



AMMAR RIZKI

CHIEF FINANCIAL OFFICER

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MEMORANDUM

TONI PRECKWINKLE

PRESIDENT

**Cook County Board
of Commissioners**

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16th District

SEAN M. MORRISON

17th District

Date: September 27, 2018

To: Elected Officials

From: Ammar Rizki, Chief Financial Officer, Bureau of Finance

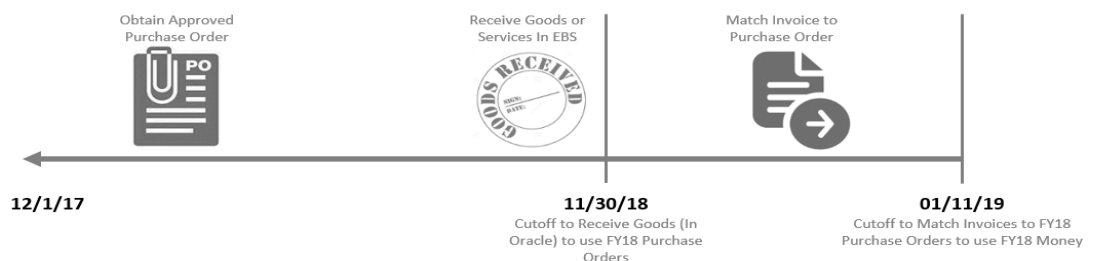
Subject: FY 2018 Encumbrance Policy

In keeping with the best practice of aligning expenditures with the proper appropriation authority by fiscal year, the Bureau of Finance has prepared an updated county-wide Encumbrance Policy, which will impact the FY18 year-end processes. Under this policy, any approved FY18 Purchase Orders (PO) that continue to have an active encumbrance through 1/30/2019 will have their encumbrances carried forward into the new fiscal year, effectively reducing the department's funds available in FY19 until steps are taken to address the active encumbrance on the PO. The below policy and deadlines are applicable to all PO including, Operating, Grants, and Capital PO.

Important Deadlines

- **November 30, 2018** – Last day that goods or services can be received to be considered part of FY18.
- **December 1, 2018** – Starting in December, departments will need to indicate whether the invoices they process are related to FY18 or FY19 purchases. If the goods or services on the invoice were received in FY18, and are being paid against FY18 PO, the department must back date the GL date on the invoice to 11/30/2018.
- **January 11, 2019** – Cutoff date for departments to enter FY18 invoices against FY18 PO. Any FY18 invoice transactions that remain unapproved by user departments by this date, or have GL dates after 11/30/2018 will not be processed against your FY18 Budget.
- **January 30, 2019** - Mass cancel of FY18 POs completed, and any remaining encumbrances from FY18 will be carried forward over to FY19 reducing your available budget until corrective action is taken.

The figure below demonstrates the year-end process steps and when they must be taken.



Encumbrance Policy

- To use FY18 funds to pay an invoice, the goods/services from FY18 PO must be received in EBS by 11/30/2018. If you completed receiving by 11/30/2018 and your department is still waiting on an invoice from the vendor, you will have until 1/11/2019 to enter an invoice and back date the GL date on the invoice to 11/30/2018. Departments will have to identify resources from the FY19 appropriations to pay for any unpaid FY18 invoices processed after 1/11/2019.

- If a PO is not received on or before 11/30/2018, it will either be cancelled at the end of the fiscal year or the associated encumbrance will be carried forward into the new fiscal year.
- The below links provide step-by-step instructions on how to complete the tasks in this memo:

[Obtain Purchase Order](#)
(Pages 5-8, 16)

[Receive Goods/Services](#)
(Page 16)

[Process an Invoice](#)

[Process an End-of-Year Invoice](#)

Scenarios Dictating whether a PO will be Cancelled or Carried Forward

Departments should be reviewing all FY18 open POs in EBS and assure that the amounts received and billed are accurate on a regular basis. If the amount received and the amount billed (invoiced) are equal, then the purchase order should be canceled by the Mass cancelation program. Any PO that remains open with balances on 1/30/2019 will have their encumbrances carried forward into the next fiscal year, impacting the department’s funds available. Departments must go into EBS and either complete the Purchasing Process or make a correction to the purchase order so that the amount received, and the amount billed (invoiced) match, and then cancel the purchase order to prevent unfavorable variances in FY19. The below table provides the known scenarios for a PO. The final column indicates whether the PO can be canceled or not.

Scenario	PO Qty	Received Qty	Billed (Invoiced) Qty	Comment	Needed Action in Oracle EBS	System will Cancel PO on 1/30/19*
1	100	0	0	No items Received or Invoiced	N/A	Yes
2	100	50	50	Partially Received and Invoiced (Received Amount = Invoiced Amount)	N/A	Yes
3	100	100	0	Fully Received – Not Invoiced	1. Enter Invoice to Match Receipt 2. Return what was received if it was an error	No
4	100	100	100	Fully Received and Invoiced – System will automatically “Close” this PO	N/A	No
5	100	0	100	Not Received but Fully Invoiced	Receive the goods/services	No
6	100	150	100	Over Received	Return the over Receipt	No

* Cancelling a PO will revert the funds back to the budget, revert project funds back to the project budget, and in the case of BPA releases will revert unused dollars back to the contract availability. For the prior fiscal year, if the PO is not cancelled, the encumbrance (if there is any) is carried forward into the following fiscal year unfavorably impacting the following years funds available.

Encumbrance Policy Exceptions

- FY18 invoices for court reporter expenses and expert witness fees entered into the system between 11/30/2018 and 1/11/2019, against FY19 PO will be applied against a departments FY18 Budget, in the appropriation ledger, provided funds are still available and services were rendered in FY18.
- A select group of Capital encumbrances funded with debt dollars may be allowed to remain open and they will have their budgets manually carried forward into the next fiscal year at the CFO’s discretion.
- On January 30, 2019 the Budget and Comptroller’s Office will carry forward the open amount on any Grant related encumbrances that cross the County’s fiscal year. The Grants Director will manually load budgets into the appropriate Grants, and true-up the budgetary values once the final appropriation trial balance is available.

For questions regarding the year-end processes please contact the following individuals:

Purchase Orders, Receiving and Requisitions: Alexander VanDyck, Procurement Office, Alexander.VanDyck@cookcountyil.gov
Invoice Processing: Ivana Dabizljevic, Comptroller’s Office, Ivana.Dabizljevic@cookcountyil.gov
Encumbrance Policy: Dean Constantinou, Budget Office, dean.constantinou@cookcountyil.gov

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