Commonwealth of the Northern Mariana Islands (CNMI)

Department of Finance

ENCUMBRANCE

POLICY AND PROCEDURES

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SECTION 1: PURPOSE

The purpose of this policy is to ensure the effective management, maintenance, and reporting of encumbrances in the Tyler Munis System.

The CNMI Government is committed to maintaining accurate and transparent financial records. Reviewing and managing encumbrances is a crucial aspect of financial management where accountability and transparency are paramount. Encumbrances will be regularly reviewed and managed to ensure that funds are utilized efficiently and in accordance with budgetary requirements.

Complimenting the Encumbrance Policy and Procedures is the procedural guidelines for purchasing provided in SFM2024-232 – All Gov't Departments – Policy on Outstanding Req., PO, CO, etc. This is to ensure accurate and timely processing and management of requisition entries, purchase orders, change orders, contract entries, and direct invoices related to utilities, fuel, and communications.

Section 1.1. Background

The process of creating an encumbrance involves the following steps in the Tyler Munis System:

(a) Once a Requisition Entry has been created and allocated, the system automatically encumbers the account. The encumbrance reserves the budgeted funds against the appropriate account codes and project codes specified in the requisition.
(b) Throughout the procurement process, the system manages the encumbrance, updating it as necessary to reflect changes such as amendments to the PO, partial deliveries, or cancellations.
(c) When invoices are received from vendors, the system matches them against the corresponding encumbrances and purchase orders to facilitate accurate payment processing.
(d) When a Purchase Order is fully liquidated, the system automatically closes the Purchase Order.
(e) Contract closure is not automated, and a manual process is required.

Section 1.2. Effective Date

The Encumbrance Policy and Procedures will be effective in Fiscal Year 2025 beginning **October 1, 2024** and the following encumbrance activities will be enforced.

SECTION 2: ENCUMBRANCE POLICY

Section 2.1. Federal Funds

Pursuant to 2 CFR § 200.344, all encumbrances exceeding **90 days** (3 months) after the end of the approved liquidation period will be de-obligated unless special conditions by the federal grantor have been approved.

Section 2.2. General Fund/Special Revenue Funds

For locally funded and private grants, the following conditions will apply:

(a) Encumbrances associated with completed projects or expired contracts will be reviewed for closure quarterly.
(b) Encumbrances with NO activity for more than 90 days will be subject to review and de-obligation/closure.
(c) The deadline for increase in encumbrance (requisition/purchase order/contract) shall be submitted no later than dates listed for each of the following governmental agency:

- Executive branch: August 31
- Judicial branch: September 30
- Legislative branch: September 30
- Municipal governments: September 30

SECTION 3: DEPARTMENT/AGENCY RESPONSIBILITIES PROCEDURES

At the end of each quarter, all Departments/Agencies shall generate necessary reports in MUNIS to identify, review and validate open purchase orders and encumbrances within their expenditure authority.

The Departments/Agencies will utilize the Open POs by Account Report and the Open Encumbrance by PO Number Report to generate the reports for review. *Refer to Appendix A and Appendix B for procedures on how to run these reports in MUNIS.*

Utilizing the reports above, the Department/Agency will provide the list of open Purchase order (POs) and Contracts with encumbrances along with a written memo to Procurement Services Division requesting to cancel POs or to close a contract file. The Department will also verify with the Financial Services Division on all pending invoices for posting. This is to ensure invoices are not in their possession waiting to be processed.

Justification memo for closing encumbrances will be attached to the Tyler Content Manager (TCM) and maintained in the financial management system file.

SECTION 4: PROCUREMENT SERVICES DIVISION RESPONSIBILITIES

Once approval is received by the Procurement Director, the Procurement Services team will initiate the closure of each purchase order by utilizing the Purchase Order Change Order module (Refer to Appendix C for procedures to Cancel a Purchase Order). For contract closure, Procurement Services will utilize the contract change orders module. (Refer to Appendix D for procedures to Close a contract).

The conditions for the closure of open purchase orders are as follows:

(a) The Department has completed its review and determined that PO will need to be canceled.
(b) The Department provides a written memo to the Procurement Services Director requesting to close the PO.

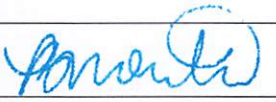
The conditions for contract closure are as follows:

(a) The contractor has completed the required deliveries, and the Government has inspected and accepted the supplies.
(b) The contractor has performed all services, and the Government has accepted these services.
(c) Contractor failed to deliver services and or goods
(d) All option provisions, if any, have expired.

SECTION 5: REVISION/VERSION HISTORY

** This Encumbrance policy and procedure will be periodically reviewed and updated to reflect changes in regulations or organizational requirements.*

Revision History

Originator:	Department of Finance, Office of the Secretary
Effective Date:	10/01/24
Approved By:	Tracy B. Norita, Secretary of Finance
Approval Signature:	
Procedure Purpose:	To document and standardize the management of encumbrances for the CNMI Government.

Version History:

Version Number	Version Date	Description of Change	Point of Contact
Version 1.0	*10/01/24*	*Initial Release*	*JDLG*

SECTION 6: APPENDICES

Appendix A: Open POs by Account Report

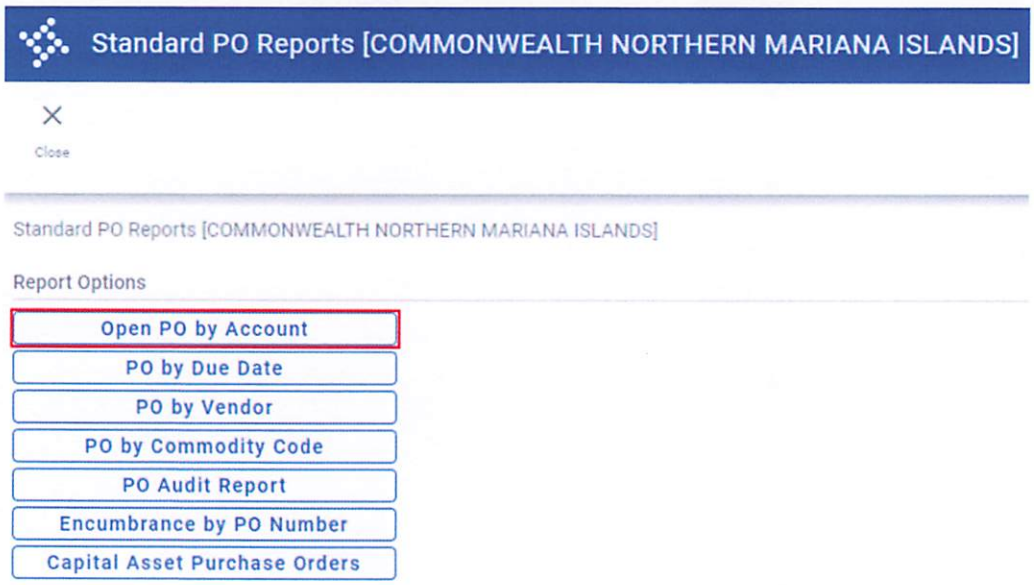
This report displays all Open Purchase orders broken down by GL account. The report displays the Vendor Name, PO Date, Amount Ordered, Remaining Open Amount and Line Descriptions. This report can be used at the end of each month, quarterly or for the year end preparation to identify "open" Purchase Orders that may need review to determine which purchase orders should remain open and which purchase orders should be closed prior to the year end. (Refer to *Appendix A* for procedures to run the Open POs by Account Report).

