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**MEMORANDUM**

**TONI PRECKWINKLE**

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ELIZABETH ANN DOODY GORMAN  
17th District

**Date:** May 25, 2016  
**To:** Elected Officials  
**From:** Ivan Samstein, Chief Financial Officer, Bureau of Finance  
**Subject:** New Encumbrance Policy for FY 16

As part of the roll-out of the new ERP system and in keeping with best practice for aligning expenditures with the proper appropriation authority by fiscal year, the Bureau of Finance has prepared a new county-wide Encumbrance Policy, which will impact the FY2016 year-end processes. Unlike in prior years, departments will NOT be able to carry over operating encumbrances from FY2016 to FY2017. Instead, any remaining balances on purchase orders (PO) at the end of the fiscal year will be closed out for that fiscal year on 11/30/2016, with the exception of those POs where a service/good has been received and the department is waiting on an invoice from the vendor. Those POs will also be closed out if a payment has not been made against them by 1/30/2017. As a result, departments will have to plan for expenditures they expect to incur in the next fiscal year appropriately through the budget request cycle. Departments should not rely on the current year's encumbrances to pay for expenses that are going to occur in the ensuing year, even though they may have originally been anticipated to occur in the current fiscal year.

Additionally, departments will have to identify resources from the FY2017 appropriations to pay for any unpaid FY2016 invoices processed after 1/30/2017. Active Grant and Capital encumbrances will be carried forward into the next fiscal year.

**Operating Purchase Orders and Requisitions**

***Comparison to Prior Policy***

Type	Old Practice	New Practice (Beginning Now)
<b>Operating Purchase Orders</b>	Open Purchase orders would be rolled over to the new year and prior year funds would be utilized to pay invoices in the next fiscal year.	All open purchase orders will be closed at the end of the fiscal year (either 11/30/16 if there are no open invoices, or on 1/30/17 if there are open invoices). New purchase orders will be created for the new fiscal year expenditures.
<b>Operating Requisitions</b>	Open Requisitions could be rolled over into the next Fiscal Year by letting Procurement know.	All open requisitions will be cancelled/closed on 11/30/16. No exceptions. New requisitions will need to be created in the new year.

For all operating purchase orders, departments must be aware of the date on which goods or services are provided per the invoices (receipt date).

### ***Operating Fund Open Purchase Orders***

- All current and open operating purchase orders must have goods or services received by 11/30/16 to utilize the funds. If services are not received by 11/30/16, the remaining funds on the PO will be released. If goods or services are provided after 12/1/16 a PO will have to be established using FY 2017 appropriations.
- On 11/30/16 if there were services rendered on an open PO, and your department is waiting on the invoice from the vendor, you will have until 1/15/17 to provide the invoice to the Comptroller's Office for payment. All open operating fund purchase orders will be closed on 1/30/17. No exceptions.

### ***Operating Fund Open Requisitions***

- All open operating requisitions must be converted into a PO and have services or goods received by 11/30/16 to utilize FY 2016 funds. All PO rules above apply to open requisitions.
- If an open requisition is not converted into a PO before the end of the fiscal year (11/30/16), the requisition will be cancelled.

### **Capital and Grant Purchase Orders and Requisitions**

Capital and grant purchase orders may be encumbered across fiscal years, however, grant departments are prohibited from spending funds on encumbrances outside of the grant's period of performance. Therefore, Grants and Capital funds are not subject to the same rules as Operating purchase orders. As part of the revised Encumbrance Policy, capital and grant purchase orders (POs) will be evaluated twice per year on the following criteria:

#### ***Capital Purchase Orders and Requisitions***

- Departments will have 45 days after the project completion date to provide invoices to the Comptroller's Office for payment. All Capital open purchase orders will be closed 60 days after the project completion date. No exceptions
- All requisitions not turned into POs 365 days after the order date will be recommended for closure.
- Capital open POs and requisitions will be reviewed twice per year based on the project completion date.
- At the beginning of the new fiscal year, the Capital Improvement encumbrances and their appropriations will be carried forward into the new fiscal year.
- At the beginning of the new fiscal year, the Capital Equipment encumbrances and the project's funds available will be carried forward into the new fiscal year.

#### ***Grant Purchase Orders and Requisitions***

- Each grant is unique; therefore, Grant departments must adhere to the grant agreement's closeout period. Grant invoices must be submitted to the Comptroller's Office for processing within the designated closeout period of the grant. Grant expenses outside of the closeout period are not eligible costs and will not be processed. If the grant requires an extension, the Grant department/Agency is responsible for securing and communicating the extension to the Budget Office. All such invoices must be for goods or services rendered before the end date of the program. No exceptions
- All requisitions not processed by the end date of a Grant will be closed on the end date.
- At the beginning of the new fiscal year, the Budget and Comptroller's Office will carry forward the appropriation related to the total funds available and the open amount on any encumbrances that cross the County's fiscal year.

A copy of this policy, and answers to some frequently asked questions can be found on the Department of Budget and Managements website at <http://www.cookcountyil.gov/cook-county-encumbrance-policy/>