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INTRODUCED BY Cobb House BILL NO. 330

A BILL FOR AN ACT ENTITLED: "AN ACT REMOVING THE REQUIREMENT THAT GENERAL FUND ENCUMBRANCES BE TREATED AS EXPENDITURES FOR ACCOUNTING PURPOSES; AND AMENDING SECTION 17-1-102, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**Section 1.** Section 17-1-102, MCA, is amended to read:

**"17-1-102. Uniform accounting system and expenditure control.** (1) The department shall establish a system of financial control so that the functioning of the various agencies of the state may be improved, duplications of work by different state agencies and employees eliminated, public service improved, and the cost of government reduced.

(2) The department shall prescribe and install uniform accounting and reporting for all state agencies and institutions, showing the receipt, use, and disposition of all public money and property in accordance with generally accepted accounting principles, and The department shall develop plans for improvements and economies in the organization and operation ~~thereof~~ of the uniform accounting and reporting system, which ~~shall~~ must be submitted to the respective heads of agencies and institutions. Copies of all ~~such~~ plans ~~shall~~ must be delivered to the governor, and additional copies ~~shall~~ must be retained in the office of the department for inspection by the members of the legislature.

(3) The uniform accounting and reporting system must contain three levels of expenditure. The first level must include general categories, such as personal services, operating expenses, equipment, capital outlay, local assistance, grants, benefits and claims, transfers, and debt service. The second level of expenditure must include specific categories of expenditures within each first-level category. The third level of expenditure must include specific items of expenditure within each category of the second level.

(4) The department shall examine all financial affairs of ~~every~~ each state agency and institution for the purpose of developing plans for improvements and economies in the organization and operation ~~thereof~~ of financial affairs and for the purpose of enabling the department to properly perform any of the duties imposed upon the department by this part.

1           (5) All state agencies, including units of the university system, excluding community colleges, and  
2 the vocational-technical ~~centers~~ programs within units of the university system, shall input all necessary  
3 transactions to the accounting system prescribed in subsection (2) before the accounts are closed at the  
4 end of the fiscal year in order to present the receipt, use, and disposition of all money and property for  
5 which the agency is accountable in accordance with generally accepted accounting principles, except that  
6 for budgetary control purposes, encumbrances, other than general fund encumbrances, ~~which that~~ are  
7 required by generally accepted accounting principles to be reported as a reservation of fund balance ~~shall~~  
8 must be recorded as expenditures and liabilities on the accounting records."

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