SECTION 2000

ADMINISTRATIVE OVERVIEW

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This manual was primarily developed as a reference document for Minnesota counties' financial personnel. However, it also has value for managers and administrators of county operations to help them recognize the accounting, budgeting, and reporting requirements, and why certain financial practices and procedures make good management policy.

Further, this manual presents a recommended "program oriented" chart of accounts with related procedures to be used by Minnesota counties. Basic dimensions presently used by most counties have been retained and standardized within this total structure.

The two additional dimensions that have been added (programs and services) enable counties to account for logical areas within the various departments. This gives users of these dimensions the ability to account and/or budget at a level where additional accountability and management information is desired.

This budgeting and accounting approach becomes more meaningful when administrators reflect upon the mission of a county. Except for collecting property taxes, licenses, and fees, counties exist to provide certain services. Building and maintaining roads, recording deeds, and performing welfare services are all legitimate and needed "outputs" of county operations. Program-oriented accounting can help county administrators focus on the results of services by providing accounting and budgeting information arrayed for meaningful decision making.

As indicated earlier, the present methods of county budgeting and accounting focus primarily upon the "input" needs of a county to operate for another year. The typical questions asked in this process relate to:

N How many staff are needed?

N How many contracted services are needed?

N How many supplies and materials are needed?

N How much funding is needed for debt service and retirement?

While these are legitimate questions, they become much more meaningful when they are asked within the context of the services that a county is obliged to deliver.

For example, if the county board attempts to assess the staffing needs for the coming year of any of its departments, only in terms of the staff utilized in the present year, it becomes difficult to determine which areas need more people and which areas could do with less.

However, as counties start viewing each function in terms of the services performed, and when during the year these services are performed, staff allocation can become a more rational and meaningful process. Furthermore, because the public has been demanding increased governmental accountability regarding spending, it becomes even more important that administrators utilize an accounting approach wherein they can acquire the necessary fiscal information which will allow them to make the best decisions possible.

With this in mind, an expanded chart of accounts has been provided that will give counties additional informational capabilities.

With traditional county accounting dimensions, administrators and commissioners may sometimes be handicapped in their decision making processes. Decisions related to the effectiveness and value of various programs within a county may be difficult to make because sufficient cost information is not available without maintaining elaborate subsidiary accounts. Further, it can often be difficult to forecast the areas where program-related questions may arise so that subsidiary accounts often have not been set up to record the data.

With increased demands upon all governmental entities to "hold the line" as far as costs are concerned and, at the same time to maintain reasonable levels of service, it is paramount that county administrators have all the needed decision making fiscal information that can readily be made available to them.

Additionally, by having fiscal information reported at a program or service level, administrators can often better relate budgets against planned accomplishments and thereby develop a greater level of accountability throughout the county.

Further, it will be important for counties to distinguish between mandatory accounting, reporting, and budgeting practices and those that are desirable but not mandatory. To highlight the mandatory procedures the work must have been used where practices are mandatory. Additionally, the procedures have been divided into specific subject areas for ready reference regarding specific issues and procedures.

The advantages to Minnesota counties using this approach are summarized as follows:

N Internal Advantages

- Greater accountability.
- Greater utilization of limited resources.
- Better fiscal controls.
- Upgrading of accounting personnel through training.
- Better management information.
- Less disruptive audit processes.
- Other governmental reporting is often a by-product of internal county accounting.

N External Advantages

- Data to state agencies and the legislature is more meaningful.
- When additional data is requested from counties, the impact of these requests is better recognized by state agencies.
- When on automated systems, some state agencies accept computer output for reporting purposes.

N Other Advantages

- Standardization allows for multiple county use of automated systems that are developed within the framework of the Uniform Chart of Accounts.
- Comparison of program costs between counties is more reliable.

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