Using the 'Open POs by Account' report, perform the following steps:

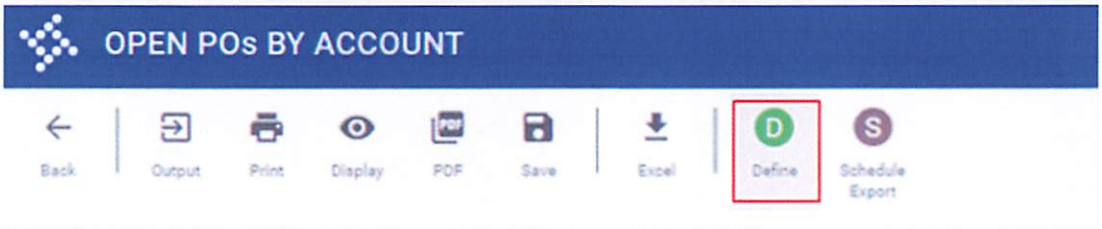
To run the **"Open PO by Account"** report you will need to go to Tyler Menu: ***Enterprise ERP>Purchasing>Purchase Order Inquiry and Reports>Standard PO Reports***
Before you can successfully complete this process, you must ensure that roles granting the necessary permissions have been assigned to your user account. If the roles have not been established, contact the system administrator to have them updated or added into the Enterprise ERP system.

1. The Standard PO Report module will open for you to select the report option.

2. Click on the "**Open PO by Account**" ribbon to continue



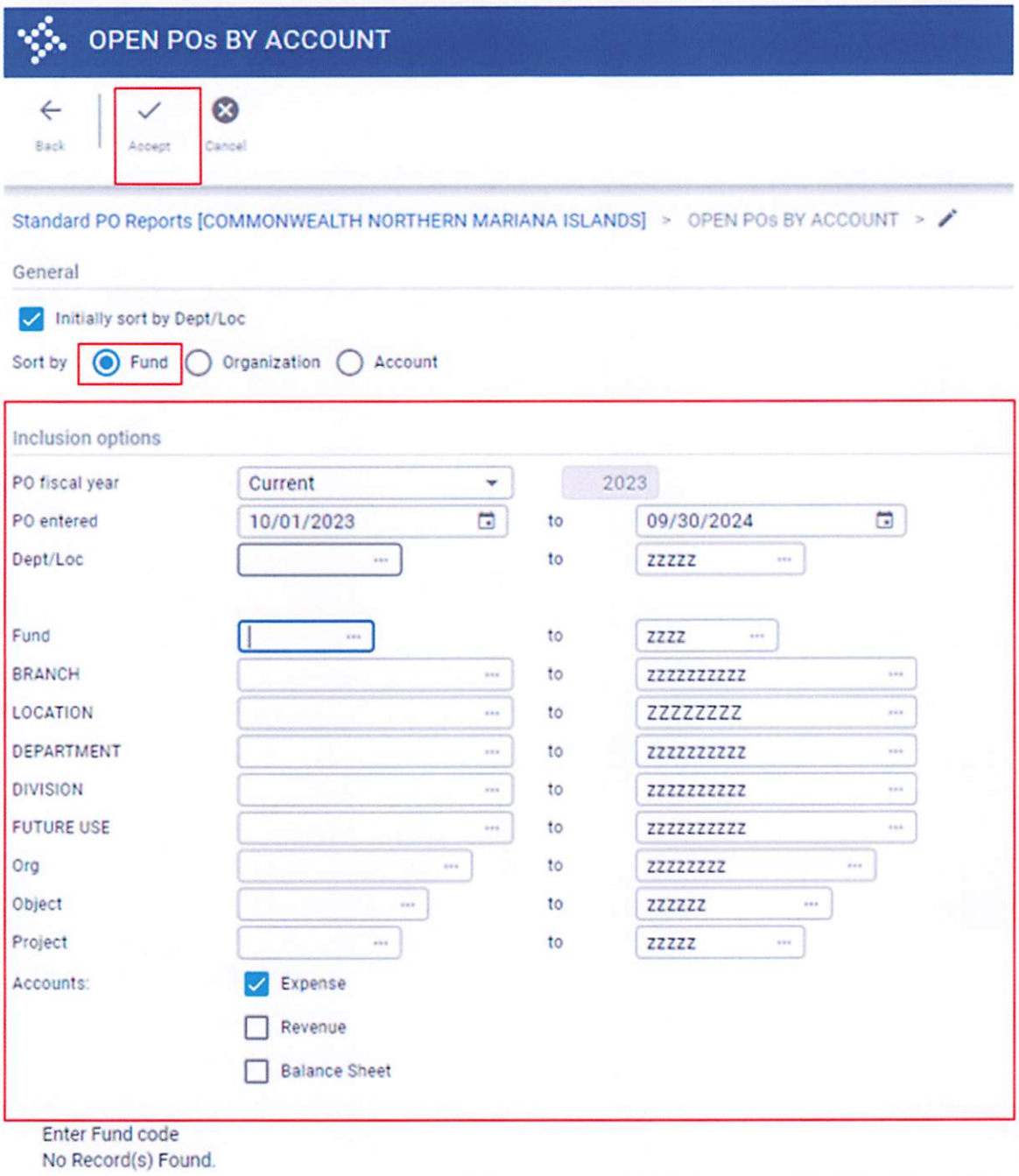
3. Click on the "Define" ribbon to update general information



4. On the General information - Select the "**Fund**" on the Sort by field

5. On the Inclusion Options – Use the Drop-Down menu, Calendar, or enter the department code that you will be running the report for:

- PO Fiscal Year – Select "**Current**"
- PO entered – Use the current fiscal year period – **10/01/2023 to 09/30/2024**
- Dept/Loc - Enter your department code or leave it blank. *You will only be able to access department codes that you are authorized for*
- You can leave everything else blank since you are running for all accounts for the department
- On "Accounts", only select the "**Expense**" box
- Click on the "**Accept**" ribbon to continue.



