



State of Idaho

DIVISION OF FINANCIAL MANAGEMENT

Executive Office of the Governor

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March 1, 2010

MEMORANDUM

TO: Agency Fiscal Officers

FROM: David Fulkerson, State Financial Officer
Division of Financial Management

Marion Gibson, CPA, Bureau Chief
Division of Statewide Accounting
State Controller's Office

SUBJECT: FY10 YEAR-END CLOSING OF STARS

The Division of Financial Management (DFM) and the State Controller's Office (SCO) have worked together to develop the following fiscal year-end closing schedule. Between now and mid-July, we will be closing the current fiscal year and preparing for FY11, which requires a series of activities collectively referred to as "fiscal year-end closing." State agencies, the State Controller's Office, the Division of Purchasing, and the Division of Financial Management are all involved in the closing process.

The fiscal year-end (FYE) schedule outlines certain activities and deadlines related to the following:

- purchase requisitions
- organization, program, and budget unit structures
- grant and project purges
- encumbrances
- appropriations

P-Card Application Instructions

The P-Card liability accounts **must** be at ZERO when fiscal year 2010 closes. Since STARS is a cash basis accounting system, the P-Card liability should not cross over fiscal years. While P-Card liability accounts should be reconciled on a monthly basis, having them reconciled and cleared at fiscal year-end is critical. With the fiscal year-end approaching, please identify and record any adjustments or corrections as soon as possible. Once your liability accounts are reconciled, then the processing at year-end should clear these accounts. The fiscal year-end instructions are as follows:

- Process all outstanding “Posted Pending” transactions as soon as possible and no later than July 7.
- No later than July 8, process your payment to Wells Fargo for the June expenditures with a **June effective date** and the July 1 posted expenditures with a **July effective date**.
- DFM may ask you to submit copies of your year-end P-Card liability account reconciliation. Please be prepared to provide them with this information.
- The above instructions apply only to agencies currently using the P-Card Accounting Application.

If you have questions on how to reconcile the P-Card liability general ledger account (2105), contact the DSA Helpline by phone at 332-8827 or by email at dsahelpline@sco.idaho.gov.

MARCH 2010

March 5, 2010

State Controller’s Office sends out the following reports with instructions:

- DAFR6640 Organization/Index Hierarchy
- DAFR6660 Program/PCA Hierarchy
- DAFR8540 Budget Unit Table Listing

If your agency needs the STARS Manual forms for additions, they are available on the Internet at <http://www.sco.idaho.gov/>. Click on Accounting, then on Forms, then on STARS. Scroll down to and select the needed form, or use the following links to the specific forms:

- [ORG-23](#) Organization Table Maintenance Form
- [PGM-23](#) Program Table Maintenance Form
- [BU-20](#) Budget Unit Table Maintenance Form

The reports and any necessary forms are **due to DFM by April 16**.

IMPORTANT: Agencies that enter their own Index and PCA tables should **not** enter FY11 information until **after the May 6** table roll.

March 15, 2010

State Controller’s Office sends out the following with instructions:

- Listing of interagency billings that are over 60 days old

Agencies will be requested **to resolve** the outstanding balances by **May 14**.

March 18, 2010

STARS FYE Comprehensive Training (9:00AM to 11:00AM) – Contact Patti (332-8799) at SCO.

March 19, 2010

State Controller’s Office sends out the following report with instructions:

- DAFR0149 Fiscal Year-end Warrant Cancellation Report / Preliminary
- SCO will transfer cash from purged warrants to Unclaimed Property on July 7.

March 23, 2010

State Controller's Office sends out the following reports with instructions:

- DAFR0218 Project Control Purge Indicator
- DAFR0219 Grant Control Purge Indicator

Agencies not entering or updating their own Grants and Projects should return the completed reports to the State Controller's Office by **April 9**. Agencies that enter and update their own Grant and Projects should have the Purge Indicators updated in STARS by close of STARS on **April 13**.

APRIL 2010

April 9, 2010

Final day to submit FY10 purchase requisitions to the Division of Purchasing using either the DA-1 or IPRO.

