

Encumbrance (FASRG)

Module 1 FASRG-section 1.1.3 Accounting Principles and Policies pg.14

To control budgeted fund commitments as a result of unperformed executory contracts for goods or services, the accounting system shall employ a method of *encumbrance* accounting. Encumbrances shall be documented by contracts, purchase orders, or other evidence showing binding commitments for goods or services.

- Encumbrances outstanding at year end represent the estimated amount of the expenditures ultimately to result if unperformed contracts in process at year end are completed.
- Appropriations lapse at year end. A school district may intend to honor the encumbrance contracts in progress at year end (unless prohibited to do so by law or program regulations) or to cancel them. If there is intent and legal authorization to honor them, encumbrances outstanding at year end shall be a reservation of fund balance, and the subsequent year's appropriations shall provide the authority to complete these transactions.

Module 3 FASRG section 3.2.4.Purchase Orders pg. 27

Purchase orders are among the most commonly utilized method for procuring goods and services. As its name indicates, this document serves as a formal order for goods, materials and/or services from a vendor. A purchase order, once approved, is a binding commitment for a district to remit payment to the vendor after the item(s) and an invoice are received by the district.

A purchase order is also an important accounting document. It contains information on the expenditure to be made and the account code to be charged. Once issued, the purchase order encumbers funds, which serves as an expenditure control mechanism. Finally, the purchase order is utilized in the accounts payable process as it documents that an order has been received and accepted by the user and payment can be made to the vendor.

Module 3 FASRG section 3.2.5.1 Purchasing pg. 28

Requisitions should be initiated by those having proper authority, as defined in the district purchasing policy manual. Requisitions initiated by instructional, maintenance and support personnel should then be approved by the appropriate person, either the principal, department head or superintendent. Requisitions which require expenditures from the Special Revenue Fund should be approved by the program administrator.

Section 44.052 Texas Education Code states that a superintendent that approves any expenditure of school funds in excess of the amount appropriated for that item(s) in the adopted budget commits a **Class C misdemeanor** offense. Consequently, close supervision and monitoring of the availability of budget dollars and of the approval process for requisition are important elements of a district's purchasing process.

For School Districts, Education Service Centers, and Charter Schools

General Ledger All general ledgers must contain, at a minimum, the following required elements:

- Complete account code with a minimum of 15 digits, beginning with a three-digit fund code (or a net asset code for nonprofit open-enrollment charter schools)
- Type of transaction. You may use abbreviations, such as GJ for general journal, CK for check, and EN for encumbrance.
- Transaction reference number (check number or purchase order number)
- Transaction date
- Vendor name
- Brief description of transaction
- Budgeted amount (the amount appropriated)
- **Obligated amount (the amount encumbered)**
- Amount expended
- Account balance

Procurement Guide for Fort Bend ISD

Confirming Purchase Orders – A confirming purchase order is an improperly placed order by where the vendor's goods and/or services have been ordered and/or received prior to a proper Purchase Order being in place. All orders placed on behalf of the district should be produced through proper procurement procedures which include:

- Generation of a Requisition by the Department/Campus via PeopleSoft
- Conversion of the Requisition to a Purchase Order by the appropriate buyer in the Purchasing Dept.

Once the Purchase Order is generated, the Purchasing Department will distribute the Purchase Order using the appropriate channels. (i.e.: mail, fax, email or return to requestor) as requested by the user.

Please remember that only the FBISD Purchasing Department has the authority to financially commit the District to any expenditure.

SUPPORTING POLICY:

PURCHASING AND ACQUISITION CH (LOCAL) - PURCHASE COMMITMENTS

All purchase commitments shall be made by the Superintendent or designee on a properly drawn and issued purchase order, in accordance with administrative procedures.