

General:

An Encumbrance is a firm procurement directive, order, requisition or other form of request, which authorizes the creation of an *obligation or commitment* without further recourse to the fund administrator for certifying availability of funds.

The encumbrance procedure restricts a portion of an allotment at the time a commitment is made against the allotment. This is done to preclude over-commitment of funds by expending departments or agencies, thus ensuring amounts will be available to cover expenditures when the goods are delivered or services rendered.

Encumbrances resulting from purchase orders, contracts and other types of encumbrance documents are potential future liabilities, which later become liabilities chargeable against an allotment at the time the billing invoices for payment are received and processed.

More information on Contracts can be found in Articles 1 thru 13 of Chapter 5 of Title 5 of the Guam Code Annotated.

<http://www.guamcourts.org/compile/roflaws/GCA/05gca/5gc005.PDF>.

All funds governed by statutory and constitutional provisions of the Government are subject to encumbrance accounting.

Encumbrance Rules:

All encumbrances of funds relating to procurement action that requires the preparation of purchase orders, inter-governmental service/work requests, contracts and travel

authorizations are subject to the encumbrance process.

Encumbrance Procedures:

As commitments are made, entries are recorded in the accounting system to set aside funds in the amount of the forthcoming liabilities.

All amounts encumbered are recorded from various types:

- **Requisitions or purchase orders, in the case of open purchases.**
- **Registered Contracts in the case of contractual obligations.**
- **Utility Service Authorizations for utility services (power and water).**
- **Client Services (i.e. DISID and DVR clients)**
- **Work Request in the case of interdepartmental work or service requests**
- **Travel Authorizations in the case of off-island travel.**

Control of amounts encumbered is maintained by referencing the identification number of the source documents from which encumbrances are recorded.

The General Services Agency Division controls the numbers for central procurement purchases (**Requisitions and Purchase Orders**); on all other documents from which encumbrances may be recorded, the Division of Accounts controls the document numbers.

Encumbrances are recorded against the appropriate allotment for each program and sub-program and are entered into the system through one of the encumbrance documents.

Encumbrance Liquidation:

Upon completion of a purchase transaction, contract, travel voucher or work request, the amounts originally encumbered are transferred from the category "funds encumbered" to the category "funds expended". This process is called *liquidation of encumbrance*.

- If the transaction is complete, the entire amount of the encumbrance is liquidated.
- If the transaction is partially complete, only the applicable portion of the original encumbrance is liquidated.

Where the expenditure is different from the amount originally encumbered, the total amount expended is recorded as expenditure, while only the original amount of the encumbrance is liquidated.

Encumbrance Cancellation / Liquidation:

In the event it becomes necessary to rescind or alter an outstanding encumbrance, the expending department or agency prepares a memorandum (*Liquidate of Full or Partial Encumbrance form – FORM LIQ-001*) addressed to the Department of Administration Financial Manager.

In the case of central procurement purchases, the encumbrance adjustment voucher is forwarded to the General Services Agency.

In all other cases, the memorandum is forwarded directly to the Division of Accounts after *doing the following*:

Encumbrances

Form ACC-LIQ001 (May 2019)

Line-By-Line:

Line 1 – Document Number

Indicate Encumbrance Number to cancel (Purchase Order done by GSA or Contract number).

Line 2 – Account Number

Indicate the Encumbrance Account Number.

Line 3 – Amount

Amount to cancel.

Line 4 – Effective Date

Date the liquidation takes effect.

Line 5 – Vendor Name

Indicate the vendor name.

Line 6 – Vendor Number

Indicate the vendor number,

Line 7 – Justification

Indicate the reason for the cancellation.

Line 8 – Prepared By

Printed name of preparer; original signature; and, date of preparation.

Line 9 – Approved By

Printed name of Approving authority, original signature and date of approval.

Line 10 – Approved By

Printed name of Approving authority, original signature and date of approval.

SPECIAL NOTES:

These may require additional documents and/or forms.

MULTIPLE Requests for Liquidation / Deobligations (greater than 10):

- ✓ Utilize One (1) Form ACC-LIQ001;

- ✓ Attach a Summary Listing of encumbrances being liquidated / deobligated.

- ✓ Attach required documents per encumbrance.

FISCAL CLOSING processing:

- Begin review and preparation by mid-August, this includes calling vendors for invoices outstanding;
- Date should be “09-30-20xx” for encumbrances of year about to close.

Example: FY2014 PO's being liquidated after Oct 1, 2014, but before final FY14 closing **must be** dated “09-30-2014”.

At some moment in operations, GSA may request – in writing – our assistance in completing adjustments to existing Purchase Orders *due to one of the following*:

- **DOA Accounting does not adjust purchase orders**, unless GSA requests (in writing) our assistance. One or more of the following issue examples may apply:
 - GSA cannot complete the adjustments;
 - Amendment requires the use of an additional account (same Purchase Order, different account);
 - Purchase order is locked in the GSA module, but still open in the Accounting module.
- The Purchase Order was **initially encumbered by DOA Accounting**, such as:
 - Mayor's Council Purchase Orders;
 - Revenue & Taxation Purchase Orders;
 - DPW Purchase Orders;

- Emergency-designated Purchase Orders

- **Registered (“C” or “S”) Professional Service Contracts** – these are contracts which required the signatures of the Attorney General and Governor of Guam.

- **Release of Claim** must now accompany Form ACC-LIQ001 (*Liquidate Full or Partial Encumbrance*) for *De-obligation / Liquidation of Encumbrances*.

Liquidation / Deobligation of POs must have the Form ACC-ROC001 **and** a screenshot of the PO balance included with the request for liquidation. **UPDATE: as of May 2019, the Division of Accounts requires either the completion of Form ACC-ROC001 or proof from the Vendor releasing the Government of Guam's Obligation for ALL liquidation / de-obligation requests. This is to ensure Prior Year Obligations are NOT created.**

POLICY NOTE: **PL#27-78**

amended Title 5 Art 4 Chap 22 Div 2 §22434 to emphasize:

- (a) to require the liquidation of encumbrances nine (9) months after fiscal year ended.
- (b) Funds (except Capital Improvement/Outlay funds) returned to their respective Fund are de-appropriated, unless written request to Legislature is given.

REFERENCES:

DOA Org Cir: #2017-001; and,
DOA Org Cir: #2019-009.