



TOWN OF ERVING

FIN-003

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Policy

Encumbrances & Accounts Payable Policy


Approved:  Date: October 18, 2023
Select Board Chair, Jacob A. Smith

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.01 Issue Date / Effective Date

This policy is issued and effective on October 18, 2023.

.02 Purpose

To establish policies and procedures for the effective handling and efficient timely payments of obligations of the Town to the vendors for purchases made on behalf of the Town that are incurred and may not have been received or billed for prior to the close of the fiscal year. All departments, boards and commissions incurring necessary expenses that may not have been received or billed prior to the end of the fiscal year.

.03 Definitions

Encumbrances – an encumbrance is a commitment to expend funds for performed contracts for goods and services. The commitment must be evidenced by a purchase order, procurement form, or written contract between the Town and the vendor. End of the year encumbrances usually occur because goods have not been delivered or the services of a contract have not been completed by June 30 of the fiscal year in which the PO or contract was signed. Encumbrances cannot be used for an undetermined liability that might occur in the future because of something that happened this fiscal year.

Accounts Payable – accounts payable differ from encumbrances in that the goods have been received or the services have been rendered prior to June 30 (but the invoice has not been received in time to process in the final warrant of the fiscal year). Typically, this is clearly reflected on the invoice since the invoices usually specify the dates of service or delivery.

.04 Policy

When a department on behalf of the Town has incurred expenses that are reimbursable by the Town in which the supplies have not been delivered but incurred or has been delivered and not invoiced prior to June 30th of the current fiscal year, the department shall submit a memo requesting an encumbrance for an accounts payable. The memo shall be approved and signed by the department head. Documents submitted

to the accounting office without proper authorization and supporting documentation will not be processed. Upon receipt of the invoice it is required to specify on the Schedule of Departmental Bills Payable those items that had previously been encumbered or requested as an accounts payable.

The Town Accountant will provide an End of Year Memo to all department heads, boards and commissions to provide deadline dates for that specific year as a guideline to all employees.

.05 Procedures

1. The detailed list of encumbrances and accounts payable must be submitted to the Accounting Office by June 30th of each year.
2. Invoices may be submitted for payment through July 13th of the following fiscal year to be processed by July 15th.
3. A detailed list of remaining goods and services performed but not paid as of July 15th, must be submitted to the Accounting Office.
4. Review the invoice. To avoid double payments, we only pay from original invoices. Refer to the Invoice Payment Process Policy for guidance.
5. All invoices must be signed by the department head to certify that the goods have been received, services provided, delivery is satisfactory, and the supporting documents are accurate, complete and in compliance with all related laws and regulations.
6. Attach procurement data form as required by the Uniform Procurement Act if they have not already been forwarded to the Chief Procurement Officer.
7. Prepare a Schedule of Departmental Bills Payable listing all bills to be paid with the signature of approval by the department head or Board majority. The schedule must include account name and expense account number to be charged, vendor name, invoice number and date, amounts to be paid to that vendor and the total amount for the schedule.
 - a. In addition, the schedule must indicate the items that had previously been encumbered or requested as an account payable.
8. Several bills can be paid on one schedule but a separate schedule for each department.

.06 Further Guidance

Encumbered funds cannot be repurposed for new expenses in the new fiscal year. Encumbered funds that are not expended as anticipated will be closed out to the General Fund. The unappropriated balance in the General Fund is then available to the voters for appropriation.