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CHIEF FINANCIAL OFFICER

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MEMORANDUM

Date: September 14, 2023
To: Elected Officials
From: Tanya S. Anthony 
Chief Financial Officer
Subject: FY2023 Encumbrance Memo

In keeping with the best practice of aligning expenditures with the proper appropriation authority by fiscal year, the Bureau of Finance has prepared a countywide Encumbrance Policy impacting year-end processes. Under this policy, any approved FY23 Purchase Orders (PO) that continue to have an active encumbrance through January 12, 2024, will have its encumbrances carried forward into the new fiscal year, effectively reducing the department's available funds in FY24 until steps are taken to address the active encumbrance on the PO. This memo contains policies, procedures, and deadlines that are applicable to all POs including Operating, Grants, and Capital (unless an exception applies as noted below).

Important Deadlines:

- **November 9, 2023** – Marketplace closes at end of day and will not reopen until the beginning of the following fiscal year.
- **November 30, 2023**– Last day that goods or services can be received to be considered part of FY23.
- **December 1, 2023** – Starting in December, departments will need to indicate in EBS whether the invoices they process are related to FY23 or FY24 purchases. If the goods or services on the invoice were received prior to November 30, 2023, and are being paid against a FY23 PO, the department **must back date the GL date on the invoice** to November 30, 2023. Departments are also required to match the Expenditure Item Date on the invoice distribution to the GL date, if the invoices are for Projects.
- **December 29, 2023** – Cutoff date for departments to enter FY23 invoices against FY23 PO. Any FY23 invoice transactions that remain unapproved by user departments by this date or have GL dates after November 30, 2023, will not be processed against your FY23 Budget.
- **January 16, 2024** – Target date for completion of the mass cancel of FY23 POs, any remaining encumbrances from FY23 will be carried forward over to FY24 reducing your available budget until corrective action is taken. Actual carry-over will not occur until the December '23 period is closed.

Proper Encumbrance Management

- To use FY23 funds to pay an invoice, the cost for goods/services incurred from a FY23 PO must be received in EBS by November 30, 2023. If you completed receiving by November 30, 2023, and your department is still waiting on an invoice from the vendor, you will have until December 29, 2023, to enter an invoice for costs incurred in FY23 by back dating the GL date on the invoice to November 30, 2023. If departments do not adhere to the above, they will have to use FY24 appropriations to pay for any unpaid FY23 invoices processed after December 29, 2023.
- If a PO is not properly received on or before November 30, 2023, 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 and count against your FY24 appropriation.

For expenditures related to grant funding, departments are responsible for the accurate submission of year-end invoices against FY23 POs. Departments are responsible for verifying and ensuring that the “period costs incurred” on the invoices are related to appropriated County FY23 (December 1, 2022 – November 30, 2023) funds. “Period costs incurred” is defined as recognizing the expense on the date or date range of when the expense occurred rather than the date the expense was actually paid, regardless of the invoice date. It is critical that departments properly match invoices to the period the costs incurred.

Instructions on how to complete the tasks are in the documents “Processing an Invoice”, “Processing a Requisition”, and “Processing Year End Invoices” that were emailed along with this memo.

Scenarios Dictating whether a PO will be Cancelled or Carried Forward

Scenario	PO Qty	Received Qty	Billed (Invoiced) Qty	Comment	Needed Action in Oracle EBS	System will Cancel PO on 1/16/24*
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	Correct 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.

Departments should review all FY23 open POs in EBS and ensure the amounts received and billed are accurate on a **regular basis**. If the amount received and the amount billed (invoiced) are equal, then the PO should be canceled by the mass cancelation program. Any PO that remains open with balances on January 15, 2024, will have their encumbrances carried forward into the next fiscal year, impacting the department’s FY24 funds available. Departments must go into EBS and either complete the purchasing process or make a correction to the PO so that the amount received, and the amount billed (invoiced) match, and then cancel the PO to prevent unfavorable variances in FY23. The above table provides the known scenarios for a PO. The final column indicates whether the PO can be canceled or not.

Encumbrance Policy Exceptions

- FY23 invoices for court reporter expenses and expert witness fees entered into the system between December 1, 2023, and December 29, 2023, against FY24 PO will be applied against a department's FY23 Budget, in the appropriation ledger, provided funds are still available and services were rendered in FY23. The Department of Budget and Management Services (DBMS) will work with applicable departments.
- 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 16 2024, the Budget and Comptroller's Office will carry forward the open amount on any Grant related encumbrances that cross the County's fiscal year. DBMS will manually load budgets into the appropriate Grants, and true-up the budgetary values once the final appropriation trial balance is available.
- Encumbrances established for the American Rescue Plan Act (ARPA) Fund 11286 as well as the COVID-19 Federal Fund (Fund 11284) will also be exempt from the mass cancellation scheduled on January 16, 2024, and will be carried forward to FY2024. In order to continue to use the encumbrances open in FY2023, the departments must have sufficient funding for the encumbrance budget AND use FY2023 General Ledger (GL) funding for payments for services and goods incurred in FY2023.

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

Purchase Orders, Receiving and Requisitions:	Raffi Sarrafian, Procurement Office Raffi.Sarrafian@cookcountyil.gov
Invoice Processing:	Ivana Dabizljevic, Comptroller's Office, Ivana.Dabizljevic@cookcountyil.gov
Encumbrance Policy:	Michael Schwabacher, OCFO Michael.Schwabacher@cookcountyil.gov Kanako Ishida Musselwhite, DBMS Kanako.Ishida@cookcountyil.gov