

# The Department of Health and Welfare's Management of Appropriated Funds

Office of Performance Evaluations  
Idaho Legislature



Created in 1994, the legislative Office of Performance Evaluations operates under the authority of Idaho Code §§ 67-457 through 67-464. Its mission is to promote confidence and accountability in state government through professional and independent assessment of state agencies and activities, consistent with legislative intent.

The eight-member, bipartisan Joint Legislative Oversight Committee selects evaluation topics, and Office of Performance Evaluations staff conducts the evaluations. Reports are released in a public meeting of the committee. The findings, conclusions, and recommendations in the reports do not necessarily reflect the views of the committee or its individual members.

## Joint Legislative Oversight Committee 2013–2014

### Senators



Dean M. Mortimer,  
cochair



Clifford R. Bayer



Elliot Werk



Les Bock

### Representatives



Shirley G. Ringo,  
cochair



Maxine T. Bell



Gayle L. Batt



Elaine Smith

*Promoting confidence and accountability in state government*

## From the Director

December 4, 2013

Members  
Joint Legislative Oversight Committee  
Idaho Legislature



Last March you asked us to evaluate how appropriated funds move through the Department of Health and Welfare. As pointed out by the State Controller's response to our report, we designed this study to "enhance the transparency and understandability of the largest budget in state government."

This report gives policymakers more clarity about how the Department of Health and Welfare manages its appropriated funds. The report provides policymakers with answers to their questions about the availability of the department's financial information and flowcharts to help visualize how appropriated funds move through the department.

We are pleased that Health and Welfare agrees with our recommendation to automate more of its year-end reporting processes. Also, in its response to our evaluation, the department expresses its willingness "to sit down with any legislator or group of legislators interested in increasing their understanding about the Department's management of appropriated funds."

The Governor, in his response to our evaluation, states that the report "will provide valuable assistance for future planning." His response along with responses from the State Controller and Health and Welfare are included at the end of this report.

We thank department officials for taking the time to explain to us many intricacies of their processes for managing and reporting on their complex budget and the State Controller for providing valuable technical feedback.

Sincerely,

A handwritten signature in blue ink that reads "Rakesh Mohan". The signature is fluid and cursive.

Rakesh Mohan



# *Executive Summary*

## **The Department of Health and Welfare's Management of Appropriated Funds**

### **Legislative Interest and Study Purpose**

The complexity and size of the Department of Health and Welfare is daunting and can make comprehending the budget difficult for legislators, budget analysts, and other stakeholders. Legislators want to have a better understanding of Health and Welfare; specifically, how funds move through the department. Legislators have also expressed interest in having increased access to budget information so they can better understand how the department spends appropriated funds.

In this report we explain reasons for the complexity associated with the management of Health and Welfare's budget and address three study objectives:

Provide legislators with resources to better understand Health and Welfare, specifically how funds move through the department.

Inform legislators whether the department used appropriated funds as specified in the appropriation.

Explain why there is potential difficulty in providing quick, straightforward answers to certain types of budget questions.

### **Main Message**

From the outset of our study, Health and Welfare told us that its budget and the processes involved are understandable if we took the time—and it would take a considerable amount of time. After multiple, lengthy meetings with department staff and analyzing the department's financial information, including more than 2 million transactions processed by Health and Welfare in fiscal year 2013, we found that time was the key to understanding Health and Welfare.



Office of Performance  
Evaluations  
Idaho Legislature  
954 W. Jefferson St.  
Boise, ID 83702  
Ph. 208.332.1470  
[legislature.idaho.gov/ope/](http://legislature.idaho.gov/ope/)

**Considerable time  
is needed to  
understand the  
Health and  
Welfare budget.**

**Health and  
Welfare processed  
more than  
2 million financial  
transactions in  
FY 2013.**

**Key Terms**

**STARS:**  
the state's  
standard  
accounting and  
reporting system

**FISCAL:**  
the department's  
financial  
information  
system with cost  
allocation

**Budget unit:**  
a unique program  
identifier used by  
STARS and the  
Legislature

**Cooperative  
welfare fund:**  
a single fund used  
to pool multiple  
funding sources

**Actuals Program  
Proof:**  
legislative  
reporting  
document used to  
demonstrate that  
agency spending  
complied with  
appropriations

Ultimately we found that no single big, glaring problem limits access to Health and Welfare's budget information. We determined that a combination of factors such as federal reporting requirements and data system limitations affects the availability of certain types of information on how the department spends its appropriation. These factors are byproducts of the nature and scope of the department's programs and services and the limitations of the financial recording systems within which the department manages its budget. We conclude that addressing one (or even several) of the factors will not solve the overall concern about the accessibility of specific types of information.

Our report identifies and explains four key points:

1. Because most of Health and Welfare's budget comes from federal sources, the department prioritizes the information needed for federal grant reporting.
2. The cooperative welfare fund gives Health and Welfare flexibility in managing payments and receipts. In the budget data we analyzed, we did not find evidence that Health and Welfare abuses that flexibility. However, if fund source information was not tracked, the cooperative welfare fund can obstruct policymakers' view of how the department used funds that were appropriated from a certain fund source for a specific purpose.
3. The magnitude of the transfers Health and Welfare makes is small compared with the magnitude of the department's appropriation.
4. Health and Welfare's organization is similar to the organization of its counterpart agencies in other states.

**Key Point 1**

Health and Welfare's financial management practices differ from those of other state agencies. Two-thirds of the department's budget comes from federal funding sources that require specific reporting practices and criteria. To determine and maintain eligibility for funds, the department's financial management systems are designed to meet federal reporting requirements. Health and Welfare uses FISCAL as its system of financial record because the state's accounting system STARS does not track all of the detail the department needs for federal reporting.

The department's need to allocate costs for federal grant reporting affects the way it collects, categorizes, and reports



financial data. Without configuring the department's financial management systems in advance, financial information may not be readily available for all programs.

### **Key Point 2**

Health and Welfare uses the cooperative welfare fund for the flexibility it gives the department to conduct transactions without having to identify the fund source used (federal or general) at the time of the transaction. However, the cooperative welfare fund does not give the department unlimited flexibility. By moving programs out of the cooperative welfare fund, budget analysts and policymakers would be able to see department expenditures by fund source in STARS. However, because of federal reporting requirements and fund split adjustments, the fund source information that would be shown in STARS would not be inherently more accurate than it is in the department's accounting system FISCAL.

### **Key Point 3**

Health and Welfare loads its appropriation into FISCAL exactly as appropriated. However, the department makes funding adjustments throughout the year by transferring spending authority among its programs. Department transfers are guided by the constraints established by legislative intent and Idaho Code. The department tracks the details about transfers in internal budget work papers rarely seen by legislators or budget analysts. Additionally, the documentation of such transfers for legislative reporting purposes has historically not been comprehensive.

Through our analysis of Health and Welfare's fiscal year 2013 financial data, we found that it transferred 4.2 percent (\$101.3 million) of its total budget (\$2.4 billion). Of the \$101.3 million transferred last year, trustee and benefit transfers among the state's three Medicaid programs accounted for 82 percent, and more than 76 percent of those funds were transfers of federal spending authority.

### **Key Point 4**

We reviewed the size, scope, and structure of agencies in other states that serve the same or similar purposes to Health and Welfare. We conclude that the organization of such agencies has been trending toward consolidation of services with shared administration, much like Idaho. Furthermore, regardless of the department's size, federal cost sharing will always complicate financial reporting for health and human service programs.

**Financial management systems and federal reporting requirements complicate tracking appropriations more so than the cooperative welfare fund.**

**14 states, including Idaho, combine their health and human service programs into one agency.**

**The last two considerations for policymakers can improve information and be readily implemented.**

**See pages 31–34 for details about each consideration and accompanying tradeoffs.**

## **Considerations for Policymakers and the Department**

Because no single, major factor limits access to Health and Welfare’s budget information, we provide several considerations that may help address some of the smaller factors affecting the accessibility of the department’s budget information.

Accompanying these considerations is a set of tradeoffs that policymakers need to keep in mind as they set Health and Welfare’s budget and anticipate their information needs.

### **Policymakers**

Consider the implications of removing Health and Welfare programs from the cooperative welfare fund.

Consider the effect that federal reporting requirements have on the information Health and Welfare can make readily available.

Consider the limitations of Health and Welfare’s financial management systems and the advantage of asking questions of the department as early as possible.

Consider requiring a detailed transfer report from Health and Welfare.

### **Department**

Consider increasing automation of year-end reporting processes.

## **Acknowledgments**

We appreciate the cooperation and assistance we received from the Department of Health and Welfare throughout the study. We also thank the Office of the State Controller, Legislative Audits, and Budget and Policy Analysis for providing assistance.

Lance McCleve, Tony Grange, Maureen Brewer, and Bryon Welch of the Office of Performance Evaluations conducted this study. Margaret Campbell copy edited and desktop published the report.

Robert Thomas of Robert C. Thomas & Associates and Brad Foltman, former administrator of DFM, conducted the quality control review.



# Contents

	Page
Executive Summary.....	iii
Introduction .....	1
Study Scope.....	1
Evaluation Approach and Methods.....	1
Management Review of Public Health.....	2
Reporting Requirements and Data Systems .....	3
Cooperative Welfare Fund .....	7
Adjustments to the Budget .....	14
Organization.....	25
Considerations for Policymakers and the Department.....	31
Appendix: Department-Wide Proof and Program Proof .....	35
Responses to the Evaluation.....	43
Office of the Governor.....	45
Office of the State Controller.....	47
Department of Health and Welfare.....	49

# Exhibits

		Page
Exhibit 1	The Flow of Funds Through the Division of Welfare .....	11
Exhibit 2	Budget Management Process.....	17
Exhibit 3	Percentage of Transfers Between Expense Categories, Within Divisions, and Across Divisions .....	19
Exhibit 4	General Fund Transfers Between Expense Categories, Within Divisions, and Across Divisions .....	20
Exhibit 5	The Department Transferred Funds Out of 19 Budget Units and Transferred Funds into 20 Budget Units .....	21
Exhibit 6	The Department Spent 99.7% of Funds Appropriated to Physical Health as Stipulated in Its FY 2013 Appropriation.....	23
Exhibit 7	States House Medicaid in One of Four Types of Agencies .....	26
Exhibit 8	Program Organization Example.....	29

# Introduction

## Study Scope

In March 2013 the Joint Legislative Oversight Committee approved a study to examine how the Legislature's appropriation moves through the Department of Health and Welfare. The department is the state's largest agency, employing more than 2,800 full-time positions in fiscal year 2013.

