

Encumbering Funds for Contract Renewals

Per DOAS GPM Chapter 7, Section 7.6.2: *In lieu of creating a new purchase order, it is best practice for the state entity to process a change order to the existing purchase order when encumbering funds for a new contract renewal. Effective July 1, 2011, state entities must process a change order to an existing purchase order (in lieu of creating a new purchase order) when encumbering funds for a new contract renewal unless SPD grants a written exception.*

This Job Aid will simplify the process of encumbering funds for contract renewals by creating a multi-year contract PO.

Note: Institutions that do NOT use eProcurement should refer to the section titled “[What to do if my institution does not use eProcurement.](#)” Institutions that use eProcurement should follow the steps below.

Steps for adding a Renewal to an existing PO (for eProcurement users)

1. The requester/buyer should create a Special Request requisition for each period of the contract they wish to renew.

a. In the requisition name, include the **Contract ID**.

Create Requisition

1. Define Requisition | 2. Add Items and Services | 3. Review and Submit

Specify requisition name, requester, and other information that applies to the entire requisition.

Business Unit: 43000 Kennesaw State University

*Requester: CBOHANN2 Bohannon, Carolyn W *Currency: USD

Requisition Name: PLACE CONTRACT NUMBER HERE Priority: Medium

Line Defaults

Continue

b. In the line description, include the **Fiscal Year** being renewed.

Create Requisition

1. Define Requisition | 2. Add Items and Services | 3. Review and Submit

Add lines to the requisition, specifying the information necessary to procure each item or service.

Search: Search

Catalog Favorites Templates Forms GaFirst Marketplace **Special Request**

Special Item

***Item Description: FY12 CONTRACT RENEWAL**

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- c. Ensure that the chartfields, including the **Budget Date and Budget Ref** (which defaults from the Budget Date onto the Chartfields2 tab), are populated for the appropriate budget year. For example, if the renewal is for FY2013 budget, enter a budget date between July 01, and June 30, 2013.

Any new departments, fund sources, or program codes for your school for the appropriate fiscal year must be loaded in to the system prior to their use on a requisition.

Create Requisition

1. Define Requisition | 2. Add Items and Services | 3. Review and Submit

Review the details of your requisition, make any necessary changes, and submit it for approval.

Business Unit: 43000 Kennesaw State University
***Requester:** CBOHANN2 Bohannon, Carolyn W ***Currency:** USD
Requisition Name: PLACE CONTRACT NUMBER HERE **Priority:** Medium

Requisition Lines

Line	Description	Vendor Name	Quantity	UOM	Price	Total
1	FY12 CONTRACT RENEWAL		12,000	Month	1,000.00	12,000.00

Consolidate with other Reqs Override Suggested Vendor

Shipping Line: 1 **Due Date:** **Quantity:** 12,000
Status: Active ***Ship To:** 33913700 [Modify Shipping Address](#)
Attention: Bohannon, Carolyn W
***Distribute by:** Qty **SpeedChart:**

Accounting Lines

Fund	Dept	Program	Class	Bud Ref	Budget Date
				2012	06/25/2012

Select All / Deselect All **Total Amount:** 12,000.00 USD

Save as Template
 [Find more items](#)

2. The requisition can be Saved and Submitted for approval routing, however, it **cannot be successfully budget checked until the budgets are loaded and posted for the fiscal year of the additional line request.** The timing can vary by institution but typically occurs in early July and should be performed in a timely manner to prevent order delays.

Note the Requisition ID for copying into the existing contract PO in Step 3 below.

3. When the Requisition is fully approved, budget checked, and the PO change order is ready to be created to add the renewal, the PO buyer will copy the requisition into an established PO for the related contract.

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Note: Prior to performing this step, ensure that the current month's payment has been made, or the payment may be delayed until the change order can be budget checked.

- a. Open the purchase order and choose copy from Requisition

Maintain Purchase Order

Purchase Order

Unit: 43000 PO Status: Dispatched  

PO ID: 0000406795 Budget Status: Valid

Copy From:

Hold From Further Processing

Header

*PO Date: 06/30/2011  Vendor Search Doc Tol Status: Valid

Vendor: XEROXAUDIO-001 [Vendor Details](#) Backorder Status: None [Create BackOrder](#)

- b. Specify the Requisition ID you wish to copy in then click Search.

