1.9 Liabilities

Policy Statement

At the end of each fiscal year, all firm obligations of the University (purchase orders, shipping releases, contracts, etc.) that are chargeable to unrestricted funds are recorded as an expenditure to the department's account and as an account payable (liability) of the University.

The amount charged to the department may be an amount different from the amount required to liquidate the obligation in the succeeding fiscal year. This may be due to discounts, freight charges, or because the University has not been notified by State Purchasing as of June 30th as to the exact amount for which a purchase order was issued.

For an obligation that is liquidated for more than the amount charged to the department's account at June 30th, the excess amount will be charged to the department’s account during the fiscal year in which the obligation is liquidated.

For an obligation that is liquidated for less than the amount charged to the department's account at June 30th, the balance in the payable account that was established for this obligation will be credited to surplus and subsequently return to the State Treasury for lapsable funds or reserved for non-lapsable funds. Each obligation is handled on an individual item basis.

Reason for policy

The liability policy is in accordance with instructions issued by the Georgia Department of Audits and Accounts.

Forms/Instructions

Responsibilities

**Responsible University Senior Administrator:** Vice President for Finance & Administration

**Responsible University Administrator:** Associate Vice President for University Business and Accounting Services

**Policy Owner:** Accounting

**Policy Contact:** Chris Burback

**Policy Contact Phone Number:** 706-542-6894

Record Retention
Citation or Reference: 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 expenses 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.

FAQs

What happens to encumbered purchase orders at fiscal year end?

All obligated purchase orders on unrestricted accounts are converted to a liability at fiscal year-end. The conversion process charges the department account for the remaining obligated balance of the purchase order and credits the funds to a University liability account (account payable). The liability conversion Journal Voucher (JV) description includes the vendor name and purchase order number. (Example: ANY COMPANY PE123456A where E123456 is the purchase order number.) After conversion, the vendor is paid directly from the liability (account payable) account.

What is a JV with a description like ‘PE123456AF AJ-AP’?

This description identifies the transaction as a liability variance JV. If an order that converted to liability pays out for more than the encumbered amount, the difference is charged to the original department account.

Policy Dates

Effective Date:

Date Last Updated: 12/02/2016

Date of Last Review:

Date of Approval:

Previous Version of Policy: