

Internal Operations Manual

SUBJECT: Encumbrance Accounting	NUMBER: 107-03-070
DIVISION: Office of Business Administration	EFFECTIVE DATE: 11-27-00

APPROVED: Original Signature Approval Filed with the Office of Business Administration

POLICY/PURPOSE: The Department of Administrative Services (DAS) is committed to ensuring timely recognition of financial obligations and will utilize encumbrances to record future expenditure obligations. The use of encumbrance accounting provides managers with accurate reports of spending commitments and significantly reduces the likelihood of over-expending appropriations and other spending plans and provides decision makers with accurate projections of true discretionary account balances.

AUTHORITY: Oregon Accounting Manual 05 03 00.PO
Oregon Accounting Manual 05 03 00.IN

APPLICABILITY: All divisions and programs of the Department with the ability to enter into contracts and commitments resulting in future monetary obligations will adhere to this policy.

ATTACHMENTS: Exhibit A-1 – Record Encumbrance(s) Form
Exhibit A-2 – Adjust Encumbrance(s) (Increase) Form
Exhibit A-3 – Adjust Encumbrance(s) (Decrease) Form
Exhibit A-4 – Cancel Encumbrance(s) Form
Exhibit A-5 – Adjust Encumbrance(s) (Add Suffix) Form
Exhibit B-1 – R*STARS Coding Block Form

GUIDELINES:

- I. Divisions and policy offices should encumber all contracts over \$5,000. Also, it is recommended divisions encumber all purchase orders over \$5,000, unless the division will pay the purchase order in full within 45 days of issuance. Purchase orders will be created in the Statewide Financial Management System (SFMS) or a system that interfaces and is approved by SFMS.
- II. Accounting Services will prepare electronic encumbrance reports monthly for divisions and policy offices enabling them to effectively monitor their encumbrances.
- III. Divisions and policy offices will review all encumbrances that are 90 days old or older. Divisions and policy offices will review encumbrance reports and cancel unwanted encumbrances. All encumbrances will lapse December 31 after the end of each biennium. Accounting Services will disencumber all prior biennium encumbrances by this date. Encumbrances for contracts, services or supplies relating to Capital Construction projects will not be automatically disencumbered at calendar year end after the end of a biennium.
- IV. Accounting Services will disencumber canceled commitments on the advice of the divisions and policy offices, updating the accounting records on an ongoing basis.

PROCEDURES:

Step Responsible Party Action

ENCUMBRANCE PROCEDURES:

1. Divisions and policy offices Request the establishment, adjustment and liquidation of encumbrances for all purchase orders and contracts \$5,000 and over, utilizing the appropriate standardized encumbrance memorandum (see Exhibits A-1 through A-5). The requesting division or policy office will either: (1) provide Accounting Services all applicable accounting and vendor information required for the establishment of the encumbrance; or, (2) create and post a purchase order in the Advanced Purchasing and Inventory Control System (ADPICS) which creates an encumbrance in the Relational Statewide Accounting and Reporting System (R*STARS) regardless of the dollar amount.

2. Accounting Services Referring to encumbrance instructions supplied by divisions and policy offices, input the coding information into SFMS from a completed and signed standard encumbrance memorandum (Exhibits A-1 through A-5) using the appropriate R*STARS transaction code, document type EE.

3. Division Staff and Policy Offices When paying for encumbered items, ensure the assigned encumbrance number is correctly referenced in the coding block (Exhibit B-1) before forwarding the invoice and payment instructions to Office of Business Administration (OBA) Accounting Services. Clearly indicate whether the payment is a partial or final payment against the original encumbrance.

4. Accounting Services Accurately and completely process payments according to the terms of the invoice/contract and the instructions contained in the coding block. Accounting Services will notify divisions and policy offices when there is a mismatch between invoices and encumbrances or processing instructions are incomplete.

REPORTING PROCEDURES:

1. Accounting Services Monthly, run a BRIO report providing detailed information on all encumbrances with a remaining balance and the associated payment activity. Distribute this report to divisions and policy offices via electronic mail.

2. Division Staff and Policy Offices Review all encumbrance reports. Send corrections and required information to OBA Accounting Services for updating.

