



# CIRCULAR

## STATE OF NEW JERSEY

### DEPARTMENT OF THE TREASURY

NO.: 13-09-OMB	ORIGINATING AGENCY: OFFICE OF MANAGEMENT AND BUDGET	PAGE 1 OF 3
EFFECTIVE DATE: 11-19-12	EXPIRATION DATE: INDEFINITE	SUPERSEDES: 05-06-OMB
SUBJECT: GUIDELINES FOR THE ESTABLISHMENT AND OPERATION OF SPECIAL AND CONFIDENTIAL FUNDS		
ATTENTION: DIRECTORS OF ADMINISTRATION AND CHIEF FISCAL OFFICERS		
FOR INFORMATION CONTACT: LESLIE A. NOTOR		PHONE: (609) 292-5040

#### I. PURPOSE

This Circular changes the reauthorization process to calendar year and lists the information that should be included in the audit report. Special and confidential funds are not to be confused with petty cash funds.

#### II. SPECIAL FUND

A special fund is a checking account, not maintained on the State system, which is funded from an appropriation account, authorized by the Office of Management and Budget (OMB), and used by a State department or agency for the expenditure of funds for a specific program. A special fund will be authorized only when the use of a payment voucher, a petty cash fund, or an off-line system is not appropriate.

#### III. CONFIDENTIAL FUND

A confidential fund is a special fund, as defined above, used for the expenditure of funds for a program that is confidential in nature, e.g., funds to support undercover investigations.

#### IV. ESTABLISHMENT OF THE SPECIAL OR CONFIDENTIAL FUND

A request to establish a special or confidential fund is made by an agency's Assistant Commissioner or Director of Finance or Administration, using the request form attached. Indicate that the request is for a new fund by placing a check on the appropriate line at the top of the form. The agency must detail the nature of activity and provide justification for the fund and fund amount. Indicate specifically why the use of a payment voucher, petty cash fund or off-line system is not appropriate. The form must be properly completed, signed, and dated.

If authorized, a copy of the approved request form will be sent to the agency. The fund will be assigned a payee identification number upon completion and submission of a W-9 questionnaire to the OMB Vendor Control Unit. OMB will instruct the requesting agency to process a UA transaction that references the payee identification number and the appropriate (1010) balance sheet account to produce a check to establish the fund.

It is the requesting agency's responsibility to request the opening of a bank account by OMB's Cash Management Unit, in accordance with Circular 10-11-OMB, Banking Services. A copy of the approved special and confidential fund request form must accompany this request.

V. OPERATION OF THE SPECIAL OR CONFIDENTIAL FUND

- A. The special payee identification number must be referenced on every payment voucher submitted for reimbursement of the fund.
- B. Special or confidential funds should be reimbursed as frequently as possible.
- C. Internal controls must be established to ensure that expenses are incurred in conformance with the authorized purpose of the fund. Documentation of these internal controls must be maintained by the agency.
- D. The following certification language should be inserted on every payment voucher processed for fund reimbursement:

"Reimbursement is requested for expenses incurred by \_\_\_\_\_ Special/Confidential Fund for the period \_\_\_\_ to \_\_\_\_\_. These expenses were incurred in conformance with the authorized purpose of the fund. Adequate internal controls have been established for the fund, documentation of which is maintained by the agency and is available for audit by the Office of Management and Budget."

- E. A special or confidential fund is subject to audit by OMB.

VI. ANNUAL REAUTHORIZATION

Special and confidential funds must be reauthorized annually. OMB will send reauthorization packages to agencies in November for the following calendar year. The reauthorization package must be submitted to OMB no later than December 31. If the documents are not received in a timely manner, future reimbursements may be delayed. The following items are to be submitted with the reauthorization package:

- A fund reconciliation for each special and confidential fund, certified by both the preparer and the agency's approval officer. This fund reconciliation must reconcile the most recent bank statement and cash on hand, as applicable, to the authorized amount of the fund. A blank reconciliation form is provided in the reauthorization package.
- A copy of the bank statement used in the above reconciliation.
- A request for reauthorization for the new calendar year, using the form attached. All information required on the form must be completed. At this time, the amount of the fund should remain the same. A request for an increase or decrease to the fund amount should be submitted separately by memorandum to the Manager of Accounting Bureau, OMB by the agency's Assistant Commissioner or Director of Finance or Administration.

