

**SAM – FISCAL AFFAIRS
ALLOTMENT – EXPENDITURE ACCOUNTING**

**OPERATING EXPENSES AND EQUIPMENT
ENCUMBRANCE OF THE LAG**

8342.1

(Revised 12/2015)

While many types of expenditures can be encumbered from purchase estimates, printing estimates, leases, contracts, etc., many cannot. Unencumbered balances of certain allotments would be over-stated if charges to allotments were made at the time invoices were filed for payment. For the unencumbered balances shown in accounts and on reports to accurately reflect the true financial condition of the allotments, departments may encumber certain types of expenditures at the beginning of each fiscal year. These amounts should represent their best estimates of obligations outstanding as of the end of an average month but not otherwise encumbered by estimates, leases, etc. This estimated amount is called "the lag". The lag may be encumbered using the Purchase Order/ Estimate Change Request, ([Std. 96](#)), modified where necessary, with the appropriate explanation stated thereon. Departments will prepare this form in original only, using it merely as an internal document. This form also may be used to adjust the lag, if necessary.

The amount of lag necessary will vary among allotments within a department and among departments depending on promptness in receiving and scheduling invoices for payment. Past experience has indicated that a lag of up to 15% of the annual allotment may be desirable for allotments where no encumbering estimates, leases, or contracts are issued. Allotments with about one-half their expenditures representing items originally encumbered by estimates, leases, and contracts may require a lag of up to 10% of the annual allotment.

Departments will be responsible for estimating the proper lag to meet their own circumstances and will make revisions, as required, based on experience. Departments that account for allotments on a quarterly basis, for management purposes, may encumber the lag at the beginning of each quarter and reverse it on the first day of the subsequent quarter. Reversal of the lag has the effect of disencumbering estimated amounts, thereby increasing unencumbered balances to permit charging invoices to allotments after the end of the quarter. The Std. 96 may be used to reverse the lag.