expenditure was made. Assuming the same facts as above *except that the anticipated reimbursement was not noted* in the appropriation bill:

The reimbursement could have been properly posted as a reduction of an expense and the additional expenditure could have been properly made, *provided that*:

1. This treatment had not been considered and rejected by the Legislature when the appropriation was made;
2. The agency director had determined that reimbursement within the current fiscal year was *necessary* for the operation of the budget unit; and
3. At the time of discovering that the reimbursement is necessary for the operation of the agency, the director notifies the JLBC, the OSPB and the State Comptroller of this fact.

ON-LINE AVAILABILITY

Copies of this and other Technical Bulletins, including attachments when feasible and appropriate, are available for viewing and downloading from the Technical Bulletin Page of the General Accounting Office Website located at:

<http://www.gao.state.az.us/bulletins.html>

If your agency has no access to the Web, please contact your GAO Liaison to be provided a copy of any Addenda Item that has not been included as a paper attachment.

AREAS IMPACTED

All State agencies.

CONTACTS

If you have any questions concerning this Technical Bulletin, please contact your GAO Liaison. You may also e-mail questions or comments concerning State policy and procedure to us at:

Subject: ***Reimbursement of Appropriated Funds***
Manual Section: II.Q.
Supersedes: Technical Bulletin No. 99-7

Issued: 09/29/00
Effective: 09/29/00
Page: 5 of 5

gaopolicy@ad.state.az.us