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MAY 3 1991

COMPTROLLER'S MEMORANDUM NO. 1991-16

TO: Heads of Departments

ATTN: Administrative and Fiscal Offices

FROM: Russel S. Nagata, Comptroller

SUBJECT: Preparation and Submission of Encumbrance Documents

This memorandum is to provide a reminder to fiscal personnel involved in the preparation and submission of encumbrance documents. It has been noted over the past few years that some departments have not been consistently adhering to the Comptroller's encumbrance policy (Section 470, Volume II, State Accounting Manual) as it relates to the documents used to record the various types of encumbrances and the deadlines for submission of these documents.

Described below are the documents to use when processing encumbrances in the statewide accounting system.

1. Contract Input Form (SAFORM C-41)

   This form is used to record obligations incurred under a contractual agreement to pay for performance of acts required by the agreement. (Item 4(a))

   The encumbrance is supported by a fully executed contract or a contract in the process of being fully executed at the encumbrance date. (Item 4 (b)(1))

   A partially executed consultant contract (which may be a contract signed by only one of the parties) should also be processed using this form.

2. Purchase Order (SAFORM C-03)

   This form is used to record obligations incurred through the issuance of a purchase order authorizing the delivery of goods or the rendering of services for a stated payment. (Item 5(a))

3. Encumbrance Advice (SAFORM C-06)

This form is used with the blanket encumbrance method of recording encumbrances.

The following are types of encumbrances that can be recorded using the blanket encumbrance method:

a. Evidence that bids for a competitively bid contract have been received and that award has been made or is imminent. (Item 4(b)(2))

b. No bids received for a contract after advertising for bids. (Item 4(b)(3))

c. Payroll encumbrances. (Item 6(b))

d. Specific encumbrances for land acquisition. (Items 7(b)(3) thru 7(b)(7))

e. Incomplete project encumbrances for CIP appropriations. (Item 8)

Although it is technically possible in the accounting system to record as a purchase order encumbrance an obligation for which there is actually a contract, it is recommended that departments record any obligation supported by a contract as a contract encumbrance using SAFORM C-41, especially if the payments on the contract will continue over one year past the lapse date and if the funding source is operating funds. The converting of a purchase order encumbrance to a contract encumbrance retroactively is not allowed.

We have also noticed that a few departments have been classifying partially executed consultant agreements as incomplete project encumbrances, and are submitting them on the encumbrance advice form using the blanket encumbrance method. As stated in Item (1) above, partially executed consultant contracts should be processed as contract encumbrances using SAFORM C-41.

Finally, all departments are reminded that the deadlines for the submission of encumbrance documents must be strictly enforced. Lapsed funds will not be restored to record encumbrances received after the applicable deadline.

Should your staff have any questions, please have them contact Wayne Horie of our Accounting Division at 548-2881.

RUSSEL S. NAGATA
Comptroller