



Accounting and Administrative Manual

Section 100: Accounting and Finance

Encumbrances - Definition
No.: A-17

Date: 01/20/06
Page: 1 of 2

General:

Encumbrances represent the commitment of resources to entities outside the university. Agreements and commitments between segments of the university are not considered recordable encumbrances.

Commitments for goods or services must be evidenced by one of the following documents at the time of the commitment:

- a. Purchase orders (PO)
- b. Limited purchase orders (LPO)
- c. Blanket purchase order call document (BPO Call)
- d. Travel Authorizations (TA)
- e. Travel Requests, under \$5,000 (TR)
- f. Written contracts for construction, architects, engineers and land surveyors (CA)
- g. Reimbursable Service Agreements (RSA)

Commitments recorded as encumbrances must be to specified vendors or individuals for specified goods or services. Subsequent charges for invoices or payments processed against such encumbrances must be to the vendor specified and for the goods or services for which the original encumbrance was issued.

Risk management claims, workers compensation payments, fund transfers, employee advances and reimbursements, direct payroll deposits, payroll withholdings and remittances, payments to students processed as direct payments and blanket purchase order calls do not require advance reservation or encumbrance.

A commitment for goods or services shall not be considered an "unauthorized purchase" for procurement purposes merely because funds for the transaction were not reserved or encumbered in the accounting system prior to the commitment. However, such unrecorded commitments may constitute violations of financial accounting procedures.

The university is required to record and report all commitments of funds to the State of Alaska. In addition, responsible accounting and fiscal management practices require advance reservation of funds for all reasonably identifiable commitments. However, in circumstances where it is not practical to record an encumbrance in the accounting system prior to issuance of a commitment, the administrative vice chancellor or financial vice president may approve commitments for issuance of a purchase order or contract



Accounting and Administrative Manual
Section 100: Accounting and Finance

Encumbrances - Definition
No.: A-17

Date: 01/20/06
Page: 2 of 2

without formal encumbrance on the accounting system. Such approvals are to be made on a specific transaction basis.

The Executive Director of Facilities Planning and Construction or designee may authorize commitments prior to encumbrances for change orders or contract modifications, not to exceed \$50,000, when circumstances prohibit the timely recording of the formal encumbrance in the accounting system. Such approval is to be made on a specific transaction basis and reported to the statewide director of accounting services within seven days of the commitment. Commitments in excess of \$50,000 without prior encumbrance require the advance approval of the vice president for finance.

Unreserved or unencumbered commitments in excess of \$500 which are not otherwise unauthorized procurements must be approved for processing by the appropriate administrative vice chancellor or financial vice president prior to issuance of a purchase order, addendum or other processing for payment. Commitments of \$500 or less shall be processed in accordance with regional campus procedures.