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## Chapter 1 – Introduction

The State of Delaware, in its commitment to its citizens, strives to provide the highest levels of professionalism and performance in its management of the State’s finances and resources. The State created this Budget and Accounting Policy Manual (the Manual) to consolidate into one repository the policies and best practices the State follows to maintain integrity and efficiency as it conducts its business on behalf of the public interest.

### 1.1 The Budget and Accounting Policy Manual

The Manual sets forth the general budgeting and accounting policies, rules, regulations, and guidelines for use by State Organizations in the planning, budgeting, managing, and reporting of the State’s financial processes. The Manual is to be used as a tool to ensure that the State’s budgetary, accounting, and financial information remains timely, integrated, easily accessible, and accurate.

The Manual is an essential element used to achieve the State’s goals to gather data and to produce reports with the financial information needed to effectively plan activities and control operations for the services provided to the citizens of Delaware.

The goals of the State’s budget and accounting policies are to:

- Comply with all legislation, rules, and regulations;
- Establish accountability;
- Safeguard State assets;
- Recognize and record all transactions;
- Expend resources only for authorized purposes;
- Provide financial management information; and
- Ensure all financial processes are executed consistently, accurately, transparently, completely, economically, efficiently, effectively, responsibly, and in a timely manner.

The purpose of the Manual is to document and prescribe the policies and processing necessary to execute the budget and report on the operations of the State. Exceptions may apply to certain policies within the Manual. All exceptions must be documented and approved, in writing, by the Office of Management and Budget (OMB) and Division of Accounting (DOA).

## 1.2 Constituents and Users of the Manual

The Manual provides budgeting and accounting guidance and instruction to citizens, appointed and elected officials, State employees, internal and external auditors, managers, financial decision makers, and administrative support personnel. It is a point of reference for State employees and users of the State's financial management and accounting system

## 1.3 Policy Manual Authority

The portions of **Title 29 of the Delaware Code** applicable to a system of accounting for and the recording and control of the fiscal practices and policies of the State are the authorities for the issuance of the Manual.

The Manual is maintained by OMB and the Department of Finance (DOF), through DOA. It is published by the Director of OMB, according to the position's statutory power to prescribe the manner, methods, and forms to be used by Organizations to ensure appropriate control of the fiscal affairs of the State and require Organizations to follow and comply with the prescribed accounting procedures (**29 Del. C. §6303A(3)**).

Failure to adhere to State policies and practices as outlined in the Manual, or as disseminated from time to time by OMB or DOA, may result in restricted or limited access to the State's financial management and accounting system or any applicable State information technology systems, disciplinary action, dismissal, and/or legal action.

## 1.4 The State's Fiduciary Responsibilities

The State collects revenues and fees and in turn provides vital services to citizens, students, employees, employers, customers, vendors, investors, and others. The budget and accounting practices of the State are in place to protect the use of these monies and ensure fiscal accountability.

The State has a responsibility to demonstrate compliance in its use of these resources, in a budgetary context, and must continue to take into account the long-term interests of the government and its citizens.

In addition to using State funds lawfully and in compliance with their intended use, the State is committed to a culture of personal integrity and ethics for all employees. Employees are expected to exercise diligence, objectivity, and honesty in their professional activities and avoid situations that constitute, or appear to constitute, a conflict of interest. Employees must execute good judgment and common sense to avoid negligent, fraudulent, inappropriate, or unlawful expenditures.

## 1.5 The Role of Responsible Accounting

According to the American Accounting Association, accounting is “*the process of identifying, measuring, and communicating economic information to permit informed judgements and decisions by users of the information.*”

In order for the State’s financial reports to be useful and accurate, government must present its financial data fairly and with full disclosure, and it must demonstrate compliance with financially related legal and contractual provisions.

Financial data and reports are used by managers and business units for day-to-day and long-term decision making, including the formation of annual budgets.

Widely accessible accounting policies provide colleagues with tools needed to effectively move decision-making to appropriate levels, streamline administrative processes, and provide a basis for individual and departmental accountability.

Accounting also provides reports that are needed by individuals outside the Organization who invest in business units, lend money to them, or extend credit to them.

### 1.5.1 Accountability

Governments are held accountable for the efficient and economic operation of their programs and services. Governments are also accountable for the results of their activities, as evidenced in accomplishments, benefits, and effectiveness. Governmental accountability extends to citizens and tax payers; legislative and oversight bodies; and to investors, creditors, and others who are involved in the lending process.

Governments have a responsibility to many stakeholders, and this accountability is a primary force and focus for governmental financial reporting:

- Citizens and taxpayers want justification for the taxes that have been collected from them –to know their government is using the revenue wisely, responsibly, and in accordance with intended objectives.
- Legislative and oversight bodies want to know the government is carrying out its programs in compliance with the rules, laws, regulations, and within the budgets that were appropriated for the various programs and services.
- Investors, creditors, and lenders want to determine that the State is able to meet its financial obligations in repaying both short and long term debt.

