



DEPARTMENT OF ADMINISTRATION

Enterprise Policy

OAC-A-17-2019

OFFICE OF ACCOUNTS AND CONTROL

Internal Service Fund Agency Billings Policy

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1. Purpose

- a. The purpose of this policy is to provide guidance to State agencies on how to ensure that their periodic charges from the State's various internal service funds are allocated correctly among their various expenditure accounts.
- b. The only basis the managers of the State's internal service funds have for determining which specific agency accounts to bill for goods and services is the account allocation information provided them by the agencies that are charged for the goods and services they provide.
- c. If this information is not accurate, this can result in distortions in agency expenditure reporting, which in turn can result in inaccurate agency budgeting for future periods.

2. Applicability

- a. This policy applies to all State agencies that are billed periodically for goods and services provided by one or more of the State's internal service funds.
- b. Billings from the Correctional Industries Fund, however, are exempt from this policy.

3. Submission of Agency Expenditure Account Allocations to Internal Service Fund Managers

- a. By July 15 of each year, each agency CFO must submit an expenditure allocation schedule, to be effective for the fiscal year just beginning, to the manager of each internal service fund which will be charging the agency for goods or services in the new fiscal year. The agency's allocation schedule for each separate internal service fund will be based on the CFO's best estimate of what proportion of the goods and services purchased by the agency from that fund throughout the fiscal year will be utilized by each of the agency's appropriation accounts. Note that this does not mean an estimate of the total dollar amount that each account is expecting to pay. Rather, it means the agency's best estimate of what percentage of the agency's total billings from an internal service fund will be chargeable to each of its separate appropriation accounts.
- b. Submission of these agency schedules by July 15 will give the respective internal service fund managers enough time to set up their new billing templates before their first billing of the new fiscal year.
- c. A listing of the various internal service fund managers and their contact information may be found in the CFO Communications section of the Controller's website. This list also

includes a listing of the natural account(s) each internal service fund uses to bill the agencies for its specific type of goods or services.

4. Monitoring of Expenditure Allocations

- a. Each agency CFO is responsible for analyzing actual internal service fund charges to his/her agency to ensure that the allocation of charges among the various expenditure accounts is reasonable. This analysis is to be done no less frequently than once a quarter.
- b. If the CFO determines that a "true-up" of charges is required, then he/she must create an allocation category journal entry to correct the charges by the twentieth of the month following the end of the quarter. He/she must also send a revised allocation schedule to the manager of the respective internal service fund so that future billings will be more accurately distributed.**

5. Repercussions for Noncompliance

- a. In accordance with G.L. 35-5-10, the Office of Accounts and Control prepares quarterly reports of the financial activity of the State's various internal service funds. These reports are sent to the State Legislature, and they may reveal material differences between actual agency account internal service charges and their corresponding budgeted amounts. If such differences appear, the CFO of the affected agency will be required to provide an explanation to the State Controller and the Director of the Department of Administration.


6. Signatures



State Controller

10/2/19

Date



Director of Administration

10/6/19

Date