The department's fiscal year 2013 budget was approximately \$2.4 billion, the majority (64 percent) of which was federal spending authority. About 25 percent of the appropriation came from the state's general fund, and the remaining 11 percent from dedicated funds.

Because of the size of the department's budget, policymakers understandably want assurance that the department spends appropriated dollars as intended and that the department tracks the information legislators want for decision making.

The request for this study, and subsequent study scope, identified two main factors which contribute to the impression that information legislators want about Health and Welfare's budget is not readily available: (1) the department's use of the cooperative welfare fund—a fund designed to pool the majority of the department's appropriated dollars, and (2) the size and scope of the department and its programs. We designed this study to provide legislators with a better sense of how the department manages its budget and to investigate factors that affect the availability of information.

**The cooperative welfare fund is a single fund used to pool multiple funding sources.**

## Evaluation Approach and Methods

We set out to spend as much time as needed to understand the information necessary to (1) inform legislators whether they have cause for concern, and (2) make the budget more approachable and less intimidating. The department took the time to explain its processes and systems, provide the data we needed, and answer many follow-up questions.

We spent a significant amount of time in meetings with department management and staff, particularly with its financial managers. During

those meetings, we interviewed staff about budget management processes and also observed several of those processes, such as how the department loads its appropriation into its financial accounting system.

We analyzed the department's fiscal year 2013 budget and expenditures. The major documents and data included in the analysis were the department's expenditures by transaction, quarterly budget reviews, and internal work papers used to develop Actuals Program Proofs—documents used to demonstrate that spending complied with appropriations.

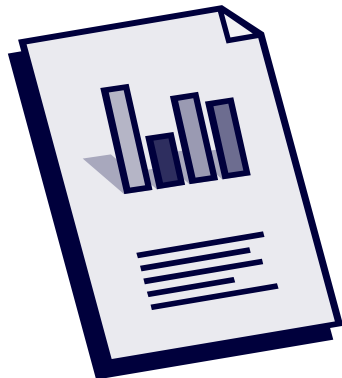
We collected information about how other states have organized the functions performed by the Department of Health and Welfare. Using this information, we conducted an analysis designed to identify and classify the distinct types and number of agencies used by other states. We reviewed federal statute and regulations, Idaho Code, legislative appropriations in fiscal years 2007-2013, and the department's cost allocation plan.

## Management Review of Public Health

We conducted our evaluation of the Department of Health and Welfare concurrent with Legislative Audits' management review of the Division of Public Health. The management review had two main purposes: (1) assess whether the division's spending complied with its appropriations, and (2) provide information about staffing and accounting changes needed to move the division from single-fund accounting (the cooperative welfare fund) to multifund accounting.

Although the two projects have different scopes and emphasis, they share some similarities. Recommendations from the management review focus on improving the department's internal controls, and we agree with these recommendations. In our report we offer additional options and considerations for policymakers.

# Reporting Requirements and Data Systems



About 64 percent of the department's \$2.4 billion budget comes from federal grants that the Legislature authorizes the department to spend. Major federal grant programs include Temporary Assistance for Needy Families (TANF), Medicaid, Supplemental Nutrition Assistance Program (SNAP), Child Support Enforcement, Adoption Assistance and Foster Care, and Social Services Block Grant. Each federal grant has specific reporting requirements that affect the department's data management practices and systems.

## **Federal grant reporting requirements drive the management of Health & Welfare's financial data.**

Health and Welfare receives federal funds by complying with a broad array of reporting requirements. To meet those reporting requirements, the department uses a complex group of data management and reporting systems such as payments, billing and receipting, statistics, budgets, program data systems, and STARS (the state's financial accounting system). The department's core financial database is FISCAL, which shares data with these data management and reporting systems.

The large number of systems and the amount and scope of data collected in these systems complicate how information is grouped and subsequently reported. FISCAL relies on lookup tables to link data from the interconnected systems. If Health and Welfare does not define a relationship between two data types in a lookup table at the beginning of the year, it would not be

able to readily provide policymakers with information relating to those two data points.

For example, if policymakers want to know how much the department spent on all services provided to adults with a serious mental illness, and the department has not defined the needed relationship in FISCAL, the department would have to sort through individual transactions stored in FISCAL to determine what was spent on that specific population. For fiscal year 2013, FISCAL recorded more than 2 million transactions.

Even if Health and Welfare had new systems with increased capabilities to capture more of the data relationships of interest to policymakers, other complicating factors would still exist: primarily federal reporting requirements that specify how the department allocates indirect costs to grants.



## Cost allocation can affect Health & Welfare's ability to answer seemingly straightforward questions.



Agencies that provide federally funded health and human service programs are required to submit a cost allocation plan to the federal Division of Cost Allocation within the Department of Health and Human Services. When agencies request federal funds to cover program costs, they must claim costs according to their approved cost allocation plan.

Health and Welfare charges costs for a single program directly to that program. For costs that apply to multiple programs, the department allocates costs by assigning them to internal cost pools. Examples of costs that apply to multiple programs include the director, division administration, financial services, and adult and children's mental health program support.

Health and Welfare uses FISCAL as its system of financial record because STARS does not track all of the detail needed for federal reporting. In addition to the data necessary to maintain a record of each transaction the department makes, FISCAL tracks the detailed information required for allocating costs to federal grants.

FISCAL has a cost allocation subsystem designed to calculate which portion of costs should be assigned to each federal grant. For FISCAL to allocate costs, the system must access information such as the number of calls taken by staff, monthly time reports, results from random moment time studies, and monthly client count. These statistics are used to determine what portion of a cost pool is eligible to be distributed to a given grant. STARS cannot access or process the necessary information.

Although allocated costs can obstruct policymakers' view of information they have expressed interest in seeing, cost allocation itself is not a problem. However, poorly planned or executed cost allocation can be a substantial problem. We did not evaluate Health and Welfare's cost allocation methodology, but the department has contracted with a consulting firm to review this methodology and to determine whether it aligns with cost allocation principles and federal regulatory guidance.

**Exhibit 1 on page 11 illustrates how cost allocation affects the flow of appropriated dollars through the department.**

## Example: SNAP

Last legislative session legislators asked the department how administrative costs changed when it moved from distributing food stamp benefits (the Supplemental Nutrition Assistance Program or SNAP) on multiple days each month to a single-day distribution. With good reason, Health and Welfare did not have a ready answer.

The department can easily determine total administrative costs for SNAP. The total cost of SNAP administration consists of a small amount of direct costs plus costs allocated from several cost pools. The problem with determining how the change from multiday to single-day distribution affected administrative costs lies in cost allocation and how the tables in FISCAL were set up to track SNAP cost information.

The Bureau of Benefit Programs Operations within the Division of Welfare administers SNAP. However, the bureau

also administers Child Care Assistance, Temporary Assistance for Needy Families, Medicaid eligibility determination, and benefit applications. Given the organization of benefit programs within Health and Welfare, the department uses cost allocation to distribute costs to the appropriate grants.

To determine the change in SNAP administrative costs, Health and Welfare would have to determine how the change to single-day distribution affected the activities and time of each person involved in the administration of SNAP benefits. An answer is possible, but getting to that answer through allocated costs requires the department to sort through individual records in FISCAL. Sorting through individual records is time consuming and prone to errors.



# Cooperative Welfare Fund



Health and Welfare uses the cooperative welfare fund to combine most of the department's appropriation from general, federal, and dedicated funds into a single-bucket fund. In fiscal year 2013, \$2.3 billion of the department's total budget went to the cooperative welfare fund. Given the large amount of money housed in this single fund, the cooperative welfare fund is a central component of any discussion about how Health and Welfare manages its budget.

## Health & Welfare relies on the cooperative welfare fund to conduct day-to-day operations.

The cooperative welfare fund has two primary advantages for Health and Welfare: (1) it gives flexibility to pay invoices and make cash deposits without first identifying a fund source (federal, general, or dedicated), and (2) it reduces the number of transactions sent to STARS, the state's financial accounting system operated by the State Controller.

Without the cooperative welfare fund, the department may have to determine (or at least estimate) upfront what portion of an invoice to pay from federal funds and what portion to pay from general funds. Very often, however, the department can only estimate the appropriate fund split (between federal and general funds) at the time of the transaction. In cases of estimation, the department would have to later adjust fund balances in STARS.

The cooperative welfare fund also allows the department to make cash deposits directly into the cooperative welfare fund with no fund source information. Without the cooperative welfare fund, the department would have to estimate upfront the distribution of cash deposits among fund sources and budget units and make adjustments in STARS as necessary.

Both practices could increase the number of transactions the department makes in STARS. Increasing transactions in STARS would increase the department's total cost of transactions. These costs would come from two sources: additional employee time and the cost of STARS transactions. The

department must reimburse the State Controller for the cost of transactions it makes in STARS according to rates set in the statewide cost allocation plan.

### Example: Copier Leases

When the department makes a payment on one of its copier leases, the costs are assigned to the management services cost pool. The department determines the total share of the management services cost pool that should be paid from general and federal funds according to the distribution of labor hours among federal grants.

For copier lease payments made in the fourth quarter of federal fiscal year 2013, the department used the 44.76 percent federal share of the cost pool calculated for the third quarter. At the end of the fourth quarter, the department used the updated labor hour distribution to determine that the correct fourth quarter federal share of the management services cost pool was 44.10 percent.

To correct the federal and general fund split, the department needed to adjust the general and federal share of the management services cost pool for the fourth quarter. Had the department not used the cooperative welfare fund, the department would likely have needed to make the same adjustment for all 280 transactions assigned to the management services cost pool in the fourth quarter.

## About 93% of Health & Welfare's expenditures are not assigned to a specific fund source at the transaction level.



Health and Welfare loads its budget, as appropriated, into two financial systems: STARS (the state's system) and FISCAL (the department's system). Like other agencies, the department's appropriation contains information on whether the fund source is federal, general, or dedicated.

However, to limit transaction costs, the department does not use fund detail within STARS. Fund detail identifies whether expenditures from the cooperative welfare fund are charged to federal, general, or dedicated funds. As a result, STARS does not have the information to report on the fund source of expenditures from the cooperative welfare fund. Any fund source information for expenditures from the cooperative welfare fund comes from FISCAL.

