



CIRCULAR

STATE OF NEW JERSEY

DEPARTMENT OF THE TREASURY

NO.: 10-19-OMB	ORIGINATING AGENCY: OFFICE OF MANAGEMENT AND BUDGET	PAGE 1 OF 2
EFFECTIVE DATE: 05-03-10	EXPIRATION DATE: INDEFINITE	SUPERSEDES: 96-14-OMB
SUBJECT: OFF-LINE FUNDS		
ATTENTION: DIRECTORS OF ADMINISTRATION, CHIEF FISCAL OFFICERS, AND BUSINESS MANAGERS		
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I. PURPOSE

This Circular revises and clarifies certain aspects of off-line funds.

Some State agencies and officials are custodians, by statute or long standing practice, of fiduciary funds which are not under the control of the State Treasurer. The origin and purpose of these funds are not established or defined within the Annual Appropriations Act or may be exempt by appropriate statutes. These funds are known as off-line funds or non-appropriated accounts. Examples of such funds include, but are not limited to, patient funds, inmate funds, and commissary funds.

II. POLICY

The State Treasurer has established a policy dealing with the administration of such funds (Circular 10-11-OMB, Banking Services). The policy requires State agencies to comply with the following:

- A. If an off-line fund is needed, it is the requesting agency's responsibility to request the opening of a bank account by OMB's Cash Management Unit in accordance with procedures contained in Circular 10-11-OMB.
- B. All investments of these funds must be made through the Division of Investment. Agencies are not to make investments in certificates of deposit, money market accounts, stocks, or bonds.
- C. Each agency is required to maintain adequate internal controls for each fund, including accounting records. All transactions and categories of receipts and expenditures are to be properly documented. Agency records of the funds are to be retained for seven years.

III. AUDIT REQUIREMENTS

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

<u>ANNUAL DISBURSEMENTS</u>	<u>AUDIT FREQUENCY</u>
\$500,000 or more	every two years
\$250,000 to less than \$500,000	every three years
Less than \$250,000	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, 2006, and disbursements for that year were \$240,000, the next period to be audited would be the year ended June 30, 2010. If disbursements in 2006 were \$260,000, the next period to be audited would then be the year ended June 30, 2009.

The audit report is to be submitted to OMB no later than 180 days after the audit period. The audit report will identify the auditing standards used in performing the audit and give positive assurances that the fund was operated in compliance with this Circular and expenditures were made in accordance with the authorized purpose of the fund or, if applicable, report the instances of non-compliance. OMB may require more frequent audits than indicated by the above schedule.

IV. CLOSE-OUT OF FUND

If agency officials have determined that the off-line fund is no longer needed, the agency must submit to OMB, a final fund reconciliation and audit.

The agency should close the bank account in accordance with Circular 10-11-OMB, Banking Services.



Charlene M. Holzbaaur
Director