The following updated reports are due back to SCO from agencies **not** updating their own Grants and Projects:

- DAFR0218 Project Control Purge Indicator
- DAFR0219 Grant Control Purge Indicator

Agencies that enter and update their own Grant and Projects should have the Purge Indicators updated in STARS by close of STARS **April 13**.

April 15, 2010

State Controller's Office sends out the following with instructions:

- Listing of interagency billings that are over 60 days old

This listing will be a follow-up to the listing that was sent out on March 15. Agencies will be requested to resolve the outstanding balances by May 14.

State Controller's Office sends out instructions for the following reports which will be available in On-line Reporting:

- DAFR0220 Project Control Purge Preliminary
- DAFR0221 Grant Control Purge Preliminary

The above reports list the Grants and Projects with a purge indicator of 'Y' and provide information about whether or not the grant or project will successfully purge during the mid-July financial file purge. Agencies can use these reports to guide the clean-up efforts in preparation for the file purges. Agencies can request updated reports at any time prior to July 1 by contacting the State Controller's Office Helpline at dsahelpline@sco.idaho.gov or at 332-8827.

April 16, 2010

Due date for the following reports and any required forms:

- DAFR6640 Organization/Index Hierarchy
- DAFR6660 Program/PCA Hierarchy
- DAFR8540 Budget Unit Table Listing

Deliver to the Division of Financial Management, attention: (your agency analyst), 1st floor J. R. Williams Building.

IMPORTANT: Agencies that enter their own Index and PCA tables should **not** enter FY11 information until **after the May 6** table roll.

MAY 2010

May 6, 2010

Agencies updating their own PCA's and Indexes must have 06/30/10 end dates entered on all FY10 PCA's and Indexes **not** being used in FY11. Updates must be completed by close of STARS **this day**. Otherwise, the PCA's and Indexes without end dates will roll to FY11.

SCO will complete this step for agencies that do not update their own PCA's and Indexes.

State Controller's Office will do the STARS table roll and purge as part of the nightly IEU. FY10 Budget Units, PCA's and Indexes will roll to create FY11 versions, unless the FY10 version was end-dated. FY08 Budget Units, PCA's and Indexes will be purged unless needed for encumbrances. Statewide vendors not paid or updated in the last 2 years (excludes State employees) will be purged from the Vendor Edit Table (screen 21). STARS should be available by 8:00 A.M. the following morning

IMPORTANT:

- 1) After the table roll, be aware that both FY10 and FY11 records will appear on the Budget Unit, PCA and Index maintenance tables. Any Indexes or PCA's added to FY10 will also need to be added to FY11.
- 2) After the table roll, agencies that enter their own PCA's and Indexes can update the FY11 Index and PCA tables.

May 13, 2010

Agencies entering their own PCA's and Indexes must complete FY11 updates **before** close of STARS this date in order to have the May 14 reports show those updates.

May 14, 2010

State Controller's Office sends out the following updated reports:

- DAFR6640 Organization/Index Hierarchy
- DAFR6660 Program/PCA Hierarchy
- DAFR8540 Budget Unit Table Listing

If there are additional changes to the **organization, program, or budget unit structures**, make the changes in **red** and send to **DFM** for approval by **May 21**.

If there are additional changes to the **Index or PCA** information only, or if there are corrections to input errors, make the changes in **red** and send to **SCO** by **May 21**.

Due date for either resolving 60 day old interagency billings or providing explanations as why they are not resolved.

May 21, 2010

Due date for the following reports with additional structure adjustments:

- DAFR6640 Organization/Index Hierarchy – changes to organization
- DAFR6660 Program/PCA Hierarchy – changes to program
- DAFR8540 Budget Unit Table Listing – changes to budget unit

Deliver to the Division of Financial Management, attention: (your agency analyst), 1st floor J. R. Williams Building.

Changes related to Indexes, PCA's or correction of data entry errors are due to the State Controller's Office and do not have to be sent to DFM.

May 21 (Cont)

Agencies will be unable to load FY11 appropriations until their structures are loaded.

IMPORTANT: Those agencies that enter their own Index, PCA, Grant, and Project tables **should have their FY11 tables updated** by this date.