The department enters transactions into FISCAL using program cost account (PCA) codes. PCA codes link transactions to predefined information such as budget unit, expenditure class, and fund source. Although in some instances the department sets up PCA codes to link transactions to specific fund sources, it assigns about 93 percent of its expenditures to be split among fund sources once the correct share of each

fund source can be determined. Most expenditures that require a fund split come from the cooperative welfare fund.

Health and Welfare tracks expenditure totals for each fund source in two places: (1) work papers used to track and prepare the information necessary for federal grant reporting, and (2) records stored in FISCAL. On a monthly or quarterly basis, the department adjusts the record of expenditures by fund source stored in FISCAL to match the balances determined in grant work papers.

Throughout the fiscal year, the department internally monitors total expenditures assigned to each fund source to inform quarterly budget projections. The department uses the projections to make decisions about the need for budgetary adjustments such as transfers by class, program, or fund. For the fiscal year 2013 data we analyzed, we did not see any evidence that the department made transfers directly between fund sources.

**Exhibit 1  
illustrates how  
the cooperative  
welfare fund  
affects the flow  
of appropriated  
dollars through  
the  
department.**

# Division of Welfare

## Fund Flow Example



Using the budget unit of the Self-Reliance Operations Bureau within the Division of Welfare, exhibit 1 illustrates how the cooperative welfare fund, cost allocation, and fund splits affect the flow of appropriated dollars through the department.

The exhibit shows how the fiscal year 2013 appropriation of Self-Reliance Operations moved into the cooperative welfare fund, how costs incurred during the year were charged to either a cost pool or a direct grant, and then how expenditures charged to a cost pool or a direct grant were assigned to one of the division's programs.

### Exhibit Key

**Funding Sources:** The Division of Welfare receives appropriated funds from several federal grants, the general fund, and a small amount from a dedicated fund. In this exhibit, we combined the general fund and dedicated fund amounts.

**Cooperative Welfare Fund:** All appropriated funds for the Self-Reliance Operations budget unit are housed in the cooperative welfare fund.

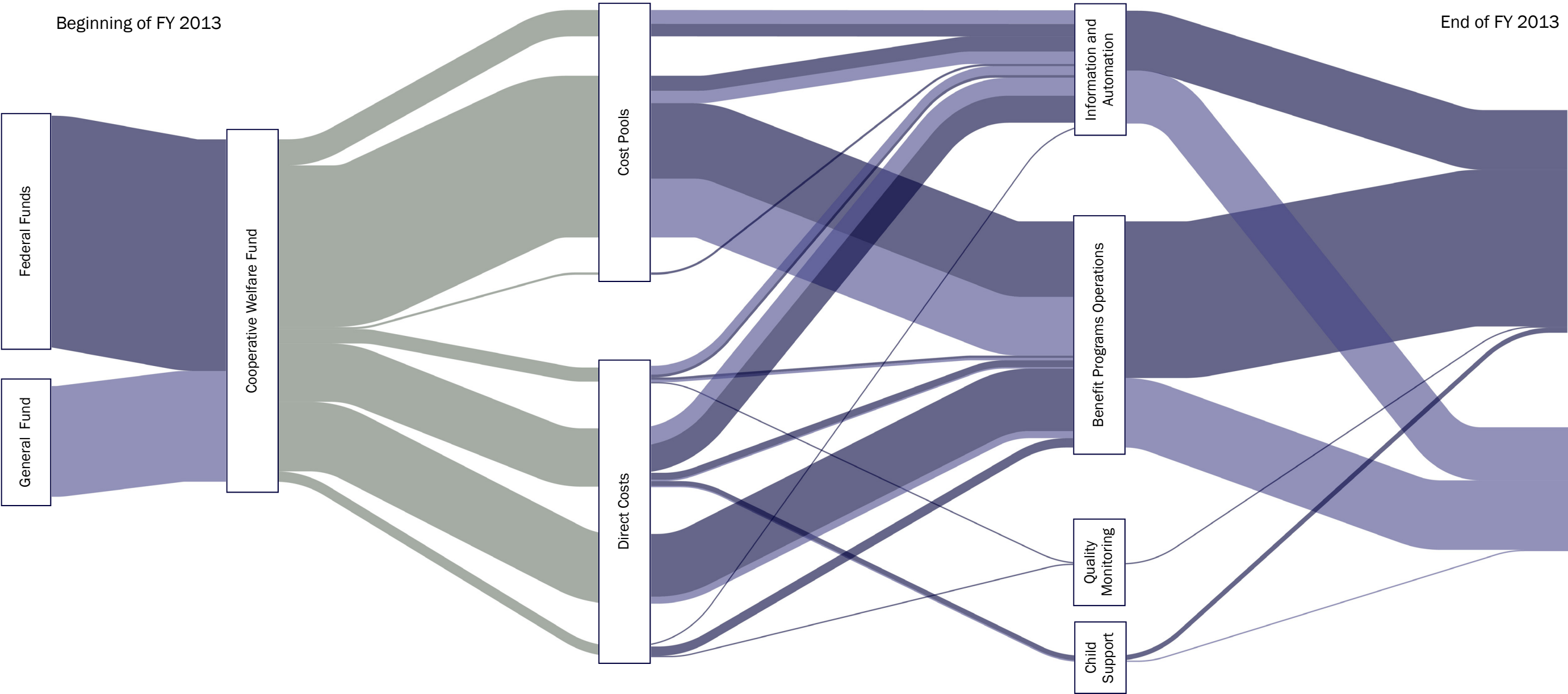
**Cost Pools and Direct Grants:** All expenditures are assigned to either cost pools or direct grants. The exhibit

separates cost pools and direct grants into four groups based on the federal match rate of each. Federal grants differ from one another in requirements and match rates, which underscores the complexity of the cost allocation and fund split processes.

**Service Categories:** The Division of Welfare has four service categories: Benefit Programs Operations, Child Support, Quality Monitoring, and Information and Automation. Each service category can receive funding from multiple federal grants and the general fund.

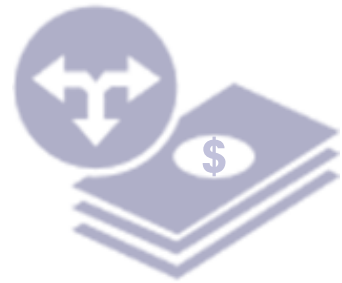


Exhibit 1: The Flow of Funds Through the Division of Welfare





## **Health & Welfare documents transfers and adjustments in year-end Actuals Program Proofs. However, program proofs are not structured to give policymakers comprehensive details on transfers and adjustments.**



At the end of every year, the department must reconcile its record of expenditures in FISCAL to its record of expenditures in STARS. Because STARS has no record of fund sources for expenditures from the cooperative welfare fund, the department must also demonstrate that its spending by fund source complied with its appropriations.

Health and Welfare demonstrates compliance by preparing program proofs for legislative Budget and Policy Analysis and the Division of Financial Management. Preparing program proofs requires the department to complete work papers that (1) reconcile the department's record of expenditures by expense categories and budget units to the STARS record of expenditures, and (2) compare expenditures by fund source to its appropriation by fund source. Health and Welfare's internal budget analysts complete much of the reconciliation manually in Excel spreadsheets.

Legislative Audits' management review (October 2013) found the documentation for the Division of Public Health's program proofs were not detailed enough to determine if its spending complied with its appropriation. Similar to the Legislative Audits' finding, we found the documentation

for other divisions' program proofs did not always have enough detail to clearly show specifics about transfers and adjustments. Legislative Audits recommended the department strengthen internal controls over the processes used to account for spending and report compliance with appropriations. Health and Welfare agreed with the recommendation.

Regardless of the clarity of the department's program proof documentation, the program proofs are not structured to provide policymakers with comprehensive details on transfers and adjustments. Within the program proofs for an individual budget unit, funds transferred in or out of the budget unit are visible, but the program source or destination of the transfer is not.

Further, it is not readily apparent whether transferred funds remained in the same object code and fund source. In the department-wide proof, no detail about transfers within budget units is available because transfers sum to zero across all divisions. Additional reporting by Health and Welfare would be necessary for policymakers to see a full accounting of transfers within the department. See the appendix for an example of a program proof and the department-wide proof.

# Adjustments to the Budget

Periodically throughout the year, Health and Welfare adjusts its budget, primarily by transferring spending authority among programs. Although the dollar amount being transferred is substantial, total transfers for fiscal year 2013 were only 4.2 percent of the department's total budget.



## Health & Welfare's principal method of monitoring, projecting, and planning adjustments to program budgets is through quarterly budget reviews.

Before the end of each quarter, Health and Welfare budget analysts in each of the department's divisions meet with the bureau chiefs to review expenditures and projections for the fiscal year. Following these meetings, budget analysts prepare quarterly program summaries for each budget unit and review the information with the division administrator.

Budget analysts then submit division program summaries to the department's financial manager. The financial manager consolidates all of the program summaries into a department-wide summary and reviews the summary with the department's financial executive officer to identify any budget issues or concerns. The financial executive officer reviews the summary, concerns, and issues with the department's deputy director of support services. The

deputy director shares the information with the director of the department and with each of the division administrators. This budget review process can take up to six weeks.

A document called the Joint Finance-Appropriations Committee (JFAC) Action Proof is the template for information captured for each program summary. Program summaries list the appropriation amount, funding adjustments through the current quarter, the adjusted budget, the year-to-date expenditures, and the projected expenditures. Any funding adjustments are based on what bureau chiefs (or program managers) communicate to budget analysts.

**Exhibit 2 on page 17 illustrates the department's budget management process.**

# Budget Management Processes



Exhibit 2 is a high-level illustration of Health and Welfare's budget management process. Users can follow the department's budget management process from the budget request through budget adjustment decisions to the year-end budget reconciliation.

## Exhibit Key

**Light blue lines:** Processes that happen throughout the fiscal year.

**Dotted lines:** Two processes that do not take place consistently

- (1) Light blue dotted line shows that budget adjustments throughout the fiscal year are not always entered into FISCAL, and
- (2) Dark blue dotted line shows that year-end adjustments are not always entered into FISCAL.

**Dark blue lines:** Processes that only occur at year end.

**Budget load into STARS and FISCAL:**

The department loads its budget into two financial systems as appropriated: STARS (the state's system) and FISCAL (the department's system).

**Cost allocation:** FISCAL's cost allocation subsystem is designed to calculate what portion of indirect costs should be assigned to each federal grant.

**Fund source split:** The department assigns about 93 percent of its expenditures to be split among fund sources once it can determine the correct amount to assign to each fund source.