VII. AUDIT REQUIREMENTS

It is the responsibility of the administering agency to ensure that periodic audits of each special and confidential fund are performed. Audit reports are required in accordance with the following schedule:

ANNUAL DISBURSEMENTS	AUDIT FREQUENCY
\$500,000 or more	every two years
\$100,000 to less than \$500,000	every three years
Less than \$100,000	every four years

To determine the next period to be audited, the fund disbursements during the last period audited should be measured. For example, if the fund was audited for the year ended June 30, 2010, and disbursements for that year were \$90,000, the next period to be audited would be the year ended June 30, 2014. If disbursements in 2010 were \$110,000, the next period to be audited would be the year ended June 30, 2013.

OMB may require more frequent audits than indicated by the above schedule. Additionally, an agency may request of OMB that the fund be audited less frequently than indicated. OMB will determine if the agency request contains sufficient justification for approval.

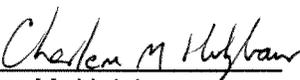
The audit report is to be submitted to OMB no later than 180 days after the audit period. The following information must be included in the audit report:

- The fund's name and payee identification number.
- The name of the depository bank, the bank account name, and the bank account number.
- The period audited.
- A statement identifying the auditing standards used in performing the audit.
- A description of the audit objectives, audit scope and the methodology used to perform the audit.
- The total disbursements from the fund for the period audited.
- A statement about whether the fund was operated in compliance with the circular and a description of any significant instances of non-compliance.
- A statement about whether fund transactions were in compliance with the stated purpose of the fund, and a description of any significant instances of non-compliance.
- A description of any internal control weaknesses identified as a result of the audit.
- A response from the responsible officials to the audit findings and recommendations, including any corrective actions taken or planned.
- A description of the status of corrective actions taken to resolve prior audit findings.
- A bank reconciliation of the account for the month-end coinciding with the audit period end date.
- The audit completion date and audit preparer's contact information.

#### VIII. CLOSE-OUT OF FUND

After final reimbursement is made to the special and confidential fund to return it to the authorized amount, the following items must be submitted to OMB:

- A copy of the check drawn against the special and confidential bank account for the amount of the fund.
- A copy of the cash receipt document to reimburse the State account and reduce the 1010 balance sheet account.
- A final fund reconciliation and audit. The agency should close the bank account in accordance with Circular 10-11-OMB.

  
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Charlene M. Holzbaur  
Director

**SPECIAL AND CONFIDENTIAL FUND REQUEST/REAUTHORIZATION FORM**

New Fund \_\_\_\_\_ Existing Fund \_\_\_\_\_

Payee Identification # \_\_\_\_\_

Name of Fund \_\_\_\_\_

Name of Requesting Agency \_\_\_\_\_

Name of Custodian \_\_\_\_\_

Address of Custodian \_\_\_\_\_

Bank name \_\_\_\_\_

Bank Account Name/Number \_\_\_\_\_

Amount of Fund \_\_\_\_\_ Fiscal Year \_\_\_\_\_

Justification for Fund and Fund Amount

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Requested By:

\_\_\_\_\_  
Signature of Agency Approval Officer \_\_\_\_\_ Date

\_\_\_\_\_  
Name of Agency Approval Officer (Please Print)

\_\_\_\_\_  
Title of Agency Approval Officer (Please Print)

\_\_\_\_\_  
Address of Agency Approval Officer

**FOR OMB USE ONLY**

Approved \_\_\_\_\_ Denied \_\_\_\_\_

\_\_\_\_\_  
Manager, Accounting Bureau, OMB \_\_\_\_\_ Date