



Accounting and Administrative Manual

Section 100: Accounting and Finance

Encumbrances – Fiscal Year End
No.: A-19

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General:

Properly executed encumbrances (formal commitments) of university funds outstanding at June 30 will carryover to the next fiscal year for subsequent expenditure. This carryover prevents the funds from lapsing and increments the expenditure budget in the next fiscal year.

For prior year encumbrances, the university's chief financial officer may authorize an encumbrance to an unspecified vendor or authorize a change of vendor when the failure to record such encumbrance or change in vendor would be misleading (such as the correction of an error) or will result in significant loss to the university (such as the loss of funding due to failure to record and report an encumbrance for a procurement which is delayed by bid protest or other dispute beyond the date otherwise established for recording such commitments at the end of the fiscal year). The reasons for the failure to complete the procurement and encumbrance process in the usual manner must be beyond the control of the campus or it must be in the best interest of the university to process the change or defer completion of the commitment.

Encumbrances may be carried over to a second fiscal year (there is no provision for a carryover to a third fiscal year), if the following criteria are met:

1. A valid obligation must continue to exist at the end of the first year;
2. The individual encumbrance balance available for carryover must exceed \$5,000;
3. The reason for failure to clear the encumbrance during the first year must be beyond the control of the campus or it must be in the best interest of the university not to clear the encumbrance (such as the withholding of payment for disputed claims or incomplete performance) or a potential or contingent liability must exist for the failure by the university to meet a purchase commitment (such as costs incurred by vendor or a claim for lost profits);
4. The campus must be willing to assume financial responsibility, if the carryover of an encumbrance is subsequently disallowed for any reason;
5. The carryover must be recommended for approval by the administrative Vice Chancellor of the respective unit; and



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6. The carryover must be approved by the university's chief financial officer or designee.

- Purchasing/Business Office
1. Processes purchase request or travel authorization request through issuance of an encumbrance for:
 - a. Purchase orders (PO)
 - b. Limited purchase orders, under \$500 (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)
 2. Observes cut-off requirements for formal encumbrances as specified annually. In the absence of other instructions, issues encumbrances prior to the end of the last business day of the fiscal year.
 3. Encumbrances issued after the close of business the last business day of the fiscal year are not to be charged to the old fiscal year's balances without the authorization of the Controller.
 4. Enters all encumbrances in the Accounts Payable System by the close of business on the last business day of the fiscal year or enters previously unentered encumbrances after fiscal year end via the "prior year encumbrance" process prior to the date specified in year end closing instructions.
- Accounts Payable/
Purchasing/Business Office
5. Review year end encumbrance report for accuracy before submitting to Statewide Fund Accounting prior to date specified in year end closing instructions. Major errors to be promptly reported to the Statewide Financial Systems Office.
- Accounts Payable Office
6. Processes invoices against prior year encumbrances for goods and services received.