May 26, 2010

State Controller's Office sends out the following finalized reports:

- DAFR6640 Organization/Index Hierarchy
- DAFR6660 Program/PCA Hierarchy
- DAFR8540 Budget Unit Table Listing

May Month-end Reports

If you normally receive any of the following monthly encumbrance reports:

- DAFR6840 Encumbrance Status by Program, and Object
- DAFR8070 Encumbrance Status by Organization and Object

These reports will reflect the status of all outstanding encumbrances as of the end of May. Follow the instructions included with this memo when reviewing these prior and current budget fiscal year reports. Additional copies of these reports are available upon request to the State Controller's Office Helpline at dsahelpline@sco.idaho.gov or 332-8827.

JUNE 2010

June 1, 2010

FY11 appropriation, allocation and financial plan batches can be entered using either the web-based Budgetary Module of the Statewide Accounting System or directly in STARS. Be sure to include the appropriation bill number (SB# or HB#) in the description field for easy reference and faster processing. Batches must have a 7/1/10 effective date and a BFY of 11. DFM requires that lump sum appropriations be entered at the object level. If using the web Budgetary module, an email notification will be sent to DFM. If direct STARS entry was used, you must personally notify your DFM analyst. Batch release requests are due to DFM by **June 7**.

State Controller's Office sends out the following list with instructions:

- Manual listing of prior year sight drafts to be cancelled

SCO will transfer cash from cancelled sight drafts to Unclaimed Property on June 30.

June 3, 2010

State Controller's Office sends out instructions for the following reports which will be available in On-line Reporting:

- DAFR0220 Project Control Purge Preliminary
- DAFR0221 Grant Control Purge Preliminary

The above reports will reflect all clean-up efforts since the last time the reports were run and will provide information about whether or not the grant or project will successfully purge during the mid-July financial file purge. Agencies can use these reports to guide additional clean-up efforts in preparation for the file purge. Agencies can request updated reports at any time prior to July 1 by contacting the State Controller's Office Helpline at dsahelpline@sco.idaho.gov or 332-8827.

- June 7, 2010** **FY11 appropriations are due to the Division of Financial Management for approval.** After entry in STARS, contact your DFM budget analyst with your agency code and the batch number. If using the web Budgetary module, an email notification will be sent to DFM. The budget analyst will release the batch and notify SCO to process the batch.
- NOTE:** Agencies without on-line STARS access should prepare an [APPROPRIATION INPUT FORM](#) and a [BATCH HEADER INPUT](#) form and submit both to SCO for input by this date. The agency is then responsible for notifying DFM that the batch is being entered. The appropriation input form can be found on the Internet at <http://www.sco.idaho.gov/>. Click on Accounting, then on Forms, and then on STARS. Scroll down and select the needed form.
- June 16, 2010** **FYE P-Card system training** – Comprehensive discussion of the year-end payment and related posted pending process. Contact Patti Everill at 332-2799 or by email at peverill@sco.idaho.gov.
- June 18, 2010** **Recommended final day to input FY10 Interagency billings in STARS** and mail documentation to agency being billed.
- Recommended final day to request FAS FY10 corrections or changes.**
- June 25th biweekly payroll will post tonight** instead of the normal day before payday. ‘G’ batches will post regardless of cash or appropriation. Clean up of any related cash or appropriation problems will begin on Monday, **June 21**.
- FAS Hold File** – Transactions released from the Hold File after this date may not completely process by June 30, 2010. However, we recommend working the FAS Hold File until close of business on June 30, 2010.
- June 24, 2010** **Final payroll adjustment date.**
- June 28, 2010** **Last day to submit FY10 appropriation transactions or any other type of transaction that requires your DFM analyst’s approval.**
- Agencies without on-line STARS access** – Batch documentation needing DFM analyst approval must be to SCO by noon.
- Last day for agencies to cancel outstanding encumbrances** that will not be liquidated or be requested to be retained in FY11. Related transactions should be **input and released** by your agency in STARS by this date. Agencies without on-line access should prepare the cancellation using the [EXPENDITURE DISBURSEMENT INPUT](#) form and the [BATCH HEADER INPUT](#) form. Then submit both to SCO for input and release by this date. The expenditure disbursement input and batch header forms can be found on the Internet at <http://www.sco.idaho.gov/>. Click on Accounting, then on Forms, then on STARS. Scroll down to and select the needed form.