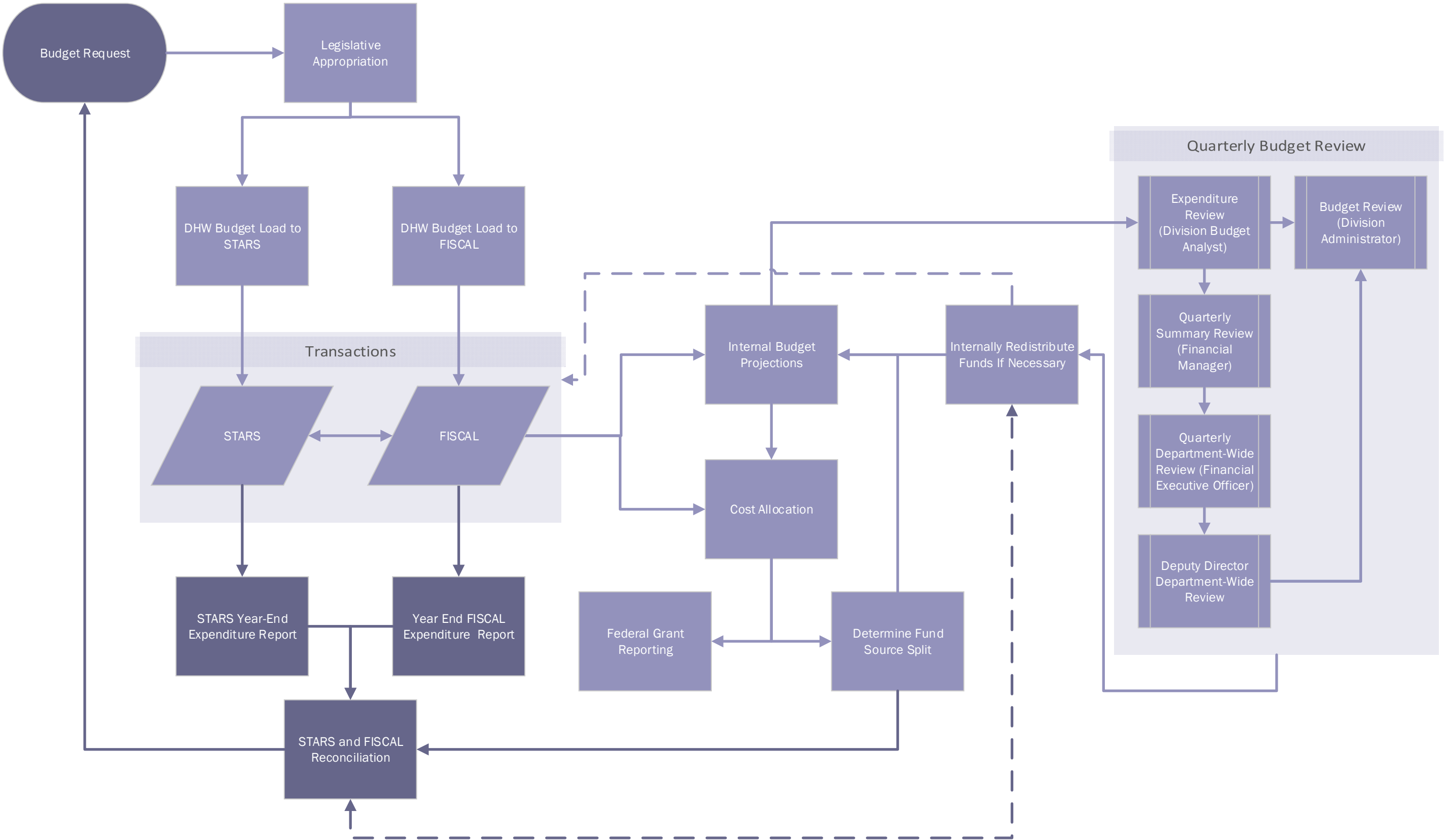
**Quarterly budget review:** The department's principal method of monitoring, projecting, and planning adjustments to program budgets is through quarterly budget reviews.

**Year-end reconciliation:** At year end the department must demonstrate that its spending complied with its appropriation. The department documents transfers, adjustments, and expenditures by fund source in year-end Actuals Program Proofs.

**Federal reporting:** The department receives federal funds by complying with a broad array of reporting requirements. To meet those reporting requirements, it uses a complex group of data management and reporting systems. The department's core financial database, FISCAL, shares data with these data management and reporting systems.



Exhibit 2: Budget Management Process







**In FY 2013, the department transferred \$101.3 million, 4.2% of its total budget; 82% of transfers were among Medicaid programs, which the Legislature has specifically exempted from transfer limitations.**

When the department determines that budget adjustments are necessary to cover projected expenses, it first tries to transfer between expense categories (i.e., personnel, operating, capital, and trustee and benefit) within a single budget unit. When this type of transfer is not feasible, the department will look division-wide. If a division-wide transfer is not feasible, the department will look to other divisions. As a matter of last resort, the department will ask for a

supplemental appropriation. For example, in 2013 the department requested a supplemental appropriation because it was unable to transfer sufficient funds for the Bureau of Physical Health to purchase vaccinations.

Exhibit 3 shows that in fiscal year 2013, 4.8 percent of all transfers were between expense categories, 85.4 percent were within divisions, and 9.8 percent were across divisions.

**Exhibit 3**  
**Percentage of Transfers Between Expense Categories, Within Divisions, and Across Divisions**

Transfer Type	Amount	Number of Transfers <sup>a</sup>	% of All Appropriations	% of All Transferred Funds
Between expense categories	\$4,837,000	29	0.2	4.8
Within divisions <sup>b</sup>	\$86,556,700	23	3.6	85.4
Across divisions	\$9,916,700	29	0.4	9.8
Total transfers	\$101,310,400	81	4.2	100.0
Total appropriations	\$2,389,180,600			

Source: Data from the Department of Health and Welfare's Actuals Program Proof work papers. The program proof documents contain fiscal information for each budget unit and are submitted to the Division of Financial Management and legislative Budget and Policy Analysis.

<sup>a</sup> Number of transfers out of expense categories.

<sup>b</sup> \$83.1 million (96 percent) of the transfers within divisions were between Medicaid plans in the Trustee and Benefit expense category.

More than 76 percent (\$77.1 million) of transfers were federal spending authority and 17 percent (\$17.5 million) were general fund. The remaining 7 percent of transfers were receipt authority and a single transfer

of dedicated funds. Exhibit 4 shows that among general fund transfers, 14.5 percent occurred among expense categories, 59.9 percent within divisions, and 25.5 percent across divisions.

**Exhibit 4**  
**General Fund Transfers Between Expense Categories, Within Divisions, and Across Divisions**

Transfer Type	Amount	Number of Transfers <sup>a</sup>	% of General Fund Appropriations	% of General Fund Transfers	% of All Transferred Funds
Between expense categories	\$2,540,600	11	0.4	14.5	2.5
Within divisions	\$10,472,800	9	1.7	59.9	10.3
Across divisions	\$4,458,500	13	0.7	25.5	4.4
Total general fund transferred	\$17,471,900	33	2.9	100.0	17.2
Total amount of all transfers	\$101,310,400				
General fund appropriation	\$606,099,500				

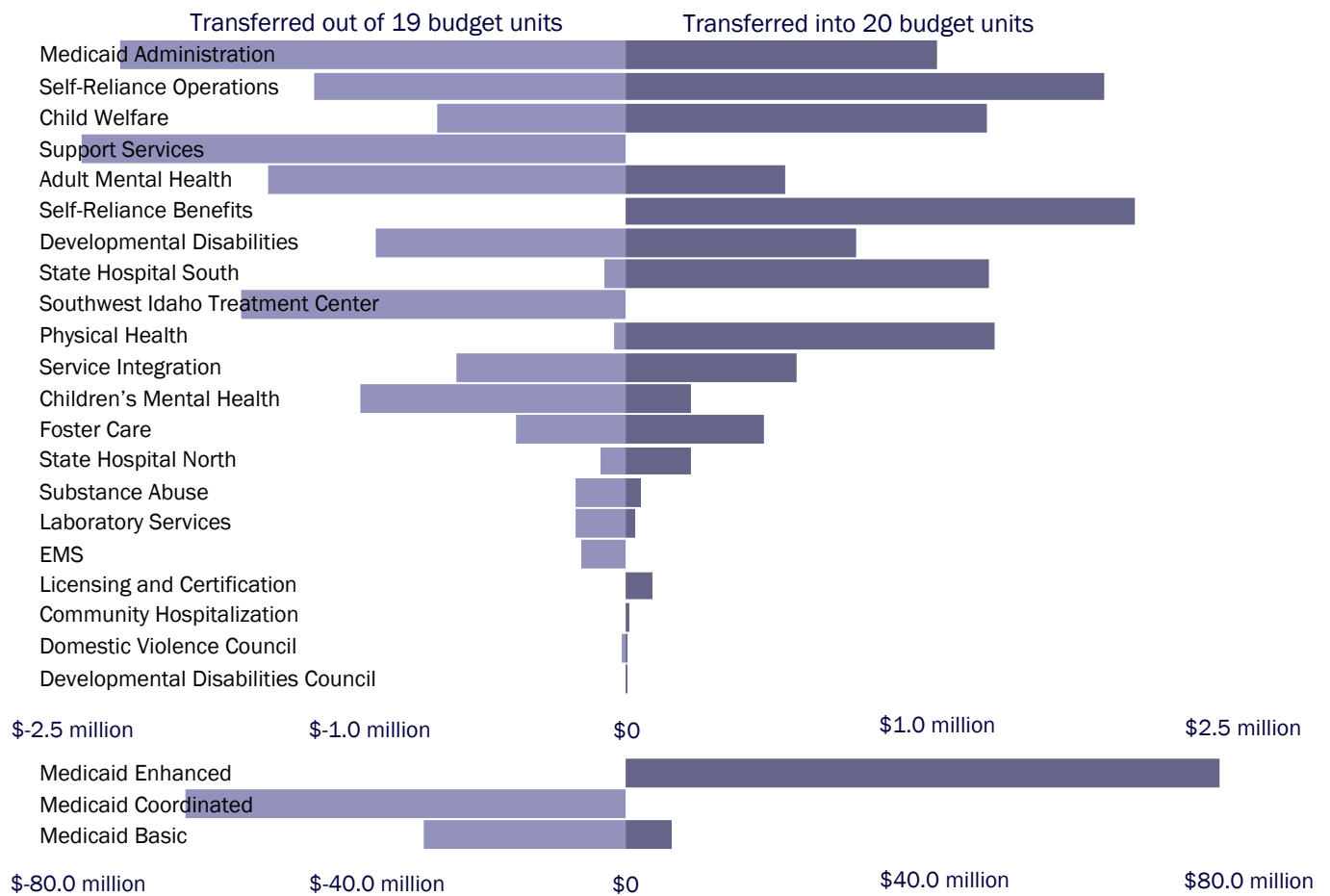
Source: Data from the Department of Health and Welfare's Actuals Program Proof work papers. The program proof documents contain fiscal information for each budget unit and are submitted to the Division of Financial Management and legislative Budget and Policy Analysis.

