THE MANAGEMENT AND BUDGET ACT (EXCERPT)
Act 431 of 1984

18.1421 Internal control in management of state's financial transactions; powers of director; accounting principles.

Sec. 421. (1) In order to establish strong internal control in the management of the state's financial transactions, the director may do any of the following:

(a) Issue directives for the accountability, custody, periodic inventory, and maintaining departmental records of the real and personal property and supplies and materials of the state.

(b) Issue directives relative to the formulation and control of a state central accounting system.

(c) Monitor, approve or disapprove, and assist in the development and enhancement of agency accounting systems. When assistance is provided, the state agency shall be interaccount billed for the cost of the services provided. The director shall issue directives to implement this subdivision.

(d) Examine, directly or by the director's representative, each proposed payment from the state treasury as will enable the director to certify to the state treasurer that the proposed payment is correct, for the discharge of a state liability or for some other purpose authorized by law, within the scope of the appropriation to which charged, and is not in excess of the unexpended or unencumbered balance of the appropriation. Except for investment transactions and refund of taxes, a payment shall not be made from the state treasury except upon certification of the director.

(e) Issue directives for the refund to payers of money which has been deposited in the state treasury through misunderstanding, inadvertence, or mistake and to which the state does not have a claim. The refunds shall be made pursuant to the directives except as otherwise provided in this act.

(f) Issue directives providing for and governing the establishment, the proper uses of, and accounting for imprest and petty cash funds by state agencies. An imprest or petty cash fund shall not exceed the monetary limit approved by the board.

(g) Prepare and publish a comprehensive annual financial report at the close of each fiscal year which clearly reflects the financial position of the state funds at the close of the fiscal year.

(2) If there is a conflict between generally accepted accounting principles, the principles adopted by the governmental accounting standards board, or its successor, shall be used. Changes in generally accepted accounting principles which require budgetary revisions shall be incorporated not later than the next executive budget after the change is issued. The director shall issue directives to incorporate any changes, additions, and rescissions made to the generally accepted accounting principles as they affect the accounting of state government. If an item is not covered by an existing generally accepted accounting principle, the director shall issue a directive which shall not be effective until 30 days after the directive is reported to the appropriations committee and the auditor general.

(3) The department shall not change an accounting principle, or the application of an accounting principle, from that which was followed in the preceding fiscal year if the change will materially affect the final year-end balance of an appropriated operating fund, unless the change in the accounting principle or the application of the accounting principle is reported to the senate and house appropriations committees not later than 120 days after the end of the fiscal year for which the change is to be implemented. However, the 120-day notice requirement shall not apply to a change in an accounting principle or the application of an accounting principle which is implemented to conform with requirements promulgated by the governmental accounting standards board, or its successor.

History: 1984, Act 431, Eff. Mar. 29, 1985;—Am. 1988, Act 504, Imd. Eff. Dec. 29, 1988.

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