DATE: May 30, 2019

TO: Agency CFOs

SUBJECT: FCD Memo – FY19-013 – Authority and Propriety of Expenditures

State agencies are sending the Financial Control Division (FCD) more and more requests asking the Division to approve expenditures for food, beverages, gifts, tokens of appreciation, marketing give-a-ways, etc. The expenditures are usually associated with training, management retreats, meetings with the public, board and commission meetings, meetings or events involving volunteers, and employee recognition ceremonies.

Before granting approval, the FCD requires an agency to justify the expenditure by addressing the criteria in the Division's white paper on the authority for and propriety of expenditures. That criteria is as follows: 1) the expenditure must be consistent with the agency's constitutional and statutory mission; 2) it must be for a public benefit and purpose; 3) it must be necessary; and 4) it must be specifically authorized under State and Federal laws related to appropriation, fiduciary responsibility, budget availability, and cash availability. (This white paper can be downloaded from the DFA website [http://www.nmdfa.state.nm.us/White_Papers.aspx](http://www.nmdfa.state.nm.us/White_Papers.aspx))

Usually, the justification the FCD receives adequately addresses criteria 1 and 2; however, it rarely adequately addresses criteria 3 and 4. The problem is agencies usually address the necessity of the program, grant, etc., but fail to address the necessity of the requested expenditure. Besides this problem, agencies usually address the budget authority for the program, grant, etc., instead of the authority to make a specific purchase. Because of these problems, rarely can the Division cull from a justification answers to the following questions: Does the agency need to make the expenditure to achieve its objective? Have other agencies needed to make the same type of expenditure to achieve the same or similar objective? If the agency does not make the expenditure, what is—if any—the extent of the negative impact? If the expenditure is made will there actually be a positive impact? Is there an appropriation authorizing this type of expenditure?

Moving forward, FCD is requesting all agencies to address the authority and proprietary of expenditures at the individual cost level. When submitting a white paper for these requests, the justification needs to highlight how the four criteria are being met for the individual expenditures in the request, not at a program or agency level. White paper requests that do not address these concerns at an organic level, will be denied pending additional justification.
Thank you for your cooperation. Please contact me directly if you have any questions or concerns.

Regards,

[Signature]

Mark Melhoff
Acting State Controller
Deputy Director