<sup>a</sup> Number of transfers out of expense categories.

Exhibit 5 shows the total amount the department transferred in and out of each budget unit. Overall, it transferred funds out of 19 budget units and transferred them into 20 budget units.



### Exhibit 5 The Department Transferred Funds Out of 19 Budget Units and Transferred Funds into 20 Budget Units



Source: Analysis of Department of Health and Welfare's FY 2013 Actuals Program Proof work papers. The program proof documents contain fiscal information for each budget unit and are submitted to the Division of Financial Management and legislative Budget and Policy Analysis.

Note: Medicaid budget units are displayed on a separate axis to preserve the visibility of budget units with smaller transfer amounts.

# Case Study: Physical Health Transfers



Exhibit 6 illustrates the source, destination, and magnitude of fiscal year 2013 transfers that were made into, out of, and within the Bureau of Physical Health. The Legislature appropriated \$94.4 million in fiscal year 2013 to Physical Health, and of that amount, \$74.2 million was placed in the cooperative welfare fund. An additional \$1,493,400 was transferred in from other programs, and \$47,600 was transferred out to other programs.

## Exhibit Key

**Boxes on the left side:** Original appropriation amounts. The size of each box proportionally represents the magnitude of the dollar amounts (\$74,235,900).

**Boxes on the right side:** Year-end adjusted appropriations reported to the Legislature after all transfers were made (\$75,681,700).

**Gray lines:** Dollars spent as appropriated (\$74,014,700).

**Colored lines:** Dollars transferred (\$1,714,600).

**Green lines:** Transfers within the Physical Health budget unit but to different expense categories than originally appropriated (\$173,600).

**Orange lines:** Transfers into Physical Health from other budget units within the Division of Public Health (\$378,100).

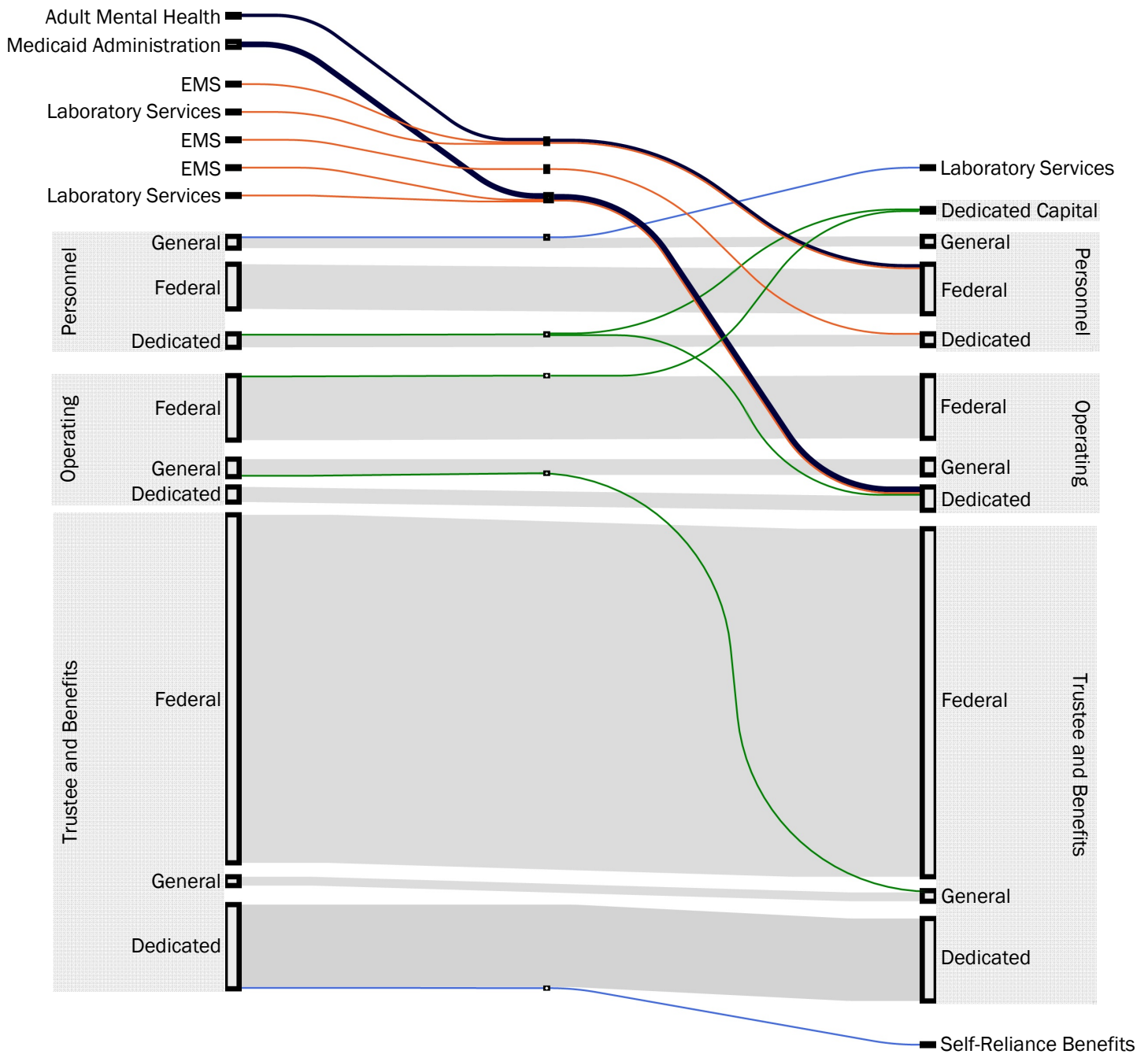
**Dark blue lines at the top:** Transfers into the Physical Health budget unit from budget units outside the Division of Public Health (\$1,115,300).

**Blue line:** Transfer out of the Physical Health budget unit to another budget unit outside of the Division of Public Health (\$47,600).



## Exhibit 6

### The Department Spent 99.7% of Funds Appropriated to Physical Health as Stipulated in Its FY 2013 Appropriation



Source: Analysis of Department of Health and Welfare's FY 2013 Actuals Program Proof work papers. The program proof documents contain fiscal information for each budget unit and are submitted to the Division of Financial Management and legislative Budget and Policy Analysis.



# Organization



The programs of health and human services fall into four broad categories: public health, behavioral health, public assistance (welfare), and social services (child support and child protective services). All states provide services in each of these categories using a combination of state and federal funding. The US Department of Health and Human Services administers the majority of federal funding. It is not concerned with how states organize services as long as the states' cost allocation plans reflect the organization of services.

## Most states combine two or more health and human service programs into a single agency.

States use anywhere from one to six agencies to administer core federally funded health and human service programs. For example, 46 states combine the administration of two or more health and human service areas into a single agency. Idaho is part of a diverse group of 14 states that use a single agency to administer all of the services areas. In addition to states with only one health and human services agency, some states use multiple agencies to administer programs but have a single agency that oversees and allocates resources for the other agencies.

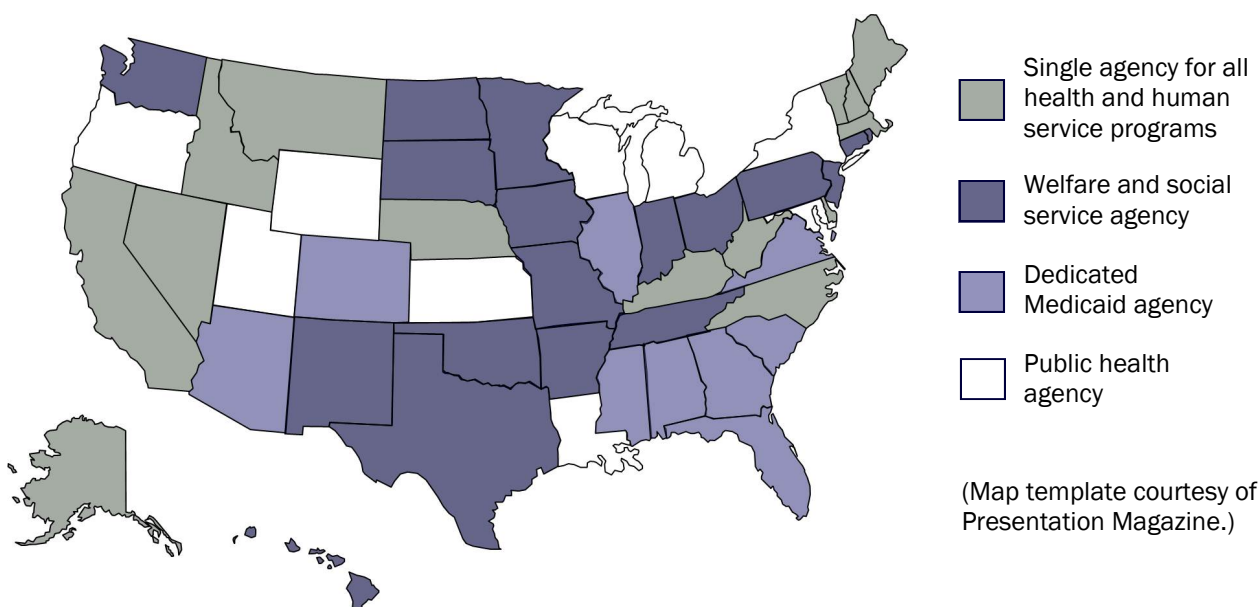
Aside from states with a single health and human service agency, welfare and child and family services are the service areas that states most commonly combine: 17 combine welfare and child and family services, and 9 combine welfare, child and family services, and behavioral health.

The service areas most often found in a standalone agency are public health and behavioral health: 28 states use a standalone agency to administer public health programs, and 14 states use a standalone agency to administer behavioral health programs.