3. Accounting Services Make corrections and updates to previously established encumbrances using the information provided by divisions or policy offices. After posting adjustments, verify the accuracy and effect of the changes, ensuring the intended result of the transaction has been achieved.

MEMORANDUM

DATE: August 31, 2000
TO: DAS West - OBA – Accounting Services
FROM:
SUBJECT: Encumbrance(s)

Please **ENCUMBER** the following encumbrance(s) effective August 2000 accounting period:

Transaction Code: TC **203** (establish an encumbrance)

CUR DOC/SFX:

REF DOC/SFX:

<u>Vendor Name:</u>	<u>PCA#</u>	<u>AY</u>	<u>Proj/Phase#</u>	<u>AOBJ#</u>	<u>Amount</u>
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VENDOR NUMBER: 0000000000/000

DESCRIPTION:

from the desk of...

Division or Policy Office Staff

Exhibit A-1 / Record Encumbrance(s)

Exhibit A-1 / Record Encumbrance(s)

MEMORANDUM

DATE: August 31, 2000
TO: DAS West - OBA – Accounting Services
FROM:
SUBJECT: Encumbrance(s)

Please **ADJUST** the following encumbrance(s) effective August 2000 accounting period:

INCREASE:

Transaction Code: TC 205

REF DOC/SFX: EE000000/000

Vendor Name: **PCA#** **AY** **Proj/Phase#** **AOBJ#** **Amount**

VENDOR NUMBER: 0000000000/000

DESCRIPTION:

from the desk of...

Division or Policy Office Staff

Exhibit A-2 / Adjust Encumbrance(s) -- Increase

MEMORANDUM

DATE: August 31, 2000
TO: DAS West - OBA – Accounting Services
FROM:
SUBJECT: Encumbrance(s)

Please **ADJUST** the following encumbrance(s) effective August 2000 accounting period:

DECREASE:

Transaction Code: TC 205 Reverse ®

REF DOC/SFX: EE000000/000

Vendor Name: **PCA# AY Proj/Phase# AOBJ# Amount**

VENDOR NUMBER: 0000000000/000

DESCRIPTION:

from the desk of...

Division or Policy Office Staff

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Exhibit A-3 / Adjust Encumbrance(s) -- Decrease

Exhibit A-3 / Adjust Encumbrance(s) – Decrease

MEMORANDUM

DATE: August 31, 2000
TO: DAS West - OBA – Accounting Services
FROM:
SUBJECT: Encumbrance(s)

Please **CANCEL** the following encumbrance(s) effective August 2000 accounting period:

Transaction Code: TC **206**

REF DOC/SFX: EE000000/000

Vendor Name: **PCA#** **AY** **Proj/Phase#** **AOBJ#** **Amount**

VENDOR NUMBER: 0000000000/000

DESCRIPTION:

from the desk of...

Division or Policy Office Staff

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Exhibit A-4 / Cancel Encumbrance(s)

Exhibit A-4 / Cancel Encumbrance(s)

FORM
M E M O R A N D U M

DATE: August 31, 2000

TO: DAS East - OBA – Accounting Services

FROM:

SUBJECT: Encumbrance(s)

Please **ADD SUFFIX** to the following encumbrance(s) **effective August 2000** accounting period:

INCREASE

Transaction Code: TC 212

REF DOC/SFX: EE000000/000

Vendor Name: **PCA#** **AY** **Proj/Phase#** **AOBJ#** **Amount**

VENDOR NUMBER: 0000000000/000

DESCRIPTION:

from the desk of...

Division or Policy Office Staff

Exhibit A-5 / Adjust Encumbrance(s) – Add Suffix

Exhibit A-5 / Adjust Encumbrance(s) – Add Suffix

FORM

R*STARS CODING BLOCK

FOR ADPICS ONI

			VENDOR NAME
EFF. DATE	DUE DATE	TRAN CODE	
VENDOR # / MAIL CODE			
SIGNATURE OF AUTHORIZED PURCHASER			

INVOIC
PO NUME
RECEIVED D/
PAR TIAL/PI

REF DOC# (Enc or AR)	MOD	PCA	AGY OBJ	AY	AMOUNT	INVOICE #	PROJ # / PH
TOTAL :							

SPECIAL PAYMENT INSTRUCTIONS:

CONTACT:
PHONE #: