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STATE OF HAWAII
DEPARTMENT OF ACCOUNTING
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P.O. BOX 119
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NOV 14 2003

COMPTROLLER'S MEMORANDUM NO. 2003-29

TO: All Department Heads

SUBJECT: Early Cancellation of 2003 Claims Encumbrances

This is a reminder that all inactive operating funds claims encumbrances recorded as of June 30, 2003, will be cancelled and the related appropriation lapsed, if the encumbrances have not been expended by the close of December 2003. To meet this deadline, all expenditure vouchers containing payments against prior year encumbrances must be received by DAGS Accounting Division's pre-audit branch on or before December 31, 2003. This early cancellation process is applicable only to operating funds (general, special, federal, revolving and trust) expended by the executive branch unless otherwise provided by law.

We will determine the cancellation process by whether an encumbrance is active or inactive. An encumbrance will be considered active and will be automatically extended if it meets both of the following conditions:

1. Last activity date of the encumbrance is after August 1, 2003.

2. Total payment against the encumbrance is more than 50% of the encumbrance.

Any claims encumbrance not meeting both conditions as of December 31, 2003 will be considered inactive and shall be cancelled. The EDN 100 and EDN 150 programs of the Department of Education are once again exempt because carryover provisions provided under general law conflict with the cancellation requirement.

Encumbrances that are paid by journal vouchers using transaction code 804 will not be automatically extended even if both conditions are met. Departments must therefore request an extension for these encumbrances.

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Extension requests may also be submitted for federal and trust fund encumbrances that do not meet both conditions above, but whose conditions of funding prohibit cancellation of the encumbrances.

Please submit all extension requests to me by December 12, 2003. The Encumbrance list you attach to your request shall be by appropriation account number, followed by the purchase order number and suffix (in numerical order), vendor name, and amount.

If you have any questions, please call Mr. Glenn Miyashiro of our Accounting Division at 586-0599.

RUSS K. SAITO
State Comptroller