6. Click on the "**PDF**" or "**Excel**" ribbons to extract the report.

- Report View Sample:

COMMONWEALTH NORTHERN MARIANA ISLANDS

OPEN PURCHASE ORDERS BY ACCOUNT

GROUPED BY FUND
DATE RANGE: 10/01/2023 TO 09/30/2024 CURRENT YEAR POs'

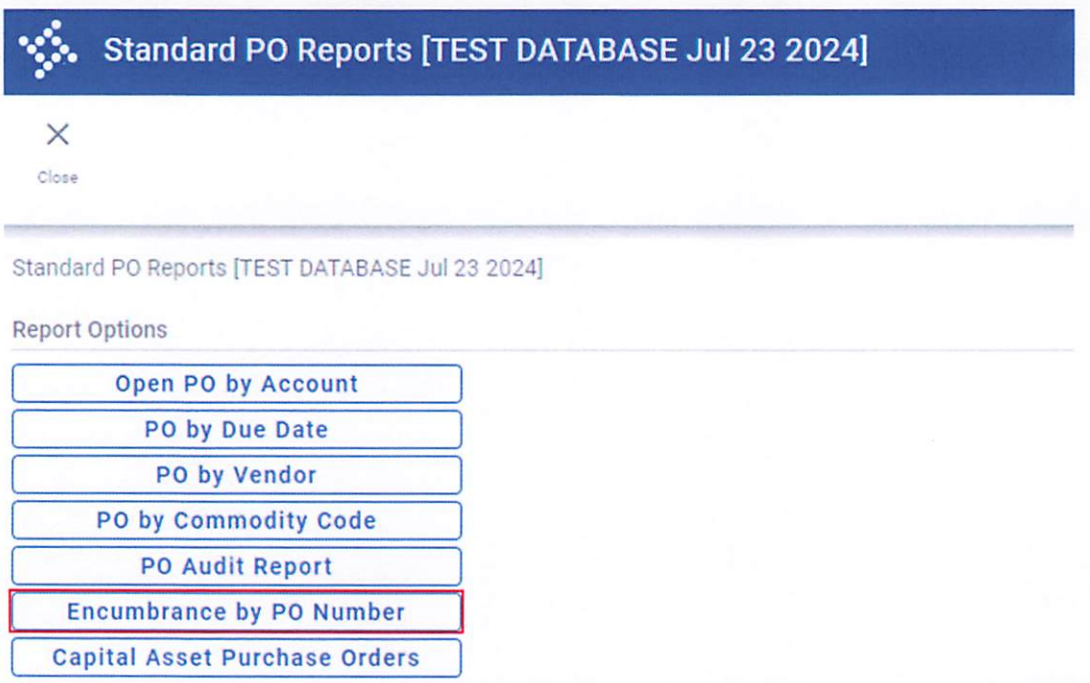
PO #	LN	Vendor	Vendor Name	PO Date	Ordered Amount	Open Amount	Line Description
DETAILS FOR ACCOUNT:		4000-1-10-12-1207-000-65010 -		OPERATIONAL SUPPLIES			
22313766	004	100524	YCO CORPORATION	10/13/23	523.64	60.20	SUPPLY-OPERATION OF HARDWARE MATE
22313766	005	100524	YCO CORPORATION	10/13/23	31.00	31.00	SUPPLY-OPERATION OF HARDWARE MATE
22313766	007	100524	YCO CORPORATION	10/13/23	130.94	103.95	SUPPLY-OPERATION OF HARDWARE MATE
					685.58	195.15	
TOTALS FOR FUND: 4000 FEDERAL FUND					685.58	195.15	
TOTALS FOR Dept/Loc: 1207					685.58	195.15	

Appendix B: Open Encumbrances by PO Number Report

This report displays the original ordered amount and the remaining open balance of a PO based on PO number. Report can be used to see open amounts on a range of Purchase Orders by department codes. (Refer to *Appendix B* for procedures to run the Open Encumbrances by PO Number Report).

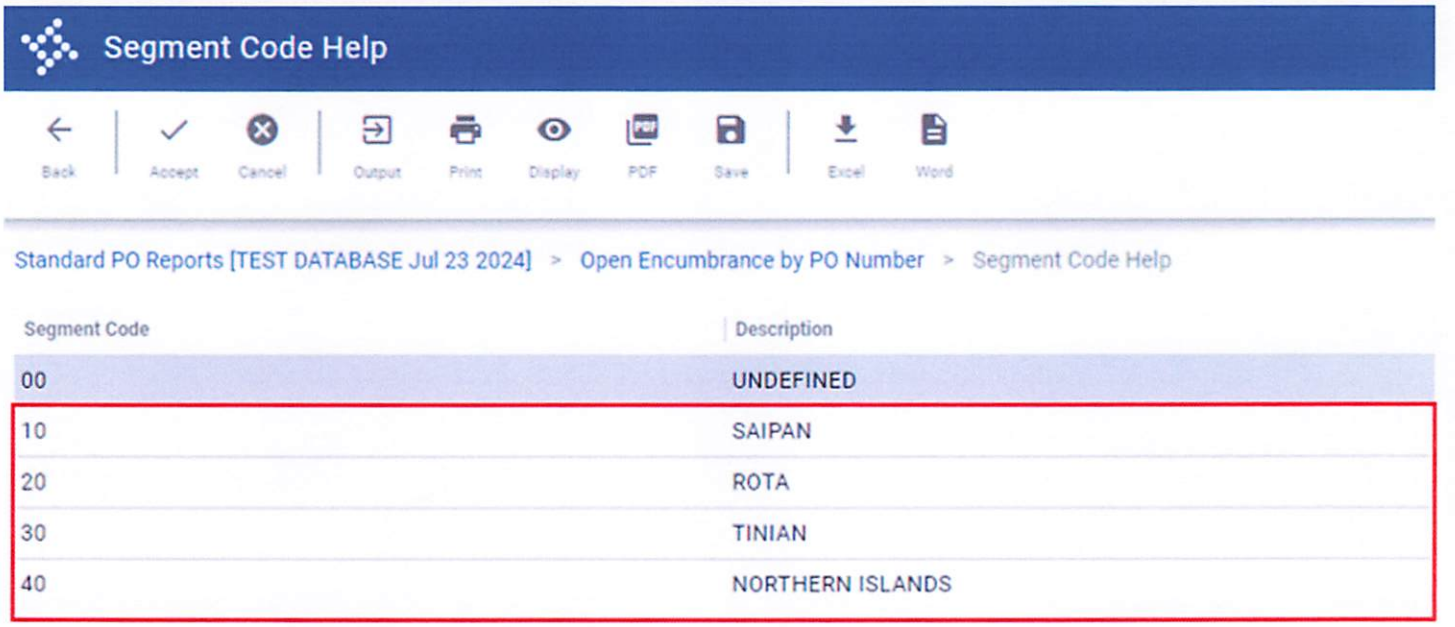
To run the **"Open Encumbrances by PO Number"** report you will need to go to Tyler Menu:
Enterprise ERP>Financials>Purchasing>PO Inquiry and Reports Menu>Standard PO Reports>
Before you can successfully complete this process, you must ensure that roles granting the necessary permission have been assigned to your user account. If the roles have not been established, contact the system administrator to have them updated or added into the Enterprise ERP system.

