

# State Financial Management

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## Mission

To provide safe, efficient, and proper budgeting and management of public funds.

## Summary of Activities

The **Auditor of State** maintains and oversees the financial records of the State of Indiana, as directed by appropriate accounting standards and the Indiana Code. The Auditor of State's office also provides services to other agencies and branches of government regarding financial issues and analysis. The Auditor of State's office pays the state's bills and manages the state's payroll.



Connie Kay Nass  
Auditor of State



Tim Berry  
Treasurer of State

The **Treasurer of State** is responsible for the safekeeping and investment of monies paid into the State Treasury. The Treasurer's office invests and accounts for over \$5 billion, including the state general fund and over 70 trust funds, and manages and invests the Public Deposit Insurance Fund.

The **State Budget Agency** oversees the development, enactment, and implementation of the state budget. As part of this process, the Budget Agency develops a comprehensive recommendation that is submitted to the General Assembly. The Budget Agency also uses its allotment and accounting management responsibilities to ensure that the state budget is implemented in accordance with the appropriations act and the Governor's fiscal priorities. In addition, the Budget Agency provides ongoing fiscal and policy analysis to the Governor and the General Assembly

on policy issues and proposals. The Budget Agency is a major part of the state's revenue forecasting process, provides forecasts of a variety of revenue sources that aid in budget development.

The **State Board of Accounts** audits the financial statements of all governmental units within the state, including cities, towns, utilities, schools, counties, license branches, state agencies, hospitals, libraries, townships, state colleges and universities. Investigatory audits are performed to reveal fraud or noncompliance with local, state and federal statutes. The Board of Accounts also prescribes forms and uniform accounting systems, provides training for public officials and employees, publishes manuals, newsletters and technical bulletins, and offers consulting services to officials at the state and local levels.

## External Factors

State financial management can be strongly affected by differences between forecast and actual revenue collections, and between expenditure pressures and budgeted appropriations. Budgets are developed and enacted 24 to 36 months prior to the end of the budget period. The state's – and the nation's – economy can change drastically during that period of time. As a result, both the amount of state revenue and the need for state services can change as well.

The Treasurer's ability to maximize state interest earnings is affected by changing interest rates and financial markets, while changes in accounting standards affect the audit practices of the State Board of Accounts and, thereby, all state and local units of government. The technology, staffing, and equipment needs of the Auditor of State are determined by the requirements imposed upon it by the General Assembly, state agencies, and local governmental units.

## Evaluation and Accomplishments

The strong performance of the organizations charged with state financial management has resulted in Indiana's excellent fiscal condition, as evidenced by strong reserve balances and enhanced investments in schools, roads, and public safety. The state's shadow bond rating has been upgraded to AA1 / AA+, the highest level in the history of the state and only one level below AAA, the highest rate possible. In FY 1999, the Treasurer generated interest earnings on the state's

investment portfolio of over \$270 million. Tighter federal audit requirements have been met and local government audit reports have been streamlined. By developing both technical resources and computer applications, financial transactions can be processed faster and financial information can be made available to state agencies and local political subdivisions in a more timely and efficient manner.

## Plans for the Biennium

The State Budget Agency will continue its efforts to provide better information, analysis, and forecasting to the Governor and the General Assembly. Financial management agencies will continue to improve support to state and local governments, allowing them to be more efficient, effective, and responsive to the changing needs of Hoosiers. The Treasurer will continue to improve upon the state's investment performance.

The State Budget Agency will create a program evaluation process by which program functions will be measured against benchmarks of success. The Budget Agency and the Office of High Performance Government will jointly implement the initiative. The evaluation process will provide state agencies, the Governor, and the General Assembly with information and analysis that will lead to better budget allocation decisions.

## Special Initiatives

The State Board of Accounts has proposed a "Paperless Audit Project" that will provide laptop computers to field examiners. The project will increase the speed and efficiency of audits of local units of government, increasing responsiveness and reducing audit time.

Indiana's budget process provides strong security...

Sizeable reserve levels provide a financial cushion...

Indiana's reserve levels rank among the highest of the 50 states...

- Moody's Analysis, April 2000

<i>Program: 0910</i>	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
<b>Appropriation (All Funds)</b>	\$23,699,281	\$24,604,073	\$24,832,223	\$28,463,472	\$27,418,309
<b>Expenditures</b>	\$23,966,428	\$24,823,815	\$26,471,852		

  

**Sources of Funds  
FY 2001 (Approp)**

■ General  
 ■ Dedicated  
 ■ Federal  
 ■ Other

99%      1%

**Uses of Funds  
FY 2001 (Approp)**

■ Personal Services  
 ■ Distributions  
 ■ Capital  
 ■ Other

88%      12%