Report To

The Mississippi Legislature

DEFICIT SPENDING IN MISSISSIPPI STATE GOVERNMENT: A FOLLOW-UP REVIEW

November 7, 1991

The PEER Committee's *Deficit Spending in Mississippi State Government* (FY 1990) took exception to the Department of Finance and Administration's permitting agencies to pay for a prior year's obligations with the current year's appropriated funds. In order to follow up on state agencies' compliance with legal spending limits established by the Legislature, the PEER Committee authorized this second review of year-end expenditures.

From a random sample of 277 general fund transactions made by various state agencies between July 1 and August 1, 1991, PEER identified twenty-six transactions (9.4% of the sample) in which state agencies incurred obligations during fiscal year 1991 but requested that the Department of Finance and Administration issue warrants to pay the obligations from fiscal year 1992 appropriations. The total dollar value of such transactions identified in the sample was $15,039 (3.2% of the dollar value of all transactions tested). Two agencies' obligations represented deficit expenditures, as they exceeded those agencies' remaining legal spending authority at fiscal year 1991 year end.

After reviewing the results of the random sample of general fund expenditures, PEER concludes that state agencies, as a whole, did not incur substantial obligations at the end of fiscal year 1991 to be paid from fiscal year 1992 appropriations.

The PEER Committee

PEER: THE MISSISSIPPI LEGISLATURE'S OVERSIGHT AGENCY

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A standing joint committee, the PEER Committee is composed of five members of the House of Representatives appointed by the Speaker and five members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms with one Senator and one Representative appointed from each of the U. S. Congressional Districts. Committee officers are elected by the membership with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of three Representatives and three Senators voting in the affirmative.

An extension of the Mississippi Legislature's constitutional prerogative to conduct examinations and investigations, PEER is authorized by law to review any entity, including contractors supported in whole or in part by public funds, and to address any issues which may require legislative action. PEER has statutory access to all state and local records and has subpoena power to compel testimony or the production of documents.

As an integral part of the Legislature, PEER provides a variety of services, including program evaluations, economy and efficiency reviews, financial audits, limited scope evaluations, fiscal notes, special investigations, briefings to individual legislators, testimony, and other governmental research and assistance. The Committee identifies inefficiency or ineffectiveness or a failure to accomplish legislative objectives, and makes recommendations for redefinition, redirection, redistribution and/or restructuring of Mississippi government. As directed by and subject to the prior approval of the PEER Committee, the Committee's professional staff executes audit and evaluation projects obtaining information and developing options for consideration by the Committee. The PEER Committee releases reports to the Legislature, Governor, Lieutenant Governor, and agency examined.

The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

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November 7, 1991

The PEER Committee

Mississippi Legislature

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Joint Committee on Performance Evaluation and Expenditure Review
PEER Committee

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November 7, 1991

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HONORABLE TIM FORD, SPEAKER OF THE HOUSE
MEMBERS OF THE MISSISSIPPI STATE LEGISLATURE

At its meeting of November 7, 1991, the PEER Committee authorized release of the report entitled **Deficit Spending in Mississippi State Government: A Follow-Up Review**.

Representative Jerry Wilkerson, Chairman

This report does not recommend increased funding or additional staff.

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DEFICIT SPENDING IN MISSISSIPPI STATE GOVERNMENT: A FOLLOW-UP REVIEW

INTRODUCTION

The PEER Committee issued a report on February 18, 1991, entitled *Deficit Spending in Mississippi State Government*. In that report, the Committee took exception to the Department of Finance and Administration's (DFA) permitting agencies to pay for a prior year's obligations with the current year's appropriated funds. PEER noted that DFA had approved payment of $1.17 million in Department of Corrections' obligations incurred during fiscal year 1990 with funds appropriated for fiscal year 1991. DFA officials had suggested that this practice had the blessing of the Legislature and that substantial adherence with the law might impair the delivery of state government services.

In the February 1991 report, PEER emphasized that the Mississippi Constitution provides the Legislature with sole authority to set spending limits for state agencies. As such, the Committee stated that it would continue to take exception to the expenditure of agency funds in excess of an agency's legal spending authority.

Authority and Scope

In order to follow up on state agencies' compliance with legal spending limits established by the Legislature, the PEER Committee authorized a second review of year-end expenditures on July 30, 1991. The Committee conducted the review in accordance with MISS. CODE ANN. Section 5-3-57 (1972). PEER sought to determine whether, as a result of the state's fiscal crisis and related budget cuts, agencies delayed reporting general fund obligations for fiscal year 1991 and then paid from fiscal year 1992 appropriations.

ANALYSIS

PEER selected a random sample of 277 general fund payment vouchers (requests for issuance of warrants) submitted by various state agencies to the Department of Finance and Administration from July 1 to August 1, 1991. The sample was limited to general fund payment vouchers earmarked for payment from fiscal year 1992 appropriations. The total dollar value of the sample was $473,157. PEER reviewed underlying purchase documentation (purchase orders and invoices) related to each payment voucher to determine whether the related obligation had been incurred during the prior fiscal year (before June 30, 1991).

