Government Finance Officers Association’s (GFOA) Awards for Excellence in Government Finance recognize innovative programs and contributions to the practice of government finance that exemplify outstanding financial management. The awards stress practical, documented work that offers leadership to the profession and promotes improved public finance.

In 2015, Mecklenburg County, NC experienced a drastic drop in federal revenue for one department. Although, the Finance Office and Office of Management and Budget (OMB) regularly analyze major revenues from an organization-wide perspective, it was apparent that a more consistent approach was needed to monitor budgets at a department level, and communicate issues early to all decision makers in the organization. As a result, the Quarterly Budget Monitoring and Reporting Process was developed by the county’s OMB to systematically monitor revenue and expense trends, provide early warning for potential budget issues in the current budget, and consistently communicate financial status throughout the organization. The basic steps of the process are:

- Preparation of an initial report by OMB analysts, including revenue and expense projections, vacancy trends, and select performance metrics and observations
- Meeting with each department to refine draft report, incorporate feedback, and share observations
- Conduct a team review and discussion of all department budgets by OMB along with assistant county managers during the third quarter to help inform budget decisions
- Compile final report that includes both an organization-wide perspective and department level perspective.
- Present final report to the county manager and executive leadership team which include observation and projections that are used extensively during annual budget deliberations by both departments, OMB and executive leadership

Developing department specific projections helps to identify issues that could otherwise be overlooked if just an organization-wide perspective was taken. In addition, this approach allows departments to manage their annual budget with flexibility, while keeping all stakeholders aware of potential issues.

GFOA BEST PRACTICE: Budget Monitoring

GFOA recommends that all governments establish a formal set of processes for comparing budget to actual results to monitor financial performance. Budget monitoring should include analysis of a diverse set of indicators to best inform the analysis and facilitate evaluation of a government’s overall performance. Establishing and conducting regular budget monitoring provides organizations the opportunity to promptly adjust for any significant variances to ensure continuity of program/service delivery. Governments should establish comprehensive budget monitoring that includes the following key items:

1. What elements should be reviewed
2. How the elements should be analyzed
3. At what level of detail should the analysis be conducted
4. Who is responsible and outlining roles
5. Tools for conducting the analysis
6. Communications

See http://www.gfoa.org/budget-monitoring for more information on this best practice.