- c. Select the requisition id checkbox to select the requisition line then click Copy To PO

Maintain Purchase Order

Copy Purchase Order from Requisition

[Return to Main Page](#)

Requisition Selection Criteria

Business Unit: 43000 Origin:

Buyer:

Vendor ID:

Category:

Requisition ID: 0000407347 

Contract ID:

Max Rows: 20

Include Reqs With No Vendor

Include Inventory Items

Exclude Auto Source Item

Search

1 to 1 of 1

Select Requisition Lines [Customize](#) | [Find](#) | [View All](#) | [First](#) | [1 of 1](#) | [Last](#)

Sourcing [Requisitions](#) 

Select PO Qty	PO UOM	Item	Description	Req ID	Line #	Procurement Card	Schedule Split
<input checked="" type="checkbox"/>	12.0000 MO		FY12 CONTRACT RENEWAL	0000407347	1		

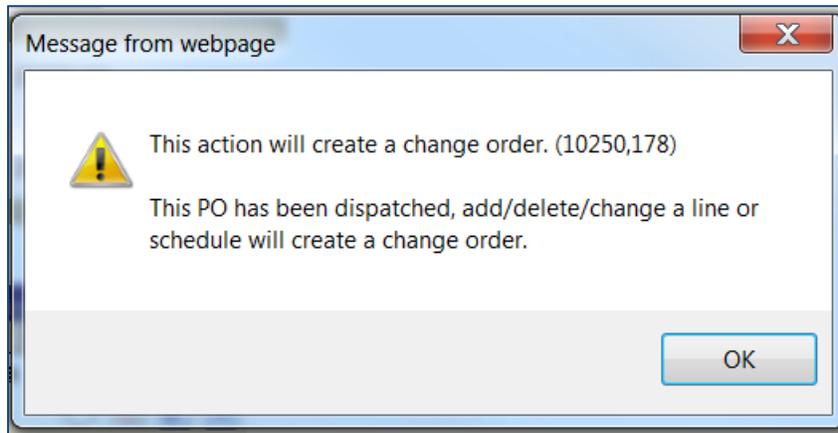
Select All Clear All

Copy To PO

Save [Return to Search](#) [Previous in List](#) [Next in List](#) [Notify](#) [Refresh](#) [Add](#) [Update/Display](#)

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- d. You will be prompted to create a change order. **Click OK** to copy the requisition as new lines on the Purchase Order.



- e. On the PO, locate the appropriate PO line for this year and click the **Schedule** icon, then the **Distributions** icon.
- f. Verify that all information is accurate. Pay attention to the **Budget Date** on and **Bud Ref** on the Chartfields2 tab which defines the budget year these funds will be encumbered.
- g. After all information is verified, click **OK** then click **Return to Main Page**.
- h. Click **Save** to save your changes to the Purchase Order.
- i. At this point, the **Changed Purchase Order** can be **Approved**, **Budget Checked**, and **Dispatched**.

Remember, the purchase order will not budget check successfully until the budget for the FY has been loaded.

How to prevent fully liquidated Purchase Orders from Closing

If the purchase order is going to fully liquidated, the purchase order should be placed **on HOLD** temporarily. To do this, take the following steps:

1. Check the “**Hold from Further Processing**” and then click **Save**.
2. Once Accounts Payable is ready to create the voucher against the Purchase Order, they will need to contact the buyer if they receive a Document Tolerance error on the voucher due to the PO being on hold.

IMPORTANT: The buyer will need to coordinate with Accounts Payable in order to take the Purchase Order **OFF HOLD** so they can run the budget checking and document tolerance process on the voucher and place it back **ON HOLD immediately** after it passes.

3. Once the PO voucher passes document tolerance and budget checking, the Purchase Order will remain available (in a Dispatched status). **Do not take it off HOLD until you are ready to encumber funds for the next renewal.**
4. The purchase order closing process runs nightly for many institutions. For others, this process is run ad-hoc. Regardless, it will be necessary to **keep the PO on HOLD** until a line for the new FY contract is encumbered. This will prevent the entire PO from closing after final payment of the current contract/fiscal year PO Line updates the PO to be fully matched and liquidated.

What to do if a Purchase Order Closes before the renewal contract line can be encumbered

Source the renewal requisition to a new purchase order and **add a comment** referencing the previously closed purchase order **in the header comments** page of the newly created purchase order.

What to do if my institution does not use eProcurement

1. Navigate to the **Add/Update PO page** for the existing Contract PO and click the triangle icon  on the PO Header to initiate a Change Order.
2. Click the **Header Details** icon to update the **Accounting Date** to reflect a date in the new FY (ex. 7/1/2013). Then click **OK**.

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The PO Reference should already indicate the associated Contract Number.

3. Click the **Plus (+)** button to the right of the existing line to add a new line to the existing PO.
4. Populate the **FY CONTRACT RENEWAL** information in the Line Description field along with the appropriate **PO Qty** (based on whether the PO will match by Amount or Quantity), **Category**, and **Price**.

5. Click the **Schedule** icon on the new line.



6. Click the **Distribution** icon on the new line.



7. Verify that all information is accurate. Pay attention to the **Budget Date** on and **Bud Ref** which defines the budget year these funds will be encumbered.

8. After all information is verified, click **OK** then click **Return to Main Page**.
9. Click **Save** to save your changes to the Purchase Order.
10. At this point, the **Changed Purchase Order** can be **Approved**, **Budget Checked**, and **Dispatched**. Remember, the purchase order will not budget check successfully until the budget for the FY has been loaded.