



Policy Type: Administrative

Category: Fiscal and Budget **Sub-Category:** Budget Practices

Policy Name: Encumbrance Policy

Policy Owner: Controller-Treasurer Department

Policy Purpose

The purpose of this policy is to ensure that encumbrances are properly established and that budgetary appropriations for open encumbrances are properly rolled over from one fiscal year to the next.

Policy Summary

This document includes the County's policy for establishing encumbrances, as well as the policy for rolling-over budgetary appropriations for open encumbrances from one fiscal year to the next. These are administrative procedures for compliance with the Board Policy of re-appropriation of funds from one fiscal year to the next.

Establishing Encumbrances

Encumbrances are defined as firm contractual commitments of the County to procure goods and services from vendors at future dates. This policy sets the following baseline assumptions for encumbrances:

- A purchase order (PO) is the official document for establishing an encumbrance. It provides the best estimate of costs by fiscal year as to when the goods or services are expected to be delivered.



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- A PO must be created and approved in accordance with the County's established procedures.

The following are required to be set up as projects in the County's accounting system:

- Purchase of goods or services for capital projects
- Purchase of goods or services for grant-funded projects
- One-time budgetary funds used to purchase goods or services which span multiple fiscal years

Encumbrances are not to be used by departments to unilaterally move current-year budget to future years.

Rollover

All SAP purchase documents – purchase requisitions and purchase orders – will rollover to the next fiscal year. POs with a validity date after June 30 will be automatically reestablished (re-encumbered using new fiscal year budget) in SAP the next fiscal year. This action does not mean automatic rollover of corresponding budgetary appropriations from one fiscal year to the next.

The following criteria apply to rollover of budgetary appropriation balances for open POs (encumbrances) from one fiscal year to the next:



1) Project-Related POs (Capital Projects, Grant Projects, or One-Time Funded Multi-Year Projects)

Project-related POs are purchase orders for both two-way match and three-way match purchases in SAP relating to the capital projects, grant-funded projects, or one-time funded multi-year projects.

The Board's approval determines rollover of budgetary appropriation balances for all open POs (encumbrances) for goods or services from one fiscal year to the next. Departments should work with the Office of Budget and Analysis (OBA) to seek the Board's timely approval to reappropriate unspent and uncommitted funds to the next fiscal year. To avoid disruption, budgetary appropriation balances for project-related encumbrances will automatically rollover to the next fiscal year.

The only exception is that POs will not roll over to the next fiscal year for one-time funded projects for the General Fund. The Controller -Treasurer Department and OBA will subsequently seek the Board's approval for reappropriation of those encumbrances to the next fiscal year.

2) Non-Project Type POs

Non-project type POs are purchase orders for goods or services (both three-way and two-way match purchases in SAP) that departments pay from their operating budgets and that are not set up as capital projects, grant-funded projects, or one-time funded multi-year projects in SAP.



2a) Three-way Match POs in SAP

For the General Fund, budgetary appropriation balances for all open POs (encumbrances) at the end of the fiscal year will not automatically roll over to the next fiscal year. Encumbrances for all POs will lapse at the end of the second fiscal year and will not be carried over beyond the second fiscal year. For non-General Fund funds, the encumbrance for open POs will roll over with budget if the PO lines were created in current fiscal year. All other open PO lines will roll over without budget.

Departments should duly record expenditures for the fiscal year in which the services are received. Departments should work with OBA to seek the Board's approval to reappropriate funds for outstanding encumbrance balances for service agreements or Board contracts to the next fiscal year.

2b) Two-way Match POs in SAP

Budgetary appropriation balances for open POs (encumbrances) for service agreements and Board contracts will not roll over from one fiscal year to the next. Departments should duly record expenditures for the fiscal year in which the services are received. Departments should work with OBA to seek the Board's approval to reappropriate funds for outstanding encumbrance balances for service agreements or Board contracts for the next fiscal year.

3) Fixed Assets

For General Fund, budgetary appropriation balances for all outstanding encumbrances for fixed assets will not automatically roll



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over from one fiscal year to the next. For non-General Fund funds, budgetary appropriation balances for all outstanding encumbrances for fixed assets will automatically roll over from one fiscal year to the next. The Controller-Treasurer Department and OBA will subsequently seek the Board's approval to reappropriate those encumbrances to the next fiscal year. Departments should, however, work with OBA to seek the Board's timely approval to reappropriate any unspent and uncommitted funds at the end of a fiscal year to next fiscal year.

Disputes and Compliance

The Controller-Treasurer Department shall decide any disputes arising from this policy. Additionally, the Controller-Treasurer Department shall conduct an annual review of compliance with this policy

Procedures

None.

Definitions

For the purposes of this policy, the following definitions apply:

- 1) **"County's accounting system"** means the SAP System or other similar system currently used by the County as its primary account system.
- 2) **"Encumbrance"** means a firm contractual commitment of the County to procure goods and/or services from a vendor at one or more future dates.



Frequently Asked Questions

None.

Related Policies

None.

Related Forms and Information

None.

History

Date	Changes Made
9/19/2014	Policy Uploaded. (Kyle Larson)