June 28 (cont)

Last day to input and release FY10 encumbrances (MER's, PO's).

Provide a letter of request plus supporting documentation for approval of all prior year outstanding encumbrances and FY10 Miscellaneous Encumbrance Requisitions (MER's) to the Division of Financial Management. DFM will review these encumbrances and notify you of the approvals or rejections no later than July 7.

Additional Encumbrance Restriction for FYE 2011

The Governor has directed DFM to limit all end-of-year encumbrances to the minimum amount possible. Agencies are specifically instructed not to engage in contracting activities aimed exclusively at obligating appropriated funding.

According to Idaho Code 67-3521 Encumbrances “shall be made only for a legally contracted obligation or for the accrued cost of a specific product or service due and payable prior to or as of the end of the current fiscal year or for the term of the contract obligation.” See pages 10-14 for more information.

June 30, 2010

STARS and FAS WILL CLOSE AT 7:00 P.M.

Last day to submit original transactions for FY10 (adjusting transactions will be allowed through July 8). The only exception to this rule is the payment being made to Wells Fargo for the June P-Card transactions.

All FAS Hold File Transactions for FY10 should be processed by this date. **FAS will remain closed until Monday, July 19.**

Last day for FY10 Warrant Cancellations.

IMPORTANT: Receipts deposited with the State Treasurer **after 11:00 A.M.** on this date will be FY11 receipts.

JULY 2010

July 1, 2010

State Controller's Office sends out instructions for the following reports which will be available in On-line Reporting:

- DAFR0220 Project Control Purge Preliminary
- DAFR0221 Grant Control Purge Preliminary

The above reports will reflect all clean-up efforts since the last time it was run and will provide information about whether or not the grant or project will successfully purge during the mid July financial file purge. Agencies can use these reports to guide the clean up efforts in preparation for that file purge. Agencies can request updated reports at any time by contacting the State Controller's Office Helpline at dsahelpline@sco.idaho.gov or 332-8827.

Document file – FY10 and older documents will be unavailable to the agencies until after the FYE close weekend. These documents will be available again on Monday, July 19. Any necessary adjustments must be communicated to and entered by SCO personnel. Send any needed adjustment information to dsahelpline@sco.idaho.gov. FY11 documents are available immediately after they are posted to STARS.

- July 1 (cont)** **New Sub-objects** – If there are new revenue and expenditure sub-objects, the updated list will be available on the Internet at <http://www.sco.idaho.gov/>. Click on Accounting, Applications, STARS, then on STARS Manual. Then scroll down to Appendix A – Sub-objects and select the desired listing.
- The following reports will be available in On-line Reporting:**
- Agency-defined year-end **preliminary** reports
- Use these reports to verify the accuracy of data posted to STARS and determine whether any adjustments are necessary before year-end close, including the P-card liability account. **Note that all transactions for the month of June may not have posted at this time – some may have erred in STARS. Final June reports will be run on July 12.**
- July 7, 2010** **P-card Application** – If you have not already done so, run Posted/Pending process for June P-card transactions.
- FY09 Outstanding Warrant Purge** – FY09 outstanding warrants will be cancelled and the related cash sent to Tax Commission, Unclaimed Property.
- July 8, 2010** **Agencies will be allowed to post FY10 correcting or adjusting entries until 7:00 P.M.**
- P-card Application-Wells Fargo** – If you have not already done so, post the Wells Fargo P-card Application payments for June transactions, using a June effective date. If you have any July 1 transactions, post that part of the payment using a July effective date.
- July 9 & 12, 2010** **Only FY11 available to agency personnel.** SCO, with agency assistance, will clean up any remaining FY10 batches and do a variety of FYE preparation transactions. June reports will be run the night of July 12.
- July 17 & 18, 2010** **STARS will be closed to agency personnel. SCO will be conducting FYE closing activities.**
- July 19, 2010** **Document file will re-open for all fiscal years. FAS will re-open.**
- July 20, 2010** **FYE close reports sent to agencies.**
- July 23, 2010** **Agencies that FTP or interface files to SCO should have those processes completed before 3:00PM. The following obsolete tables and files will be purged before the IEU:**
- Allocation
 - Appropriation
 - Cash Control
 - Document
 - General Ledger
 - Subsidiary
 - Project Control Table
 - Grant Control Table
 - Prior year vendor payment file

