3.2.3 Encumbering Funds/Liabilities Against a Purchase Order

Policy Statement

Purchase requests will not be processed on an account that does not have sufficient funds available in the appropriate account and expenditure object code to cover the amount of the request. The person submitting a purchase request is responsible for determining that sufficient funds are available prior to submitting the request.

The available balance in an account and object code is determined by subtracting the encumbrances and expenditures from the budget. This available balance must equal or exceed the amount of a purchase request in order for the request to be processed. It is important to note that the budget check is performed on the total account and on the relevant expenditure object code. Expenditure object codes designate categories of expenditures such as travel, operating expense, equipment, etc.

Departmental staff should carefully monitor account balances and avoid submitting purchase requests that cannot be processed due to insufficient available funds. Immediate action should be taken to correct budget issues that may result in delays in processing orders.

Funds obligated for a purchase will remain encumbered in the accounting system until a payment is processed for the purchase or until Procurement reduces the encumbrance. At the fiscal year end (June 30th) encumbrances on state funded accounts are converted to a liability in the accounting system. This conversion is indicated on a department's final fiscal year end account status report by a journal voucher. The journal voucher does not mean that the encumbrance has been paid, and the department staff should continue to monitor the purchase order to ensure that all goods and services on the order have been received and all invoices on the order paid.

Reason for policy

This policy is to document the requirement that departmental staff should ensure that sufficient funding exists prior to processing orders.

Procedures

UGAMart will verify that sufficient funds are available in an account and object code for requisitions that are processed. Department staff processing requisitions through UGAMart should review the requisition’s history tab in the system to verify that sufficient funding is available. If the account does not have a sufficient balance to process the requisition, the person submitting the requisition should indicate in UGAMart that a correcting journal voucher or budget amendment is in process. A second automated balance verification occurs when the requisition is processed by the Travel and Encumbrance section of Accounts Payable. If the account or object code does not have a sufficient balance for the requisition and no additional information is provided concerning a correcting action, then the requisition will be rejected back to the initiating department. The initiating department will need to correct the insufficient balance and submit a new requisition.

Additional contacts

Patricia Sims
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Responsibilities

Responsible University Senior Administrator: Vice President for Finance & Administration
Responsible University Administrator: Associate Vice President & Controller
Policy Owner: Accounts Payable
Record Retention

Research Grant Records
Number 0472-09-006
The records relate to funded research grant proposals and research activity associated with grant funded projects. Examples of records include: supporting statistics, demographic data, draft proposals, suggested revisions, final proposals, forms, protocols, applications, research/activity reports, progress reports, and summary reports.
Retention: Final research report is permanent. All other records: 7 years after the end of the grant period.

Accounting Records
Number 0472-03-001
This series includes bank statements, purchase requests, purchase orders, requisitions, financial reports, accounts payable and receivable records, write-off records, discrepancy, payment schedules, operating statements, year-end projections, reconciliation and expenditure reports, cancelled checks, check stubs, moving expense records, cost accounting reports, refund/disbursement request records, returned checks, deposit slips, travel records, credit voucher requisition records, cash balances and reconciliations, sales and cash reconciliation records, journal entries, outstanding obligations, refund/disbursement requests, receipts and invoices.
Retention: Monthly and quarterly reports: 1 year. All other records: 5 years.

Policy Appendices
UGAMart

Related information
Date Reviewed: 02/01/2018

‹ Sole Brand Restrictive Specifications | Purchase Order Corrections and Cancellations ›

Policy Dates
Effective Date: 01/01/2016
Date Last Updated: 06/22/2016
Date of Last Review:
Date of Approval:
Previous Version of Policy: