

To: John Chappuis
Cc: Scott Sim
Susan Van Norden
From: Marie Matthews
Date: December 2, 2005

RE: Expenditure Classification Project

As requested this memo summarized the status of the DofA/DPHHS expenditure clarification project.

In September accounting staff within DofA and DPHHS reached an agreement on a single draft proposal for clarifying existing account codes. The proposal was then disseminated to all division budget personnel within DPHHS. Throughout October DPHHS fiscal and central budget management met with each division to discuss the draft proposal.

Each affected division compared their existing recognition of the contracted service, grant and benefit expenditures with the newly proposed definitions. From this comparison DPHHS has developed internal draft definitions, which follow the higher-level draft definitions provided by DofA but narrow the focus to DPHHS pertinent information.

During December the DPHHS definitions are being fine-tuned. Once this is accomplished the Department will meet with DofA, OBPP and LFD staff to assure all parties are in agreement prior to implementation.

Draft DPHHS Definitions

62000 Operating Expenses

Includes the costs of consumable commodities or services relating to the operating needs of the various functions of State government. Does not include the purchase of assets intended for long-continued use or possession.

62100 Other Services

Includes both professional and nonprofessional services such as audit fees, printing, insurance, and all other services that are not specifically required to be classified under another category. Includes all of the service provider's costs incurred during performance of the service if those costs are passed on to the state, such as travel expenses and supplies and materials.

66000 Grants

A donation, contribution or distribution provided to be utilized as stipulated in the grant agreement, contract or memorandum of understanding.

To be recorded in the grant category, the agreement must contain more than one of the following common characteristics of a grant.

- ❖ The agreement stipulates the characteristics of the primary and/or secondary recipients.
 - The primary and/or secondary recipients cannot be state employees or agents of the state.
- ❖ The agreement provides funding only for allowable costs.
 - Allowable costs may be defined in the agreement or in an OMB circular.
- ❖ The agreement requires the grantee meet matching or level of effort requirements.
- ❖ The agreement defines time requirements for when resources can be used (the grantee can't spend funds before or after a certain date).
- ❖ The grantee is required to provide performance and/or financial reports.

67000 Benefits

This category is used to identify the disbursement of 1) monies, 2) commodities or 3) direct services to or on behalf of, individuals.