- The Standard PO Report module will open for you to select the report option.
- Click on the "Encumbrance by PO Number" ribbon to continue



Report Set-up:

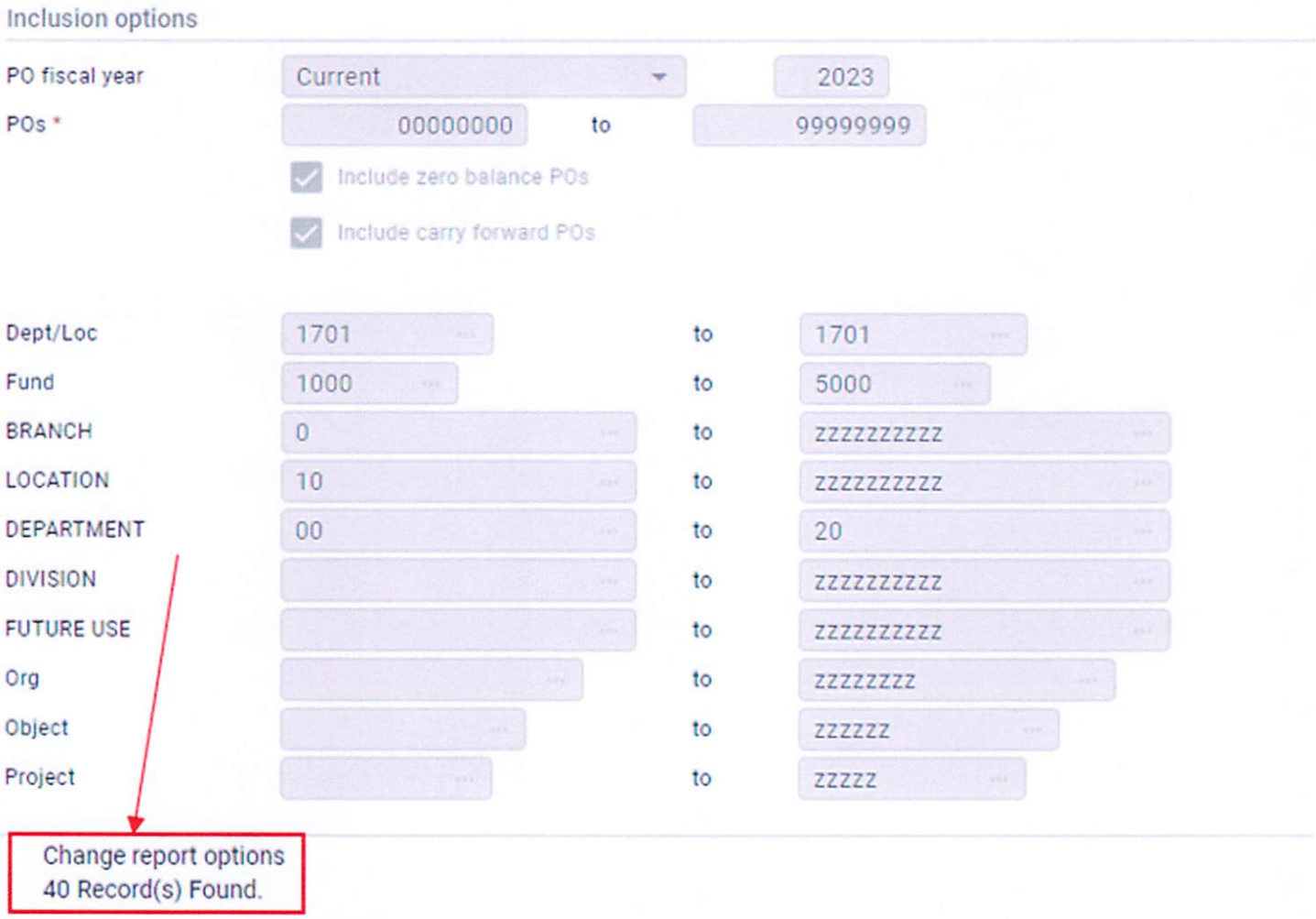
- Click on the "Define" ribbon to update Standard PO Report information
- On the "Open Encumbrance by Po Number" module, use your tab key to navigate to each required fields to enter or select using the dop-down menu options.
- On the Standard Po Reports, under the General information Select the "Detail" option including the GL account information and the Initially sort by dept/Loc
- On the Inclusion Options – Use the Drop-down menu, to select options
    1. PO fiscal year - Leave the POs field **00000000** to **00000000**, with current year
    2. POs field - Check mark both options on **Include zero balance POs** and the **Include carry forward POs**
    3. On the Dept/Loc - Enter the dept code **from** and **to** or just one department code
    4. The Fund - should be set from **1000** to **5000**. This will capture all accounts.
    5. Branch - should be from **0** to **zzzzzzzzzz**
    6. Location – Click on the field help button and select the appropriate segment code (island)



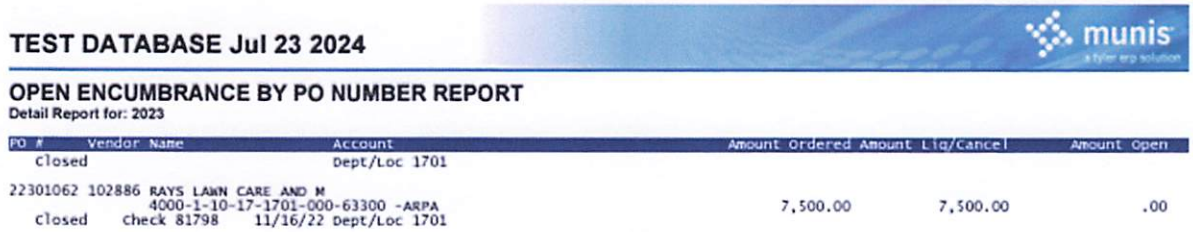
Segment Code	Description
00	UNDEFINED
10	SAIPAN
20	ROTA
30	TINIAN
40	NORTHERN ISLANDS