As shown in exhibit 7, nine states use a standalone agency to administer Medicaid. Of states that house Medicaid with other health and human service programs, 9 house Medicaid in public health agencies, 18 with welfare and social service agencies, and 14 in a single agency that administers all health and human service programs.

Nationally, states' organization of health and human service programs is dynamic. States frequently reorganize and consolidate agencies and programs to balance between service delivery and cost savings. In general, states have tended to consolidate services.

**Exhibit 7**  
**States House Medicaid in One of Four Types of Agencies**



## Health & Welfare is organized as 8 divisions within a single agency that oversees and administers public health, behavioral health, public assistance, and social service programs.



Each division of Health and Welfare is organized into bureaus to administer services. Although the department provides a broad array of services across the state, it maintains a strongly centralized organizational structure. Department administration and central financial management staff make budget decisions with the input of bureau chiefs or program managers and division administrators.

Along with the director of Health and Welfare, the department's deputy director of Support Services oversees department-wide legal services, financial services, operational services, and information technology.

Within the Division of Support Services, the Bureau of Financial Services plays a primary role in managing the department's budget. The bureau is responsible for distributing allocated funds to all of the department's operating budgets. Financial Services assigns

a budget analyst to each division to monitor and communicate the needs of the divisions to central management.

In fiscal year 2010, economic conditions resulted in budget reductions that led Health and Welfare to reorganize and reduce its personnel and close 9 of the department's 29 field offices. According to the department, consolidating field offices improved business processes and renewed focus on using technology to reach clients and provide services.

According to Health and Welfare, the department achieves greater efficiency and reduced administrative and personnel costs because its central administration allows for the sharing of resources across many programs. In our research on other states, we found that states give similar explanations for why they have moved toward service consolidation.

## In addition to Health & Welfare's physical organization, the department must be understood through the lens of its program and grant structure.

The broadest level of Health and Welfare's program structure is the 25 budget units to which the Legislature makes appropriations. A single budget unit can fund an entire division or several budget units may fund one division. For example, the Division of Licensing and Certification has a single budget unit, but the Division of Public

Health has three budget units: one each for Laboratory Services, EMS, and Physical Health.

Grants and cost pools often span several budget units, bureaus, divisions, and fund sources. For example, the TANF grant is spent through six divisions.

## The department's physical organization does not directly align with its program or grant structure.

In exhibit 8, we use the Division of Welfare to illustrate the complex relationships between and among the department's appropriation, grants, organization, and programs. The exhibit shows that the department's physical organization does not

directly align with its program or grant structure. The physical organization attempts to achieve efficiency by consolidating services into categories that allow a bureau chief to administer multiple programs that draw from multiple fund sources.

### Exhibit Key

**Funding sources:** The division receives funds from several federal grants and the general fund. All funding sources can apply to operations and benefits. Federal grants differ from one another in requirements and match rates, which underscores the complexity of the cost allocation and fund split processes. A single grant can fund expenditures in multiple expenditure categories, programs, and divisions.

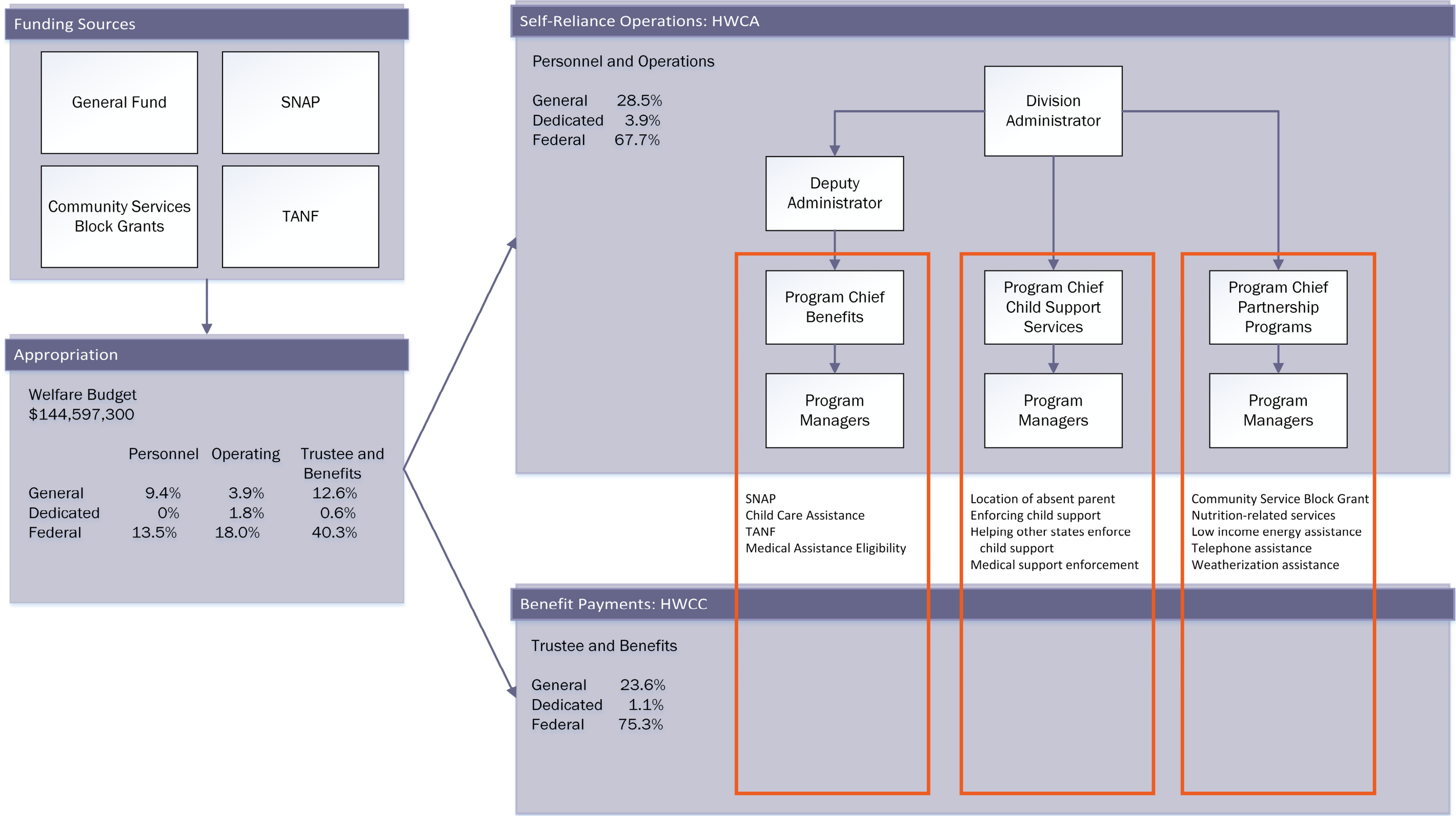
**Appropriation:** For fiscal year 2013 Senate Bill 1404 appropriated dollars to the division's two budget units: one for

Self-Reliance Operations and one for Benefit Payments. The bill also contained budget units for two other Health and Welfare divisions.

**Physical organization:** The Division of Welfare is organized into four bureaus that serve the state through regional offices.

**Program structure:** Each bureau in the Division of Welfare administers several programs that receive funding from multiple federal grants and the general fund.

Exhibit 8: Program Organization Example







# Considerations for Policymakers and the Department



In this section, we summarize points we believe to be most important for policymakers as they consider how to improve the availability of Health and Welfare's budget information. We also discuss the applicable tradeoffs with each point. One of our considerations is directed to the Department of Health and Welfare. The other four considerations are for policymakers. Two of those considerations require major changes and come with substantial costs.

The other two considerations would require less sweeping change and may help policymakers access information more readily than alternatives. Given the limitations of the financial management systems, we suggest policymakers: (1) ask questions of Health and Welfare as early as possible so the department can track the correct information, and (2) request an annual report from the department that outlines all of the transfers that took place within the last year and the reasons for those transfers.

## **Consider the implications of removing Health & Welfare programs from the cooperative welfare fund.**

Moving programs out of the cooperative welfare fund into separate funds for each fund source would allow legislative budget analysts and policymakers to see department expenditures by fund source in STARS. However, the department would still have to determine how to divide expenditures among fund sources in much the same way it does now. This means that because of federal reporting requirements and fund split adjustments, the fund source information that would be shown in STARS would not inherently be any more accurate than it currently is in FISCAL.

Further, the department's financial management process could increase in complexity. The fund split for an invoice may have to be determined or estimated before the invoice was paid and then adjusted in STARS after the actual fund split was determined. Similarly, the department would have to determine the fund source for cash receipts and adjust those as necessary. Such changes to invoice and cash receipt processing would increase the number of transactions the department would need to enter in STARS, increase data entry, and increase the total cost of transactions with the State Controller.

## **Consider the effect that federal reporting requirements have on the information Health & Welfare can make readily available.**

Because of its heavy reliance on federal funding, Health and Welfare gives first priority to producing information to meet federal reporting requirements. This means

that resources, including staff and systems, are most responsive to federal reporting requirements.

## Consider the limitations of Health & Welfare's financial management systems.



During the time we spent with Health and Welfare, we verified that the answers to policymakers' questions may be available, but getting to the right information is complex. Given this complexity, answers may not be immediately available and may take time for Health and Welfare to gather the information.

The department's financial management system requires that data tables be set up to track relationships of interest. Without those tables in place, the department's financial staff would have to sift through individual transactions to answer questions about how the department used specific appropriated

dollars. Manually sifting through individual transactions increases the likelihood of errors.

Policymakers should consider discussing with the department their questions and information needs as early in the year as possible. For the department to ensure that its systems track the information necessary to answer questions promptly and reliably, Health and Welfare must translate those questions into a language its systems can understand and then instruct its systems to track the information throughout the fiscal year.



## **Consider requiring a detailed transfer report from Health & Welfare.**

A detailed transfer report would identify the nature of all transfers, including information such as the type of transfer, the reason for the transfer, and the amount of the transfer. An annual transfer report would help policymakers and stakeholders track, at a more explicit level, how the department manages adjustments to its budget. However,

the department does not have all of the necessary information to prepare a detailed transfer report until it closes out FISCAL in July. Additional staff time would likely be required to prepare a detailed transfer report in the short time between FISCAL's closing and the department's budget submission.

## **The department should consider increasing automation of its year-end reporting process.**

Legislative Audits' management review of the Division of Public Health recommended that Health and Welfare (1) improve documentation of transfers in its year-end program proof work papers, and (2) more consistently report transfers to FISCAL and STARS. We agree with Audits' recommendation and would add that increased automation of the year-end reporting process may help improve legislative reporting.