## 1.5.2 Reporting Requirements

The accurate gathering of the State's financial information and activities is required in order for the State to meet its annual reporting requirements. Each year, the State produces a Comprehensive Annual Financial Report (CAFR), based on Generally Accepted Accounting Principles (GAAP) standards and guidelines. GAAP establishes financial reporting criteria for state and local governments, so the governments' financial performances can be reasonably compared to one another.

OMB and DOF have identified the GAAP statements as presented in the CAFR to be the official record of the financial activities of the State.

## 1.6 State's Financial Actors

The supervision, management, and oversight of the State's budgeting, accounting, and fiscal activities are dispersed among a number of State Organizations. These responsibilities include, but are not limited to:

- Development and ongoing maintenance of the State's financial management and accounting system;
- Annual compilation and execution of the State's operating and capital budgets; and
- Proper approvals over the State's daily transactions

At the State level, DOA gives approvals in the State's financial management and accounting system on behalf of the Secretary of Finance. OMB, the Controller General's Office (CGO), and the Office of the State Treasurer (OST) also apply State-level approvals for various transactions.

### 1.6.1 The Office of Management and Budget (OMB)

The Director of OMB is responsible for prescribing the records and accounts of the State's system of accounting and the manner and method by which they will be maintained.

OMB's Financial Operations Section acts as Statewide controller, ensuring Organizations live within their budgets. The Budget Development and Planning Section is the steward of the budgetary process, coordinating fiscal planning and policy development. This section also supports the Delaware State Clearinghouse Committee for federal grant applications, as well as federal fiscal proposals and guidelines.

## **1.6.2 The Department of Finance (DOF) and Division of Accounting (DOA)**

The Secretary of DOF is the State's Chief Financial Officer and is the central source for economic and fiscal policy and for the management of financial resources. The Secretary is also responsible for the maintenance and operation of the State's financial management and accounting system.

DOA delivers central support to State Organizations and provides consistent and reliable information to the public. The Division is responsible for financial reporting, account processing, establishment of the State's general internal control structure and prescription of policies that promote the efficient and effective management of State revenues and expenditures.

## **1.6.3 The Office of the State Treasurer (OST)**

OST signs all of the State checks and oversees the management of the State's bank accounts. The State Treasurer is responsible for reconciling the bank accounts; handling stale-dated checks and check re-issues; and producing checks and electronic payments for vendors, payroll, and revenue refunds.

## **1.6.4 The Controller General's Office (CGO)**

CGO performs year-round fiscal and policy duties with State Organizations on behalf of the Legislature. It also has shared responsibility for the oversight of General Fund transfers and changes in spending authority.

## **1.6.5 Auditor of Accounts (AOA)**

AOA performs post-audits, investigations, and inspections of all state financial transactions. The audits shall be sufficiently comprehensive to provide, but not be limited to, assurance that reasonable efforts have been made to collect all monies due the State, that all monies collected or received by any employee or official have been deposited to the credit of the State and that all expenditures have been legal and proper and made only for the purposes contemplated in the funding acts or other pertinent regulations. The audits shall be made in conformity with generally accepted auditing principles and practices.

### **1.6.6 Department Heads**

Department or Organization Heads are responsible for establishing and maintaining an effective system of internal controls. Such departmental policies and procedures must be in writing and reasonably ensure:

- All Assets can be accounted for and safeguarded against waste, loss, unauthorized use, and misappropriation;
- Revenues and expenditures are recorded properly, so reliable financial reports may be prepared; and
- Transactions are clearly documented, and documentation is available for examination, in compliance with the State's record retention policy.

At the Organization level, only Department Heads can confer approval authority by designating certain employees as approvers in the State's financial management and accounting system.

### **1.6.7 Designated Approvers**

Designated approvers or Business Managers are entrusted with the authority to commit an Organization to a purchase and approve transactions at the Organizational level. Designated approvers are only allowed to approve transactions that originate in, and are on behalf of, their own Organization.

Designated approvers are required to process transactions according to the policies and procedures disseminated in this Manual and, from time to time by DOA, and are responsible for correctly recognizing and directing transactions for proper processing after DOA as part of the transaction review process.

Designated approvers are also expected to apply individual Organizational practices with the understanding all federal and State legal and regulatory requirements must be met. The authority of the State's policies and procedures supersedes the authority of Organization directives.

## **1.7 How to use this Manual**

Numerous references to the Delaware Code are made in this Manual. For the full text online version of the Delaware Code, see <http://delcode.delaware.gov>.

For the purpose of this Manual, the term Organization is used to identify State of Delaware

agencies (both merit and non-merit), school districts, charter schools, and higher education.

For the sake of clarity and conciseness, the pronouns used in this Manual are gender neutral.

This Manual consists of 14 chapters. Pages are numbered consecutively within each chapter.

State forms are referenced throughout the Manual. All State forms can be found at <http://extranet.fsf.state.de.us/forms.shtml>. Forms are revised periodically. Organizations should access and complete forms from the website, as needed, to ensure the current form is used.