



GOVERNMENT OF GUAM
DEPARTMENT OF ADMINISTRATION
DIVISION OF ACCOUNTS

LIQUIDATE FULL OR PARTIAL ENCUMBRANCE

TRANSACTION CODE:	220
DOCUMENT NUMBER * <i>(P.O., Work Request, Requisition or Contract No.)</i>	①
JOB ORDER NUMBER:	②
AMOUNT TO DEOBLIGATE:	{ ③ }
EFFECTIVE DATE <i>(Date Liquidation takes effect):</i>	④
VENDOR NAME: <i>(BLANK for Requisitions)</i>	⑤
VENDOR NUMBER: <i>(BLANK for Requisitions)</i>	⑥

*** NOTE: A copy of the document being de-obligated and a screen print of year-to-date balance from AS400 encumbrance menu must be attached.**

JUSTIFICATION: _____

⑦

PREPARED BY:

_____	⑧	_____
<i>Name & Title</i>	<i>Signature</i>	<i>Date</i>

APPROVED BY:

_____	⑨	_____
<i>Name & Title</i>	<i>Signature</i>	<i>Date</i>

FOR DIVISION OF ACCOUNTS ONLY

_____	<input type="checkbox"/> = Reviewed <input type="checkbox"/> = Deobligated	_____
<i>Received By / Date</i>	⑩	<i>Processed By / Date</i>

Encumbrance

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.

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:

- Requisitions or purchase orders, in the case of open purchases.
- Work Request in the case of interdepartmental work or service requests

- Contracts in the case of contractual obligations.
- 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; 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 than the amount originally encumbered, the total amount expended is recorded as expenditure, while only the original amount of the encumbrance is liquidated.

UPDATE: PL#27-78 amended Title 5 Art 4 Chap 22 Div 2 §22430(a) to require the liquidation of encumbrances nine (9) months after fiscal year ended.

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*) addressed to the Department of Administration Deputy 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:

Line-By-Line:

Line 1 – Document Number

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

Line 2 – Job Order Number

Indicate the Encumbrance's Job Order 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 – Remarks

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.

Encumbrance

SPECIAL NOTE:

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:

1. DOA Accounting does not *normally* adjust purchase orders unless GSA requests in writing for our assistance because of one or more of the following issues arise:
 - a. GSA cannot complete the adjustments;
 - b. Amendment requires the use of an additional account (same Purchase Order, different account);
 - c. Purchase order is locked in the GSA module, but still open in the Accounting module.
2. The Purchase Order was *initially* encumbered by DOA Accounting, such as:
 - a. Mayor's Council Purchase Orders;
 - b. Revenue & Taxation Purchase Orders;
 - c. DPW Purchase Orders;
 - d. Other Emergency Purchase Orders.