July 26, 2010

The following reports will be available in On-line Reporting:

- DAFR1220 Project Control Purge
- DAFR1221 Grant Control Purge

The above reports list the Grants and Projects with a purge indicator of 'Y' and provide information about whether or not the grant or project successfully purged during file purge on July 23. Agencies can use these reports to guide additional clean-up efforts in preparation for the file purge next year.

July 29, 2010

The following reports will be available in On-line Reporting:

- DAFR0158 Prior Year Vendor Payment Detail W/Document Number
- DAFR0210 Prior Year Vendor Payment Information W/O VND #

DSP/EIS/PERSONNEL

Division of Statewide Payroll will issue a separate memo with important dates and deadlines related to EIS, IPOPS and Statewide Payroll in general.

ENCUMBRANCES

Additional Encumbrance Restriction for FYE 2010:

The Governor has directed DFM to limit all end-of-year encumbrances to the minimum amount possible. Agencies are specifically instructed not to engage in contracting activities aimed exclusively at obligating appropriated funding.

Preface:

Encumbrance accounting should be used to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Encumbrance accounting must also comply with *Idaho Code*, [67-3521](#).

Encumbering Federal Reimbursement Grants:

- Reimbursement grants are those where the grant has been awarded and the grantor (federal government) reimburses periodically as the work or service progresses.
- Initially with this type of grant, the agency has an account receivable, but not cash. If the agency wants to track the grant as a Miscellaneous Encumbrance Requisition (MER), a copy of the grant is to be attached to the MER and submitted to DFM for approval/disapproval.

General Fund MER's:

- To be considered for DFM approval/disapproval, the agency must have available Current Year General Fund appropriation that meets or exceeds the amount of the MER request.
- If the MER is approved, it will be considered a reservation/reduction of agency General Fund spending authority in the current fiscal year, and does not increase General Fund spending authority in the subsequent appropriation year.
- To the state, the General Fund MER will be considered a reservation of cash to be carried over to the subsequent fiscal year to pay the obligation when all conditions have been met.
- If, at fiscal year-end, the Division of Financial Management and the State Controller's Office agree there is insufficient cash to meet obligations being carried over to the next fiscal year, certain MER's will be disapproved and returned until a balance between receipts, expenditures, and cash is achieved. DFM will evaluate MER's after June 30th and have decisions to the agencies by July 7.

Non-General Fund MER request:

- Must be accompanied by a current B-12 analysis of funds (see [Budget Development Manual](#)) reflecting prior fiscal year, current fiscal year-to-date actuals, and subsequent fiscal year receipts, expenditures, and cash balances.
- All revenue projections are to be based on the existing fee structure, not on any anticipated change in fees unless provided for in law.
- If the MER is approved, it will be considered a reservation of cash that can be carried over to the subsequent fiscal year, and is obligated for payment of the MER when all conditions have been met.
- Non-General Fund MER's will not be approved if there is insufficient cash in the fund at the time of the Division of Financial Management's approval.

Final Discretion:

Final discretion as to the approval/disapproval of any MER lies solely with the Administrator of DFM.

PRIOR TO CLOSE OF BUSINESS JUNE 30, AGENCIES MUST INPUT ALL ENCUMBRANCES INCLUDING MER's, PURCHASE ORDERS (DIVISION OF PURCHASING OR FROM DELEGATED PURCHASING AUTHORITY), AND ITEMS ORDERED ON STATE CONTRACTS THAT WILL NOT BE PAID FOR IN THE CURRENT FISCAL YEAR (2010).

