

Statewide Operating Policy

Owner: Minnesota Management and Budget, Budget Services

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Agency Budget Monitoring

Objective

To understand the need for continuous review of budgets to ensure solvency and accuracy throughout the fiscal year to aid the early identification of financial issues and improve program implementation.

Policy

Prior to the beginning of each fiscal year, agencies must establish budgets according to session laws and applicable statutes. The budgets include obligations and estimates for expected uses and sources. The sources of an agency's budget can include direct appropriations, balance forward in amounts, transfers, and agency revenue. The use of the funds varies by agency and is impacted by session laws, statutes and grant agreements. Examples of the use of funds may include direct service spending, compensation costs, grant spending and other operating costs, such as rent.

Agencies must establish budgets based on estimates for *expected* sources and uses. Throughout the fiscal year, *unexpected* events and circumstances necessitate changes to the budget. The level of budget monitoring depends upon the variability of an agency's budget; however, all budgets should be monitored throughout the fiscal year. Agencies are required to monitor and review their budgets in order to identify financial issues early and ensure compliance with relevant laws and statutes. Besides monitoring the budget to ensure accuracy and solvency, agencies are encouraged to monitor the relationship between program performance and outcomes to budget status.

Budget monitoring includes, but is not limited to, running financial reports on year-to-date expenditures and revenues. Budgeting monitoring may also include comparing financial information to program outputs. Agencies are expected to have ongoing discussions internally about their financial reports and budgets in order to provide accurate, up-to-date information to aid forecasts, fiscal year closing activities and legislative and executive decision-making.

Related Policies and Procedures

[MMB Statewide Operating Procedure 0307-01.1 Agency Budget Monitoring](http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-3/0307-01-01-agency-budget-monitoring-procedure.pdf) (<http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-3/0307-01-01-agency-budget-monitoring-procedure.pdf>)

See Also

[Minnesota Statute 16A.14](https://www.revisor.mn.gov/statutes/?id=16A.14) (<https://www.revisor.mn.gov/statutes/?id=16A.14>)

[Minnesota Statute 16A.138](https://www.revisor.mn.gov/statutes/?id=16A.138) (<https://www.revisor.mn.gov/statutes/?id=16A.138>)

[Minnesota Statute 16A.139](https://www.revisor.mn.gov/statutes/?id=16A.139) (https://www.revisor.mn.gov/statutes/?id=16A.139)