7. Click on the "Accept" ribbon to extract the report

8. The system will prompt you that Change report options 40 Record(s) were found



9. Click on the "PDF" or "Excel" ribbons to extract the report.



TEST DATABASE Jul 23 2024

OPEN ENCUMBRANCE BY PO NUMBER REPORT

Detail Report for: 2023

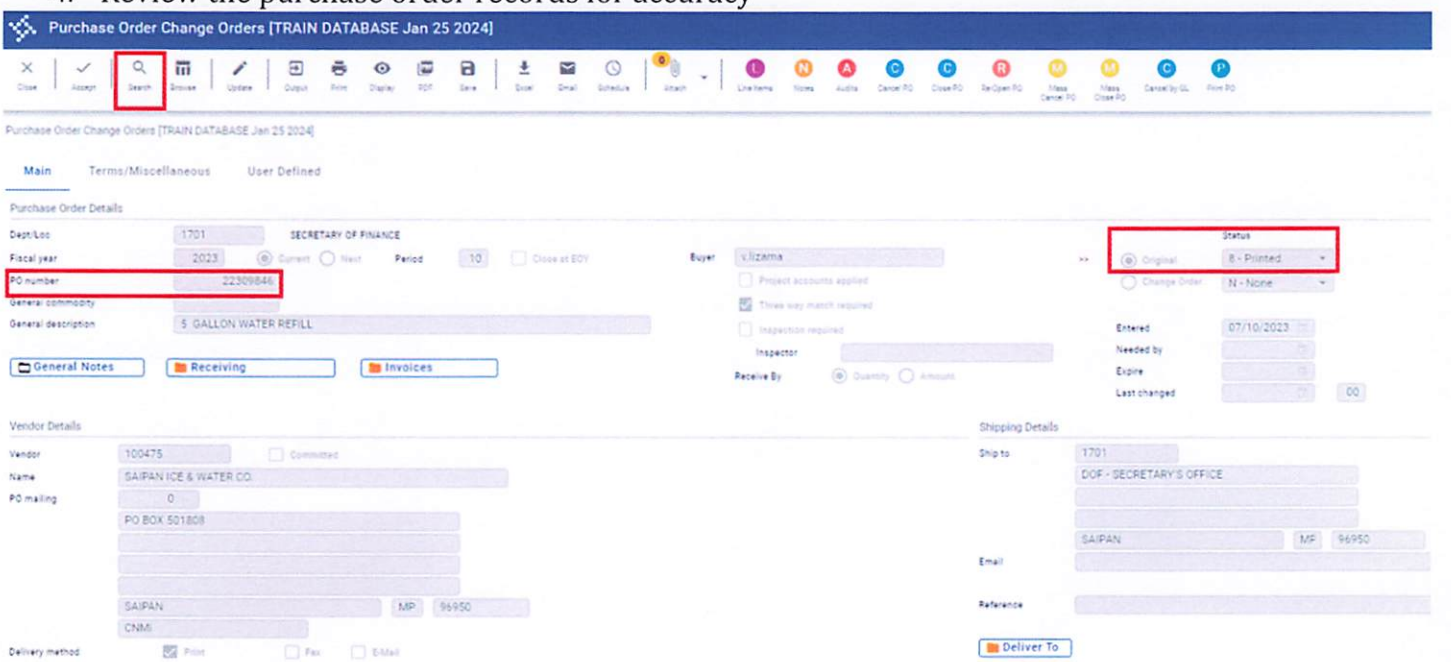
PO #	Vendor Name	Account	Amount Ordered	Amount Liq/Cancel	Amount Open
Closed		Dept/Loc 1701			
22301062	102886 RAYS LAWN CARE AND M	4000-1-10-17-1701-000-63300 -ARPA	7,500.00	7,500.00	.00
Closed	Check 81798	11/16/22 Dept/Loc 1701			

Appendix C: Procedures to "Cancel" a Purchase Order

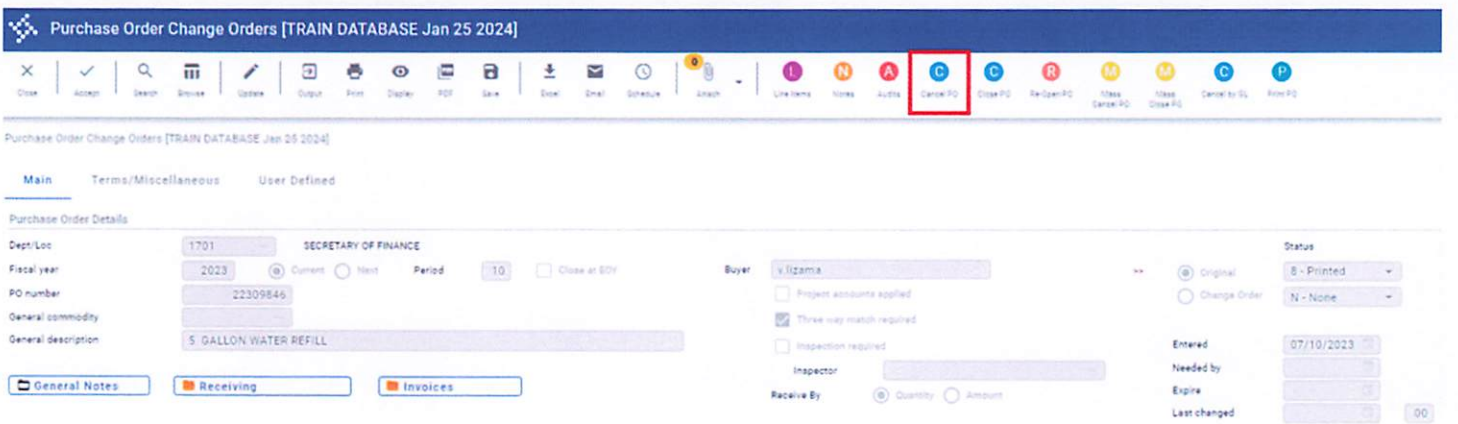
To "**Cancel**" a purchase order you will need to go to the Tyler Menu: ***Enterprise ERP>Financials>Purchasing>Purchase Order Processing>Purchase Order Change Order***

Before you can successfully complete this process, you must ensure that roles granting the necessary permissions have been assigned to your user account. If the roles have not been established, contact the system administrator to have them updated or added into the Enterprise ERP system.