Purchase Requisitions

The Division of Purchasing has determined that **April 9, 2010** will be the last day for submitting purchase requisitions. *Idaho Code*, [67-3521](#) (5) and (6), states:

"...all purchase orders issued by the state purchasing agent, or purchase orders issued pursuant to a delegation of purchasing authority to specified state officers and employees, shall be encumbered, and such encumbrance shall not require the approval of the administrator of the division of financial management.

When purchase requisitions are submitted by agencies prior to the state purchasing agent's fiscal year-end cutoff date, but not processed either due to workload or bid requirements, agencies may submit a request for encumbrance to the administrator of the division of financial management."

The Division of Purchasing will send letters to agencies notifying them of purchase requisitions that will not be processed and the reasons why they will not be processed. Copies of these letters and the purchase requisitions(s) must be attached to the agency's letter of request for approval of FY10 year-end encumbrances (MERs--see below) and submitted to the Division of Financial Management by **June 30, 2010**.

Recording MERs at FYE

Current year-end miscellaneous MER's may be entered through **June 30, 2010**. Payments on MER's can continue to be made in STARS until 7:00 PM on June 30. This includes purchase requisitions received by the Division of Purchasing by the **April 9** cutoff, but were not processed for various reasons identified to the agencies in a letter from the Division of Purchasing. The above items are subject to the DFM's approval. Please submit your request to your DFM analyst for approval, include the document number and the MER # identified in the multipurpose code (MPC) field on STARS and other supporting documentation. Per the Division of Purchasing, encumbrances against State Contracts or Purchase Orders (Division of Purchasing or from delegated purchasing authority) must include the appropriate information in the MPC field.

For additional information about the MPC code, please consult the [Encumbrance](#) chapter of the STARS manual.

If entering data on-line, you must enter MER, followed by a number your agency assigns to each of these transactions in the multipurpose code (MPC) field on the screen.

When preparing your agency's Miscellaneous Encumbrance Request (MER) for approval by the Division of Financial Management, please note the following:

- Salary and benefit obligations accrued prior to June 30 will **not** be approved.
- Encumbrances will be allowed for the portion of contracts overlapping the next fiscal year under the following circumstances only:
 - ⇒ The contract was originally scheduled to be completed prior to the end of the fiscal year, but was not completed and had to be extended.
 - ⇒ The contract is for goods and/or services that would have been delivered during the current fiscal year except for delivery difficulties, unavailability of goods or services, or other reasons beyond the control of the state agency.

- ⇒ The contract is required to conform to a time period different from the state's fiscal year, and it is impossible or impractical to ascertain the amount of goods or services delivered or performed prior to the end of the fiscal year.

Please be aware that all of the encumbrances entered and submitted for approval must be in accordance with *Idaho Code*, [67-3521](#) (2), which states:

"Encumbrances shall be reported as reductions against appropriations in anticipation of a class coded expenditure, shall be made only for a legally contracted obligation or for the accrued cost of a specific product or service due and payable prior to or as of the end of the current fiscal year or for the term of the contract obligation, **and shall not be used as a means of reserving a portion of the appropriation of one (1) fiscal year to be used in combination with the appropriation of the following year** (bolded for emphasis). Requests for encumbrances shall be accompanied by proper identification of the accrued cost which must be adequately covered by appropriated funds from the current fiscal year allotment."

Identifying Outstanding Encumbrances at FYE

With the **May** month-end report distribution, agencies should review outstanding encumbrances listed on the DAFR8070-Encumbrance Status by Organization and Object or DAFR6840-Encumbrance Status by Program and Object. Outstanding encumbrances, which are not to be retained, should be cancelled or reduced to \$0.00 as indicated below.

A copy of the May month-end encumbrance report and a letter from you supporting the retention request for any **prior year** encumbrances are due to the appropriate analyst at the Division of Financial Management by June 30, 2010. Retain a copy of the report for your file. In support of the request, please include the following information for each encumbrance in your letter:

- STARS Document # and MER # in the MPC field.
- A copy of the original encumbrance (MER and/or purchase order).
- The date the liability was incurred and the estimated date it will be liquidated.
- A complete explanation of why the retention of the encumbrance is necessary. Include possible impact of not retaining the encumbrance.