Automating more of the year-end reporting process would assist the department's financial staff in improving the consistency and accuracy of the documentation involved in preparing year-end program proofs, which are used to demonstrate compliance

with legislative appropriations. However, even if automation of the department's year-end reporting process increases, Health and Welfare will still have to prioritize federal reporting requirements over ad hoc information requests from legislators and other stakeholders.

Although automation could moderately improve legislative reporting, cost should be considered before automating more year-end reporting processes. Automation would require the department to either divert a substantial amount of staff time to automate processes or purchase custom applications specifically developed for Health and Welfare's legislative reporting needs.

# **Appendix: Department-Wide Proof and Program Proof**





## Public Health Services

## Physical Health Services

HWBA

			FTP	PC	OE	CO	T/B	LS	Total
<b>0.30 FY 2013 Original Appropriation</b>									
	0220-03	Gen	0.00	1,283,100	1,546,200	0	1,084,600	0	3,913,900
	0172-00	Ded	0.00	0	7,200,000	0	0	0	7,200,000
	0176-00	Ded	0.00	49,200	228,200	0	123,400	0	400,800
	0181-00	Ded	0.00	0	0	0	182,700	0	182,700
	0220-05	Ded	141.00	1,564,900	1,861,700	0	10,186,700	0	13,613,300
OT	0499-00	Ded	0.00	0	0	0	0	2,250,000	2,250,000
	0220-02	Fed	0.00	5,513,700	7,755,700	0	42,997,900	0	56,267,300
<b>Totals:</b>			141.00	8,410,900	18,591,800	0	54,575,300	2,250,000	83,828,000
<b>0.43 TRICARE Vaccines</b>									
OT	0220-03	Gen	0.00	0	441,400	0	0	0	441,400
OT	0172-00	Ded	0.00	0	10,100,000	0	0	0	10,100,000
<b>Totals:</b>			0.00	0	10,541,400	0	0	0	10,541,400
<b>1.00 FY 2013 Total Appropriation</b>									
	0220-03	Gen	0.00	1,283,100	1,546,200	0	1,084,600	0	3,913,900
OT	0220-03	Gen	0.00	0	441,400	0	0	0	441,400
	0172-00	Ded	0.00	0	7,200,000	0	0	0	7,200,000
OT	0172-00	Ded	0.00	0	10,100,000	0	0	0	10,100,000
	0176-00	Ded	0.00	49,200	228,200	0	123,400	0	400,800
	0181-00	Ded	0.00	0	0	0	182,700	0	182,700
	0220-05	Ded	141.00	1,564,900	1,861,700	0	10,186,700	0	13,613,300
OT	0499-00	Ded	0.00	0	0	0	0	2,250,000	2,250,000
	0220-02	Fed	0.00	5,513,700	7,755,700	0	42,997,900	0	56,267,300
<b>Totals:</b>			141.00	8,410,900	29,133,200	0	54,575,300	2,250,000	94,369,400
<b>1.11 Lump Sum Adjustments</b>									
OT	0499-00	Ded	0.00	0	2,000,000	0	250,000	(2,250,000)	0
<b>Totals:</b>			0.00	0	2,000,000	0	250,000	(2,250,000)	0
<b>1.21 Net Object Transfer</b>									
	0220-03	Gen	0.00	0	(44,100)	0	44,100	0	0
	0220-05	Ded	0.00	(118,800)	116,400	2,400	0	0	0
	0220-02	Fed	0.00	0	(10,700)	10,700	0	0	0
<b>Totals:</b>			0.00	(118,800)	61,600	13,100	44,100	0	0
<b>1.32 Receipt Authority</b>									
	0220-05	Ded	0.00	0	704,300	0	(4,000)	0	700,300
<b>Totals:</b>			0.00	0	704,300	0	(4,000)	0	700,300
<b>1.33 Federal Fund Authority</b>									
	0220-02	Fed	0.00	411,000	0	0	0	0	411,000
<b>Totals:</b>			0.00	411,000	0	0	0	0	411,000
<b>1.34 Year End Balancing</b>									
	0220-03	Gen	0.00	0	(700)	0	0	0	(700)
<b>Totals:</b>			0.00	0	(700)	0	0	0	(700)



## Public Health Services

## Physical Health Services

			FTP	PC	OE	CO	T/B	HWBA LS	Total
<b>1.36</b>	<b>Transfers Between Public Health Programs</b>								
	0220-03	Gen	0.00	(43,600)	0	0	0	0	(43,600)
	0220-05	Ded	0.00	109,500	86,600	0	0	0	196,100
	0220-02	Fed	0.00	182,000	0	0	0	0	182,000
	<b>Totals:</b>		0.00	247,900	86,600	0	0	0	334,500
<b>1.61</b>	<b>Reverted Appropriation</b>								
	0220-03	Gen	0.00	(22,800)	(34,600)	0	0	0	(57,400)
	0172-00	Ded	0.00	0	(2,465,600)	0	0	0	(2,465,600)
	0176-00	Ded	0.00	0	(43,200)	0	(50,800)	0	(94,000)
	0181-00	Ded	0.00	0	0	0	(60,700)	0	(60,700)
	0220-05	Ded	0.00	0	0	0	(771,400)	0	(771,400)
	0220-02	Fed	0.00	0	(360,500)	0	(1,745,300)	0	(2,105,800)
	<b>Totals:</b>		0.00	(22,800)	(2,903,900)	0	(2,628,200)	0	(5,554,900)

**2.00 FY 2013 Actual Expenditures**

	0220-03	Gen	0.00	1,216,700	1,466,800	0	1,128,700	0	3,812,200
OT	0220-03	Gen	0.00	0	441,400	0	0	0	441,400
	Cooperative Welfare (General)			1,216,700	1,908,200	0	1,128,700	0	4,253,600
	0172-00	Ded	0.00	0	4,734,400	0	0	0	4,734,400
OT	0172-00	Ded	0.00	0	10,100,000	0	0	0	10,100,000
	Idaho Immunization Dedicated Vaccine			0	14,834,400	0	0	0	14,834,400
	0176-00	Ded	0.00	49,200	185,000	0	72,600	0	306,800
	Cancer Control			49,200	185,000	0	72,600	0	306,800
	0181-00	Ded	0.00	0	0	0	122,000	0	122,000
	Central Tumor Registry			0	0	0	122,000	0	122,000
	0220-05	Ded	141.00	1,555,600	2,769,000	2,400	9,411,300	0	13,738,300
	Cooperative Welfare (Dedicated)			1,555,600	2,769,000	2,400	9,411,300	0	13,738,300
OT	0499-00	Ded	0.00	0	2,000,000	0	250,000	0	2,250,000
	Idaho Millennium Income			0	2,000,000	0	250,000	0	2,250,000
	0220-02	Fed	0.00	6,106,700	7,384,500	10,700	41,252,600	0	54,754,500
	Cooperative Welfare (Federal)			6,106,700	7,384,500	10,700	41,252,600	0	54,754,500
	<b>Totals:</b>		141.00	8,928,200	29,081,100	13,100	52,237,200	0	90,259,600

# State Wide Summary Report For FY 2013 Actuals

	FTP	PC	OE	CO	TB	LS	Total
<b>0.30 2013 Original Appropriation</b>							
Gen	0.00	78,488,000	27,146,400	0	502,379,100	0	608,013,500
OT	0.00	196,000	1,588,200	367,200	0	0	2,151,400
Fund Total:	0.00	78,684,000	28,734,600	367,200	502,379,100	0	610,164,900
Ded	2,858.97	12,974,600	26,283,400	0	206,821,100	0	246,079,100
OT	4.00	0	0	23,000	0	2,250,000	2,273,000
Fund Total:	2,862.97	12,974,600	26,283,400	23,000	206,821,100	2,250,000	248,352,100
Fed	0.00	87,220,500	63,120,900	0	1,324,393,800	0	1,474,735,200
OT	0.00	750,300	27,356,300	2,375,000	2,555,000	0	33,036,600
Fund Total:	0.00	87,970,800	90,477,200	2,375,000	1,326,948,800	0	1,507,771,800
Total:	2,862.97	179,629,400	145,495,200	2,765,200	2,036,149,000	2,250,000	2,366,288,800
<b>0.43 PA Provider Rate Increase</b>							
Gen	0.00	0	3,100	0	4,135,200	0	4,138,300
OT	0.00	0	566,400	(125,000)	37,632,000	0	38,073,400
Fund Total:	0.00	0	569,500	(125,000)	41,767,200	0	42,211,700
Ded	0.00	0	53,400	0	226,700	0	280,100
OT	0.00	0	10,100,000	0	605,200	0	10,705,200
Fund Total:	0.00	0	10,153,400	0	831,900	0	10,985,300
Fed	0.00	0	3,100	0	9,648,800	0	9,651,900
OT	0.00	0	7,445,000	(1,125,000)	0	0	6,320,000
Fund Total:	0.00	0	7,448,100	(1,125,000)	9,648,800	0	15,971,900
Total:	0.00	0	18,171,000	(1,250,000)	52,247,900	0	69,168,900
<b>0.44 Rescissions</b>							
Gen	0.00	0	0	0	(8,645,100)	0	(8,645,100)
OT	0.00	0	0	0	(37,632,000)	0	(37,632,000)
Fund Total:	0.00	0	0	0	(46,277,100)	0	(46,277,100)
Total:	0.00	0	0	0	(46,277,100)	0	(46,277,100)
<b>1.00 2013 Total Appropriation</b>							
Gen	0.00	78,488,000	27,149,500	0	497,869,200	0	603,506,700
OT	0.00	196,000	2,154,600	242,200	0	0	2,592,800
Fund Total:	0.00	78,684,000	29,304,100	242,200	497,869,200	0	606,099,500
Ded	2,858.97	12,974,600	26,336,800	0	207,047,800	0	246,359,200
OT	4.00	0	10,100,000	23,000	605,200	2,250,000	12,978,200
Fund Total:	2,862.97	12,974,600	36,436,800	23,000	207,653,000	2,250,000	259,337,400
Fed	0.00	87,220,500	63,124,000	0	1,334,042,600	0	1,484,387,100
OT	0.00	750,300	34,801,300	1,250,000	2,555,000	0	39,356,600
Fund Total:	0.00	87,970,800	97,925,300	1,250,000	1,336,597,600	0	1,523,743,700
Total:	2,862.97	179,629,400	163,666,200	1,515,200	2,042,119,800	2,250,000	2,389,180,600
<b>1.11 Lump Sum Adjustments</b>							
Ded OT	0.00	0	2,000,000	0	250,000	(2,250,000)	0
Total:	0.00	0	2,000,000	0	250,000	(2,250,000)	0
<b>1.12 Non-cognizable Increases</b>							
Fed	0.00	675,100	0	0	0	0	675,100
Total:	0.00	675,100	0	0	0	0	675,100