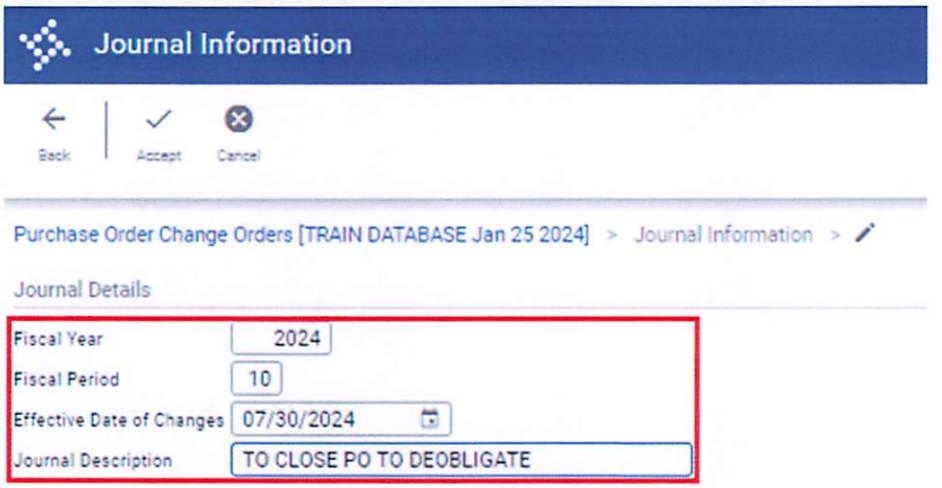
1. Click on the "**Search**" ribbon
2. Enter the Purchase Order number "**PO Number**"
3. Click on the "**Accept**" ribbon to continue
4. Review the purchase order records for accuracy



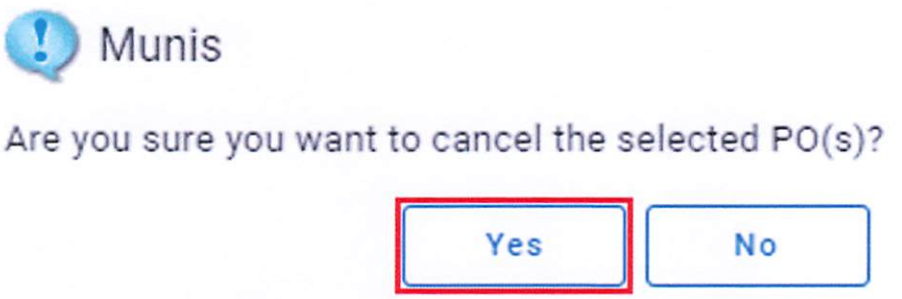
5. To Cancel the Purchase Order, click on the "**Cancel PO**" ribbon on top dashboard



6. The system will require for you to provide a Journal Information. Enter the appropriate Fiscal Year, Fiscal Period, Effective date of Changes, and a Description of why you are cancelling this Purchase Order.



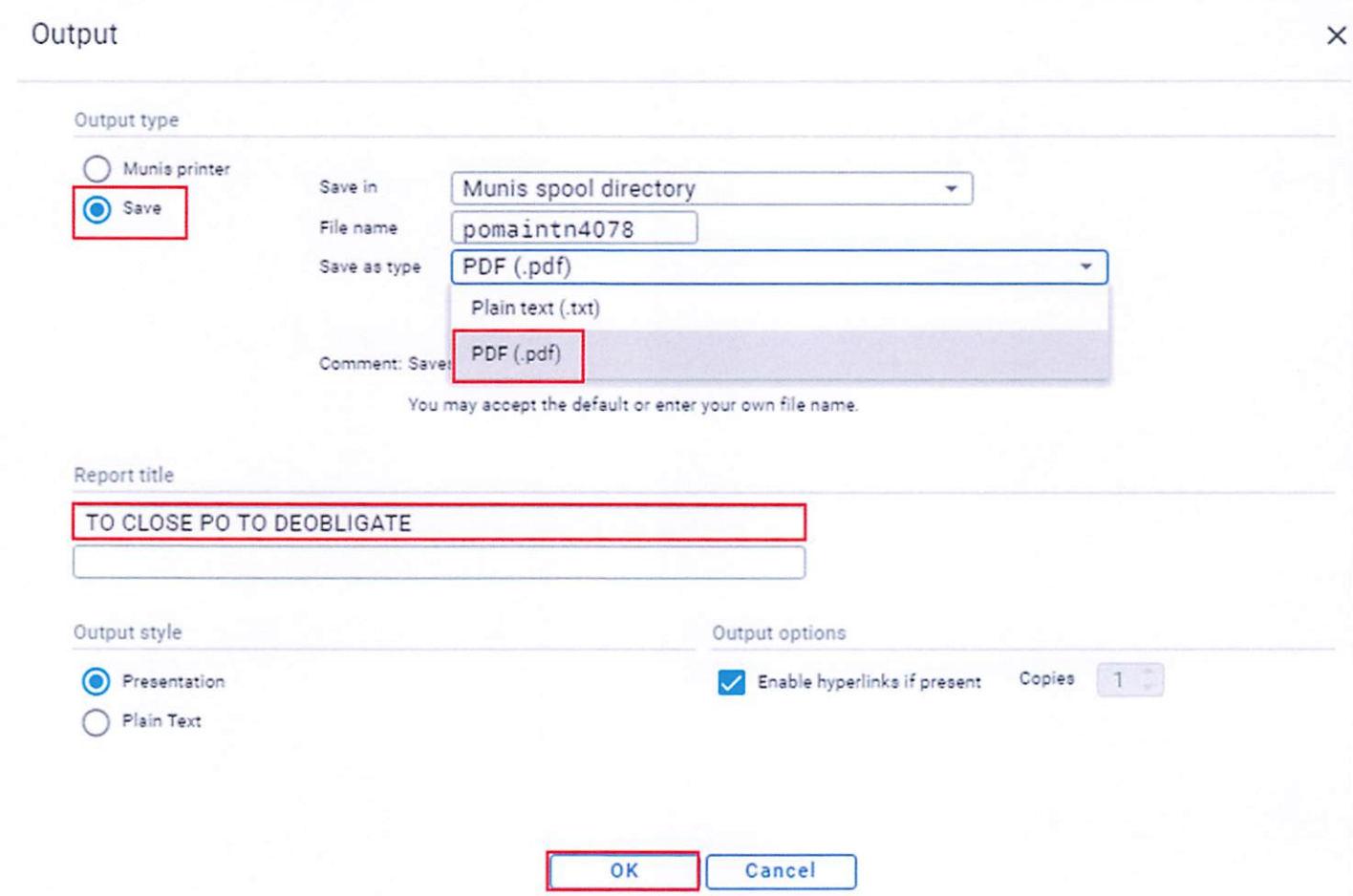
7. The system will prompt you this message: Click on the "Yes" ribbon to continue