Your DFM analyst will review the request for retention of encumbrances and notify you of approval or rejection.

Cancelling or Reducing Obsolete Outstanding Encumbrances at FYE

Use information on the May month-end encumbrance reports (DAFR8070 or DAFR6840) to remove or reduce any obsolete outstanding encumbrances balances **prior to June 30**. Agencies should use transaction code 220 R to reduce or 225 to cancel an encumbrance. Paper agencies should process a [EXPENDITURE DISBURSEMENT INPUT](#) form through the SCO. The expenditure disbursement input form can be found in the STARS User Manual or on the Internet at <http://www.sco.idaho.gov/>. Click on Accounting, then on Forms, then on STARS. Scroll down to and select the needed form.

Current outstanding encumbrances can be paid against, cancelled, liquidated or adjusted until June 30. Any encumbrances that are not approved by DFM to be carried forward into the next fiscal year will be cancelled or reduced by SCO.

DFM Encumbrance Review Process

Encumbrances are defined in Idaho Code 67-3521(2) as follows:

- Shall be reported as reductions against appropriations in anticipation of an object coded expenditure.
- Shall be made only for a legally contracted obligation or for the accrued cost of a specific product or service due and payable prior to or as of the end of the current fiscal year or for the term of the contract obligation.
- Shall not be used as means of reserving a portion of the appropriation of one fiscal year to be used in combination with the appropriation of the following year.
- Encumbrance requests shall be accompanied by proper identification of the accrued cost which must be adequately covered by appropriated funds from the current fiscal year.

Please see *Idaho Code*, [67-3521](#) (2), for the actual language.

Criteria for encumbrance approval:

1. Cash must be available at the time the encumbrance is entered into the system in order for the encumbrance to be valid. Should cash balances fall below that needed to liquidate the encumbrance before the end of the fiscal year, DFM will reduce the encumbrance to coincide with the available cash. Expenditures that are reimbursable from grant sources must identify the fund source and time frame for reimbursement of the expenditure to be approved as an encumbrance.
2. Encumbrances shall be for ordinary and necessary expenditures of the agency. These encumbrances consist of those expenditures necessary for the ongoing maintenance of operations that are imminent and cannot be postponed into the subsequent fiscal year. Unusual or extraordinary purchases will require additional documentation as noted below.
3. Legally contracted obligations or accrued cost of a specific product or service due and payable prior to the end of the current fiscal year or the term of the contract obligation, shall be supported by written and signed documentation detailing the terms and conditions of the contract. In no case shall an encumbrance be used as a means of reserving a portion of the appropriation of one (1) fiscal year to be combined with the appropriation of the following year.
4. Unusual and extraordinary purchases must be submitted with the answers to the following questions:
 - a. Was this item previously requested via the budget process?
 - b. If so, what was the result of that request?
 - c. Did a critical piece of equipment fail unexpectedly?
 - d. Was this item planned for replacement in future years?
 - e. Does the encumbrance for this item obligate the agency to ongoing costs not addressed in the regular appropriation?
 - f. What are the consequences of not funding this item?
- 5) Encumbrances will be valid for one year unless justification for extension is provided detailing what efforts were made to liquidate the encumbrance and the impacts of not extending the encumbrance.
- 6) Documentation must be available for review by DFM analysts to support the encumbrance. This will include, but may not be limited to, purchase orders, invoices, signed vendor contracts or authorization letters from the Division of Purchasing in the Department of Administration. Agency and vendor representatives must authorize all documentation prior to the end of the state fiscal year.

- 7) Any encumbrances not covered by *Idaho Code*, [67-3521](#) or the above guidelines shall be at the discretion of the Administrator of the Division of Financial Management.

Questions?

Contact your DFM analyst and/or Marion Gibson (332-8807) at the SCO for any assistance needed in completing the year-end closing process. We appreciate your participation and cooperation.

The FY10 Year-End Closing memo can be found on the Internet at <http://dfm.idaho.gov> in the “What’s New” section.

cc: State Controller’s Office
Division of Purchasing
Legislative Services Office
Financial Management Analysts