# State Wide Summary Report For FY 2013 Actuals

	FTP	PC	OE	CO	TB	LS	Total
<b>1.21 Net Object Transfer</b>							
Gen	0.00	(2,375,100)	1,380,300	102,400	892,400	0	0
Ded	0.00	(803,700)	639,500	164,200	0	0	0
Fed	0.00	(1,269,300)	503,400	160,800	605,100	0	0
Total:	0.00	(4,448,100)	2,523,200	427,400	1,497,500	0	0
<b>1.31 Transfers from FY14 Request (DU 6.5x)</b>							
Gen	0.00	(1,451,000)	0	0	1,451,000	0	0
Ded	0.00	0	0	0	0	0	0
Fed	0.00	0	0	0	0	0	0
Total:	0.00	(1,451,000)	0	0	1,451,000	0	0
<b>1.32 Receipt Authority</b>							
Ded	0.00	0	0	0	0	0	0
Total:	0.00	0	0	0	0	0	0
<b>1.33 Federal Fund Authority</b>							
Fed	0.00	0	0	0	0	0	0
Total:	0.00	0	0	0	0	0	0
<b>1.34 Year End Balancing</b>							
Gen	0.00	0	0	0	0	0	0
Total:	0.00	0	0	0	0	0	0
<b>1.35 Transfers Between Behavioral Health Programs</b>							
Gen	0.00	0	0	0	0	0	0
Ded	0.00	0	0	0	0	0	0
Fed	0.00	0	0	0	0	0	0
Total:	0.00	0	0	0	0	0	0
<b>1.36 Transfers Between Public Health Programs</b>							
Gen	0.00	0	0	0	0	0	0
Ded	0.00	0	0	0	0	0	0
Fed	0.00	0	0	0	0	0	0
Total:	0.00	0	0	0	0	0	0
<b>1.37 Transfers Between DD Programs</b>							
Gen	0.00	0	0	0	0	0	0
Total:	0.00	0	0	0	0	0	0
<b>1.41 Receipt to Appropriation</b>							
Ded	0.00	0	24,100	65,200	0	0	89,300
Total:	0.00	0	24,100	65,200	0	0	89,300
<b>1.61 Reverted Appropriation</b>							
Gen	0.00	(479,400)	(1,294,600)	0	(1,051,000)	0	(2,825,000)
OT	0.00	0	0	(6,000)	0	0	(6,000)
Fund Total:	0.00	(479,400)	(1,294,600)	(6,000)	(1,051,000)	0	(2,831,000)
Ded	0.00	(517,100)	(7,377,000)	(25,800)	(29,235,700)	0	(37,155,600)
Fed	0.00	(1,653,400)	(5,015,700)	0	(15,467,600)	0	(22,136,700)
OT	0.00	0	0	(35,000)	0	0	(35,000)
Fund Total:	0.00	(1,653,400)	(5,015,700)	(35,000)	(15,467,600)	0	(22,171,700)
Total:	0.00	(2,649,900)	(13,687,300)	(66,800)	(45,754,300)	0	(62,158,300)

# State Wide Summary Report For FY 2013 Actuals

	FTP	PC	OE	CO	TB	LS	Total
<b>2.00 2013 Actual Expenditures</b>							
Gen	0.00	74,182,500	27,235,200	102,400	499,161,600	0	600,681,700
OT	0.00	196,000	2,154,600	236,200	0	0	2,586,800
Fund Total:	0.00	74,378,500	29,389,800	338,600	499,161,600	0	603,268,500
Ded	2,858.97	11,653,800	19,623,400	203,600	177,812,100	0	209,292,900
OT	4.00	0	12,100,000	23,000	855,200	0	12,978,200
Fund Total:	2,862.97	11,653,800	31,723,400	226,600	178,667,300	0	222,271,100
Fed	0.00	84,972,900	58,611,700	160,800	1,319,180,100	0	1,462,925,500
OT	0.00	750,300	34,801,300	1,215,000	2,555,000	0	39,321,600
Fund Total:	0.00	85,723,200	93,413,000	1,375,800	1,321,735,100	0	1,502,247,100
Total:	2,862.97	171,755,500	154,526,200	1,941,000	1,999,564,000	0	2,327,786,700



## Responses to the Evaluation







C.L. "BUTCH" OTTER  
GOVERNOR

December 2, 2013

Rakesh Mohan, Director  
Office of Performance Evaluations  
954 W. Jefferson St.  
Boise, ID 83702

Dear Rakesh,

Thank you for the opportunity to respond to the draft report, *The Department of Health and Welfare's Management of Appropriated Funds*. The report provides a fair review of the complex management system for the Department of Health and Welfare budget.

The complexity and size of the Department can make understanding the budget a difficult task. OPE did a thorough examination of the budgeting process and provided detailed and useful information for the Department and legislators. The analysis will provide valuable assistance for future planning.

I was particularly glad to hear that the Department's level of cooperation and assistance with OPE's review was exemplary. That speaks well of Director Armstrong and his leadership team.

Thank you again for preparing the report and investing the time necessary to understand the complexities associated with the management of the Department's budget.

As Always – Idaho, "Esto Perpetua"

A handwritten signature in black ink, reading "C.L. Butch Otter".

C.L. "Butch" Otter  
Governor of Idaho

CLO/tp







STATE OF IDAHO  
OFFICE OF THE STATE CONTROLLER  
BRANDON D WOOLF

November 27, 2013

Mr. Rakesh Mohan  
Director  
Office of Performance Evaluations  
954 W. Jefferson St.  
Boise, Idaho 83702

Dear Director Mohan,

Thank you for providing my office the opportunity to contribute to and review the Office of Performance Evaluations' recent study entitled Department of Health and Welfare's Management of Appropriated Funds.

You, your staff and the members of the Joint Legislative Oversight Committee deserve to be commended for your competent work and contributions toward improving the transparency and understandability of state government finances. Reports like this one, and others produced by OPE, are critical for helping policy makers and other stakeholders ensure the inner workings of state government more transparent, and ensuring the people's money – tax dollars – are spent prudently and in accordance with the law.

I also personally appreciate the high degree of cooperation and positive working relationship our two agencies share.

In closing, enhancing the transparency of state government is a cornerstone of my administration. Your recent study does much to further enhance the transparency and understandability of the largest budget in state government. Please know OPE can always count on the Controller's Office to be an active partner in efforts to improve transparency. It's the citizens' money, after all.

Sincerely,

A handwritten signature in black ink that reads "Brandon D Woolf".

Brandon D Woolf  
Idaho State Controller





IDAHO DEPARTMENT OF  
HEALTH & WELFARE

C.L. "BUTCH" OTTER - GOVERNOR  
RICHARD M. ARMSTRONG - DIRECTOR

OFFICE OF THE DIRECTOR  
450 W. State Street, 10th Floor  
P.O. Box 83720  
Boise, ID 83720-0036  
PHONE 208-334-5500  
FAX 208-334-6558

December 3, 2013

Rakesh Mohan, Director  
Office of Performance Evaluations  
P.O. Box 83720  
Boise, ID 83720-0055

Dear Director Mohan:

Thank you for providing the draft report, *The Department of Health and Welfare's Management of Appropriated Funds*. The Office of Performance Evaluations (OPE) has conducted a fair and accurate review of the complexities associated with the management of Health and Welfare's budget. The Department appreciates the thoroughness of the report and the willingness of your staff to invest the necessary time to obtain the required understanding for its production.

We have reviewed the report and its recommendation for the Department to consider increasing the automation of its year-end reporting process. The Department agrees with this recommendation and will continue to improve the mapping and documenting of its year-end processes so it can determine which steps are best served by automation and the costs associated with such automation.

In addition, we realize the complexity and size of the Department can make comprehending its budget a difficult and daunting task. Therefore, the Department is more than willing to sit down with any legislator or group of legislators interested in increasing their understanding about the Department's management of appropriated funds. Our goal would be to provide them with a more in-depth orientation to the Department's financial operations.

Thank you again for your hard work in preparing this report. If you have any questions, please contact me or Dave Taylor, Deputy Director over Support Services, at 334-5500.

Sincerely,

RICHARD M. ARMSTRONG  
Director

RMA/eb



## Office of Performance Evaluations Reports, 2012–Present

Publication numbers ending with “F” are follow-up reports of previous evaluations.

Pub. #	Report Title	Date Released
12-01	Reducing Barriers to Postsecondary Education	January 2012
12-02F	Delays in Medicaid Claims Processing	January 2012
12-03	Lottery Operations and Charitable Gaming	February 2012
12-04	Establishing an Efficiency Commission	February 2012
12-05F	Coordination and Delivery of Senior Services in Idaho	February 2012
12-06F	Operational Efficiencies in Idaho’s Prison System	February 2012
12-07F	Idaho’s End-Stage Renal Disease Program	March 2012
12-08F	Idaho Transportation Department Performance Audit	March 2012
12-09F	Delays in Medicaid Claims Processing	November 2012
12-10F	Increasing Efficiencies in Idaho’s Parole Process	November 2012
13-01	Workforce Issues Affecting Public School Teachers	January 2013
13-02	Strengthening Contract Management in Idaho	January 2013
13-03	State Employee Compensation and Turnover	January 2013
13-04	Policy Differences Between Charter and Traditional Schools	March 2013
13-05F	Coordination and Delivery of Senior Services in Idaho	March 2013
13-06	Guide to Comparing Business Tax Policies	June 2013
13-07F	Lottery Operations and Charitable Gaming	June 2013
13-08F	Governance of EMS Agencies in Idaho	June 2013
13-09F	Equity in Higher Education Funding	June 2013
13-10F	Reducing Barriers to Postsecondary Education	June 2013
13-11	Assessing the Need for Taxpayer Advocacy	December 2013
13-12	The Department of Health and Welfare’s Management of Appropriated Funds	December 2013

Reports are available from the OPE website at [www.legislature.idaho.gov/ope/](http://www.legislature.idaho.gov/ope/)  
Office of Performance Evaluations PO Box 83720 Boise, ID 83720-0055  
Phone: (208) 332-1470