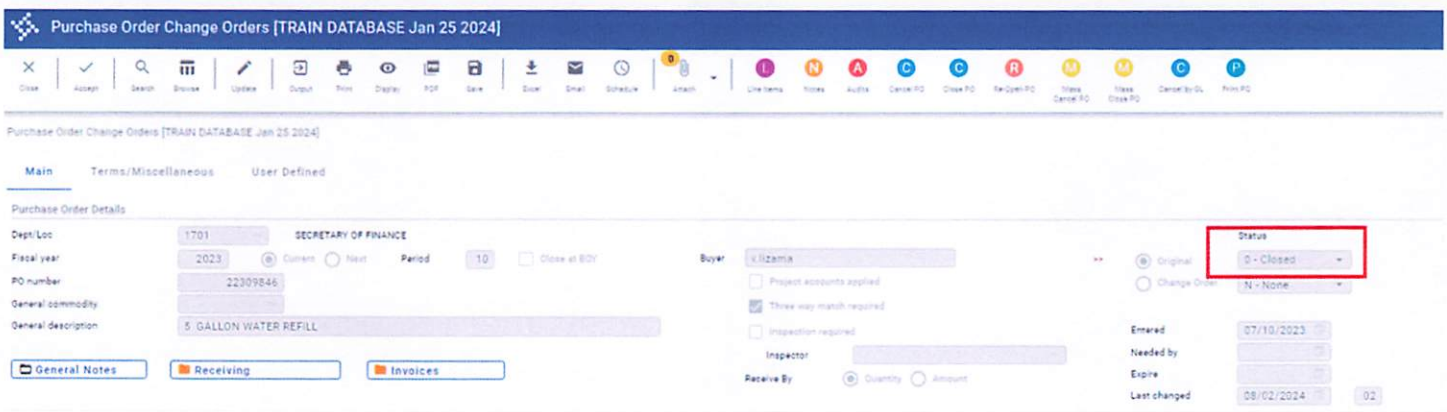
8. The system will prompt you to select the Output type settings. Click "Save" for the Output type, then use the drop-down menu on Save as type and select "PDF (.pdf)

9. You may include a "report title" name or you may leave it blank (Optional)

10. Click on the "OK" ribbon to continue



11. The purchase order status will change to "**0 – Closed**"



The process has been completed. **You are done!**

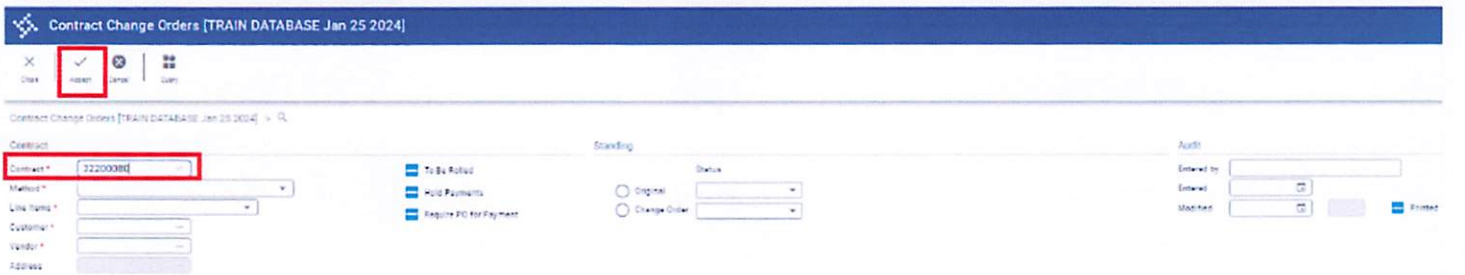
Appendix D: Procedures to "Close" a Contract

To "**Close**" a contract you will need to go to the Tyler Menu: ***Enterprise ERP>Financials>Purchasing>Contract Management>Contract Change Orders***
Before you can successfully complete this process, you must ensure that roles granting the necessary permissions have been assigned to your user account. If the roles have not been established, contact the system administrator to have them updated or added into the Enterprise ERP system.

1. Click on the "**Search**" ribbon

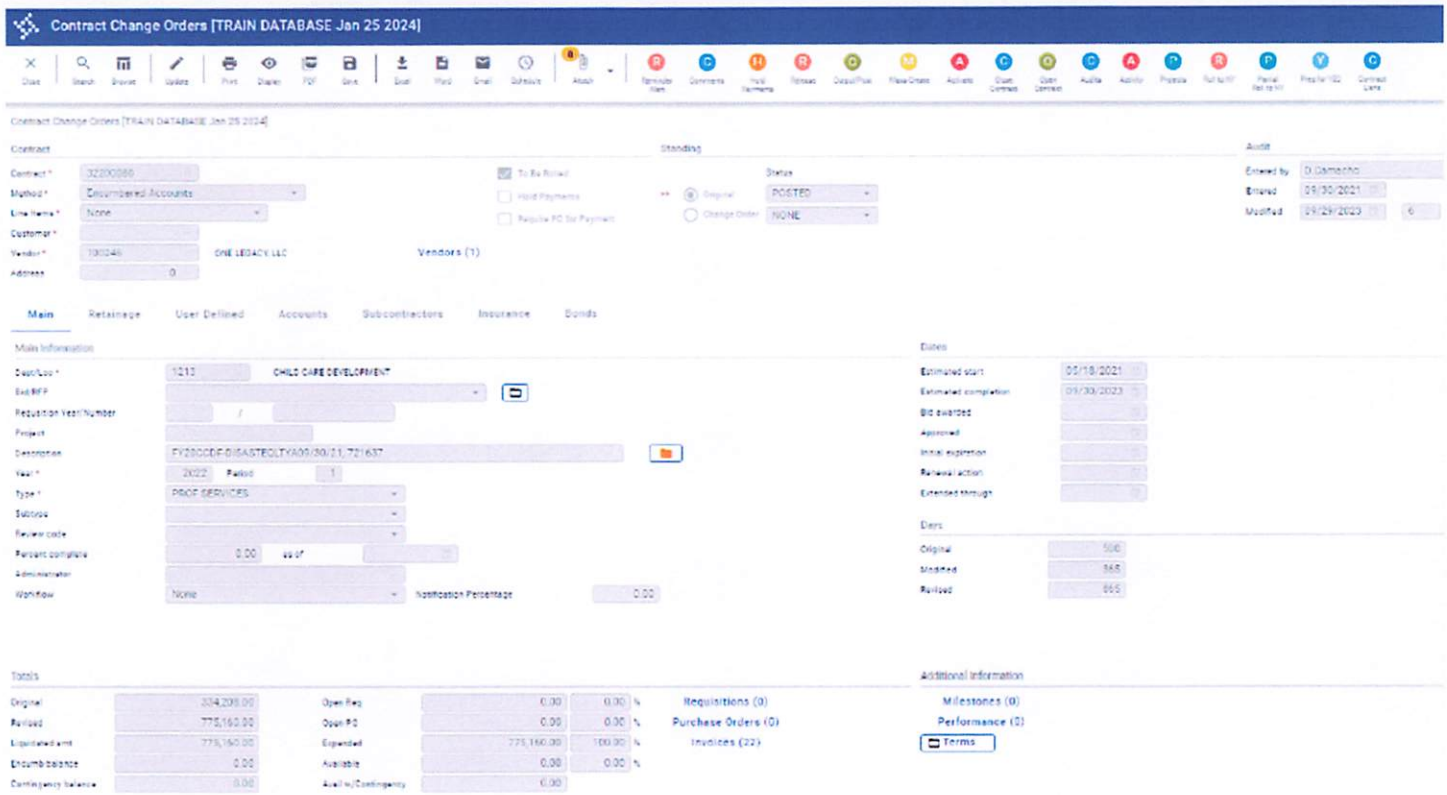
2. Enter the contract number "Contract"