PEER identified twenty-six transactions (9.4% of the sample) in which state agencies incurred obligations during fiscal year 1991 but requested that DFA issue warrants to pay the obligations from fiscal year 1992 appropriations (see Exhibit, page 3). The total dollar value of such transactions identified in the sample was $15,039 (3.2% of the dollar value of all transactions tested).

In its February 1991 report, PEER stated that deficit expenditures represented a violation of state statutes. Subsequently, the 1991 Legislature passed House Bill 1209, which amended MISS. CODE ANN. Section 27-104-25 to permit state agencies to incur obligations in one fiscal year and pay them from the subsequent fiscal year's appropriations only under certain conditions. A state agency's total obligations for a fiscal year cannot exceed its legally authorized budget. In effect, an agency can postpone paying an obligation as long as the agency would have had adequate spending authority to make the expenditure in the year the obligation was incurred.

MISS. CODE ANN. Section 27-104-25 also provides that:

> *If obligations or indebtedness shall be incurred contrary to the provisions hereof, then neither the State of Mississippi nor the agency shall have any liability therefor, and the person, firm or corporation to whom the obligation or indebtedness is due may recover the amount of the obligation or indebtedness and twenty-five percent (25%) of the amount as liquidated damages from the responsible officers, either personally or upon their official bonds, either severally or jointly.*

Fourteen state agencies made the twenty-six transactions identified in PEER's sample as fiscal year 1991 obligations paid with fiscal year 1992 funding. Two agencies' obligations represented deficit expenditures, as they exceeded those agencies' remaining legal spending authority at fiscal year 1991 year end. The Office of the Attorney General's deficit expenditures noted in the sample totaled $11,256, while its remaining legal spending authority at year end was reported as $4,746. PEER's sample also identified a nominal deficit expenditure of $75 by the Supreme Court, while its year-end spending authority was $1.

EXHIBIT 1

SCHEDULE OF OBLIGATIONS INCURRED DURING FY 91 BUT PAID WITH FY 92 FUNDING

AGENCY	VENDOR	AMOUNT	AMOUNT EXCEEDS AUTHORITY
Attorney General's Office	P. L. Douglas	$10,434.76	
Attorney General's Office	Craft Office Products	$521.57	
Attorney General's Office	Federal Express	$300.25	
Agency Total		**$11,256.58**	**$6,510.27**
Boswell Retardation Center	Puckett Laboratory	$983.75	
Boswell Retardation Center	Scientific Telecom	$260.00	
Agency Total		**$1,243.75**	
Bureau of Narcotics	Hattiesburg Towing	$25.00	
Bureau of Narcotics	Revell Hardware	$30.55	
Bureau of Narcotics	East Ford	$149.62	
Bureau of Narcotics	Bill's Quick Lube	$48.15	
Bureau of Narcotics	Besco Office Products	$75.00	
Bureau of Narcotics	Mississippi Power Co.	$205.79	
Agency Total		**$534.11**	
Department of Corrections	City of Hattiesburg	$438.00	
Department of Corrections	West Publishing Company	$23.00	
Agency Total		**$461.00**	
Department of Health	Park Avenue Chevron	$32.00	
Agency Total		**$32.00**	
Office of General Services	Deas, Eldridge & Assoc.	$48.37	
Agency Total		**$48.37**	
Economic & Community Development	State Treasurer 3142	$6.04	
Economic & Community Development	DeVille 60 Minute Photo	$18.98	
Agency Total		**$25.02**	
Educational Television	Choctaw Water Association	$11.00	
Agency Total		**$11.00**	
Governor's Mansion	Mississippi Valley Gas	$790.73	
Agency Total		**$790.73**	
Division of Medicaid	Northeast MS Daily Journal	$175.52	
Agency Total		**$175.52**	
Office of Youth Services	Johnson Printing Company	$252.00	
Office of Youth Services	Wellman's Welding	$25.36	
Agency Total		**$277.36**	
Military Department	Unocal	$60.28	
Agency Total		**$60.28**	
Supreme Court	Barefield & Company	$75.00	
Agency Total		**$75.00**	$73.70
Tax Commission	Fina Oil and Chemical	$45.90	
Tax Commission	Dixie Springs Spring Water	$2.00	
Agency Total		**$47.90**	
TOTAL		**$15,038.62**	**$6,583.97**

SOURCE: PEER analysis of agency financial records.

CONCLUSION

After reviewing the results of its random sample of general fund expenditures, PEER concludes that state agencies, as a whole, did not incur substantial obligations at the end of fiscal year 1991 to be paid from fiscal year 1992 appropriations. The Committee also notes that, despite the fact that state agencies as a whole appear to have complied substantially with state law regarding deficit expenditures, the state's ability to deliver services apparently has not been adversely affected.

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