

SAM—FISCAL AFFAIRS
ALLOTMENT-EXPENDITURE ACCOUNTING

ENCUMBRANCES

8340

(Revised 12/05)

Encumbrances are commitments for expenditure and are estimated carefully to reserve the amount of the expected expenditures. Departments will consider the necessity for encumbering small transactions that comprise a small percentage of total expenditures. For example, individually encumbering small purchases can be time consuming; therefore, the average amount of small purchases outstanding may be included in "the lag." (See SAM Section 8342.1.)

Appropriations are encumbered by purchase estimates (provided the Department of General Services (DGS) Purchase Order is dated prior to the date the appropriation encumbrance availability ceases), printing requisitions, payroll estimates, leases, standard agreements, Public Works Project Authorization and Transfer Requests, lag encumbrances, sub purchase orders, or other documents.

The Victim Compensation and Government Claims Board Rule 610 provides that the issue date of an agreement determines the fiscal year appropriation to which the encumbrance/expenditure for goods or services is charged. The issue date of an agreement is the date it is "made and entered into." Any required control agency approvals are retroactive to that date. However, departments must meet the deadlines for submitting procurement documents as specified by the DGS.

For support and local assistance appropriations, encumbrances/expenditures are charged to the fiscal year in which the agreement was issued when the delivery date of the goods/services is in the same fiscal year or the delivery date is construed to mean as soon as possible. As soon as possible includes a delivery date that is:

- Not identified or specific
- Specific but not a requested delay in delivery
- Specified as 10 days, 30 days, or the like

The following exceptions may apply:

- Encumbrances/expenditures are charged to the fiscal year that the goods/services are received when the purchase agreement stipulates that goods/services be delayed until requested or delayed until on or after a specific date (e.g., agreement issued in June for which the department requests equipment maintenance during the next fiscal year).
- Goods purchased and received in the months of May or June for use during the subsequent fiscal year may be paid from the appropriation for such subsequent fiscal year. Invoices covering such purchases shall be marked as follows: "Purchased in ___ F.Y. for use in ___ F.Y." Payments for such invoices may not be made until enactment of the subsequent fiscal year Budget.
- Multi-year Agreements – Agreements which span more than one fiscal year may be charged (1) totally to the first year of appropriation covered by the agreement, or (2) to more than one fiscal year's appropriation, depending on the:
 - Appropriation authority – Sufficient spending appropriation authority must exist.
 - Details of the agreement.

Departments will determine the budgetary plan for charging the encumbrance and subsequent expenditure when issuing a multi-year agreement. The budgeted amount will be reflected in the funding strip of the agreement. Departments have discretion as to which fiscal year appropriation to charge; however, the budgetary plan is the predominant factor in making this determination.

The certificate of funds availability must be signed by the accounting officer or a delegate after such person has ensured that funds are available.

Encumbrances will be recorded individually in the Allotment Expenditure Ledger (AEL) or operating file (CALSTARS departments) for the appropriation. This entry will increase the unliquidated encumbrance amount and decrease the unencumbered balance.

As expenditures are recorded on claims, amounts will be posted to reduce the related encumbrance amount. For partial orders, many automated systems will liquidate the encumbrance for the same amount as the expenditure. However, if it is determined that encumbrance amounts are materially misstated, either over or underestimated, adjustments will be recorded to more accurately reflect the expected expenditure. The encumbrance is fully liquidated when the order is fully satisfied.

Estimated decreases will be recorded as a minus amount. This will decrease the unliquidated encumbrance amount and increase the unencumbered balance.

Encumbrances will be recorded in the General Ledger accounts as prescribed in SAM Section 10502.