3. Click on the "Accept" ribbon to continue

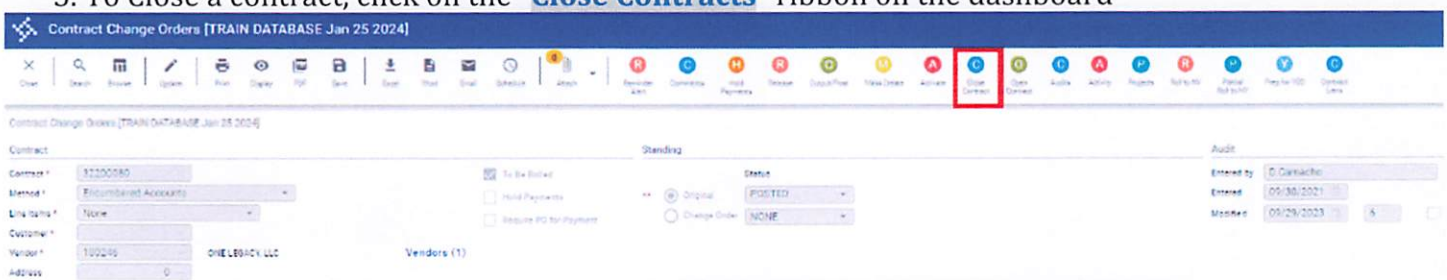


4. Review the records for accuracy before closing each contract

   • Check for Pending invoices that needs to be processed by DOF-Accounts Payable
   • Attach the approved memo from the Procurement Director requesting to Close (De- Obligate) the contract. The procurement director will have to approve the request.

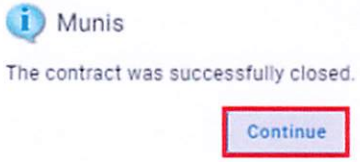


5. To Close a contract, click on the "**Close Contracts**" ribbon on the dashboard

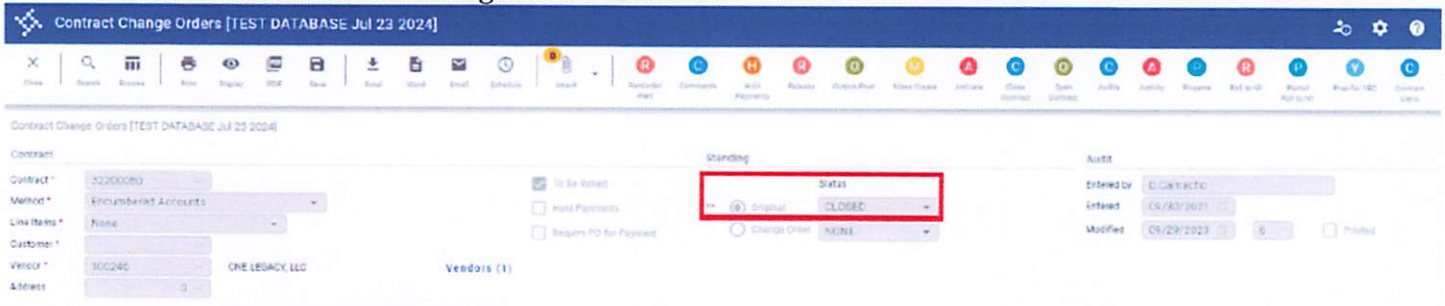


6. The system will prompt you a message: "**The Contract was successfully closed**"

7. Click on the "**Continue**" button to move on



8. The Contract status will change to "Closed".



9. You may click on the "**PDF**" ribbon on top to download the contract file, select on print criteria "Print Comments", then click **Accept** to continue.

Contract Change Orders Report:

TEST DATABASE Jul 23 2024

munis
a tyler erp solution

CONTRACTS

Contract: 32200080
Vendor: ONE LEGACY, LLC (100246)
Status: CLOSED (10)
Contract method: Encumbered Accounts

Remit: 0

Dept/Loc: CHILD CARE DEVELOPMENT (1213)
Bid/RFP:
Project:

Printed: N
To Be Rolled: Y
Require PO for Payment: N
Require Signatures: 0

Fiscal yr/period: 2022 01
Description: FY20CCDF-DISASTEQLTYA09/30/21, 721637
[2022-09-26 11:34:54 D.CamachOADDITIONAL EXTENSION FROM 10/01/2022
THRU 08/15/2023, ADDITIONAL; COST $ 440,952.00, CHANGE ORDER NO., 01.
RFP21-DCCA-CCDF-056

Type: PROF SERVICES
Subtype:
Review code:
Administrator:
Workflow: None
Ceiling Notification Percent: 0.00

Dates:
Entered: 09/30/2021 Entered By: Donald C. Camacho
Awarded:
Approved:
Expire:
Renewal action:
Extended through:
Estimated start: 05/18/2021
Estimated end: 09/30/2023
Modified: 09/29/2023 Times Modified:6

Retainage:
Bonds in Lieu: N
Recalculate cap amount with change orders: Y
Recalculate retainage differences with change orders and payments: Y
Cap: 0.00
Retained to date: 0.00
Liquidated: 0.00
Permanently withheld: 0.00

Contract Completion Starting Percent	Contract Completion Ending Percent	Percent to Retain
0.000	100.000	0.000

TOTALS:

Original:	334,208.00	Liquidated Amt:	775,160.00
Revised:	775,160.00	Encumb balance:	0.00
Open Req:	0.00		
Open PO:	0.00		
Expended:	775,160.00		
Available:	0.00		
Contingency Amt:	0.00	Avail w/Contingency:	0.00

Report generated: 08/07/2024 08:42
User: D.Camacho
Program ID: cmentpst

Page 1

10. **You are done!**