


Idaho Department of Correction 	Standard Operating Procedure	Title: Encumbrances		Page: 1 of 4
		Control Number: 114.03.03.023	Version: 3.0	Adopted: 09/15/2006

Pat Donaldson, chief of Management Services, approved this document on 03/14/2020.

Open to the public: ☒ Yes

SCOPE

This standard operating procedure (SOP) applies to any IDOC employee or contractor who manages the encumbrance process or processes encumbrances as described in this SOP.

Revision Summary
Revision date (<u>03/14/2020</u>) version <u>3.0</u> : Reformatted to meet current standard; removed certain sections to conform with current practices, including part of section 2 regarding recurrent payment obligations.

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BOARD OF CORRECTION IDAPA RULE NUMBER

None

POLICY CONTROL NUMBER 114

Fiscal Policy

PURPOSE

The purpose of this SOP is to ensure that:

- Processes and guidelines are established for the prompt, accurate, and uniform

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recording of all expenditures and all expenditure obligations made or incurred by all appropriated expenditure authorities under the oversight of the Idaho Department of Correction (IDOC).

- The IDOC is accountable for its operational costs.
- Periodic Statewide Accounting and Reporting System (STARS) reports of expenditures and committed obligations accurately reflect the IDOC's budgetary status.

RESPONSIBILITY

Chief of the Management Services Division

The chief of the Management Services Division or designee is responsible for overseeing and monitoring the provisions provided herein.

Financial Executive Officer

The financial executive officer or designee is responsible for:

- Ensuring that the IDOC complies with the requirements of the state of Idaho's Office of the State Controller and applicable state of Idaho laws.
- Ensuring that the status of annual appropriations can be accurately monitored and reported by the STARS.
- Implementing this SOP and for ensuring IDOC employees and contractors are practicing the guidelines, standards, and procedures provided herein.

Fiscal Staff

In addition to any other duties, fiscal staff are responsible for ensuring that:

- Their work sites are compliant with accounting regulations and with state of Idaho law.
- They accurately and promptly process all payments and payment commitments so that the status of annual appropriations can be accurately monitored and reported by the STARS.

STANDARD PROCEDURES

1. Introduction

The State of Idaho is bound by its constitution to operate within a fixed and balanced budget established by the Legislature and approved by the governor.

The operating budgets of individual state of Idaho agencies are currently established annually for fiscal years beginning July 1 in the year of enactment and ending June 30 in the following year. Appropriation acts establishing annual agency operating budgets are law, and the limits of those budgets cannot be exceeded.

The IDOC has an obligation to promptly pay its vendors' invoices for goods and services received. The IDOC also has an obligation to track its budgetary status and project any variance between anticipated expenditures and available funding so that necessary corrections can be made.

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2. Daily On-going Process

Payment Obligations Incurred by the Use of State of Idaho Purchase Cards

IDOC payment obligations incurred by use of state of Idaho purchase cards must be confirmed and reconciled according to directive [114.03.03.021](#), *Purchasing Card*. Purchase card obligations must not be encumbered.

All Other IDOC Expenditure Obligations

All other IDOC expenditure obligations must be documented by a purchase order approved by an authorized work site spending authority and must be assigned a consecutive purchase order number from a log maintained to track and index all authorized and discretionary site expenditures. Purchase order obligations must be paid directly, or encumbered for later payment, on a weekly basis, except that all obligations within any given month must be paid or encumbered by the date established by the financial executive officer. (See the [Processing Encumbrances EZ Guide](#).)

Invoiced Payments Made against Encumbered Funds

Invoiced payments made against encumbered funds (purchase orders recorded in STARS) must be coded to reduce or liquidate the amount of funds encumbered by using appropriate transaction codes and notations (modifiers) to record that payment(s) partially (modifier 'P') or completely (modifier 'F') liquidate or eliminate the encumbrance amount of purchase orders.

Payments against Vendor Invoices for Goods and Services

All payments against vendor invoices for goods and services must be numbered consecutively (document number) and made by data entry in expenditure (type 4) batches. Batches must be logged by date, by batch number, by beginning and ending document range, and by batch amount in a batch log maintained in conjunction with the purchase order log. Individual payments within batches can be recorded against associated purchase orders .

3. Month-end Process

Outstanding Purchase Orders

By the close of business date determined monthly by the state of Idaho's Office of the State Controller, all outstanding purchase orders issued during the month must be recorded by fiscal staff as encumbrances against appropriations.

4. Report Reconciliation

By the deadline date determined monthly by the financial executive officer, each work site must reconcile its physical purchase orders to an Encumbrance Report created from STARS. (See the [Month-end Encumbrances Verification Process EZ Guide](#))

DEFINITIONS

Authorized Spending Authority: The manager or designee of a designated budgetary unit (cost center), as on file with the Idaho Department of Correction's (IDOC's) financial executive officer.

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Encumbrance: A purchase order that has been recorded in the Statewide Accounting and Reporting System (STARS) in recognition of an expenditure obligation, which reduces the balance of appropriated funding available for future spending pending an actual payment for goods or services received.

Fiscal Staff: Any person, regardless of official title, responsible for compliance with State of Idaho and Idaho Department of Correction (IDOC) accounting standards and data entry.

Manager: An employee appointed to manage, direct, and control a designated work unit. Managers include division chiefs, deputy division chiefs, facility heads, deputy wardens (or seconds-in-command), district managers, designated lieutenants, program managers, or any appointed unit manager.

Purchase Order: A promise to pay for goods and services that must be (a) signature approved by an authorized spending authority, (b) reviewed for compliance with law and regulation, and (c) assigned an identification number and recorded on the purchase order log.

Purchase Order Log: A tracking tool that is (a) a consecutive, numerical listing of approved purchase orders, which are logged by issue date, vendor, description (purpose), and the amount of the expenditure and, at the discretion of fiscal staff, can be extended to include indexing of the Statewide Accounting and Reporting System (STARS) date, batch number, and the amount of all payments made against each Purchase Order; and (b) maintained by fiscal staff.

Statewide Accounting and Reporting System (STARS): The state of Idaho's Office of the State Controller's computer system that is used for processing and reporting accounting transactions.

REFERENCES

Standard Operating Procedure [114.03.03.021](#), *Purchasing Card*

[Month-end Encumbrances Verification Process EZ Guide](#)

[Processing Encumbrances EZ Guide](#)

State of Idaho, Office of the State Controller

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