



## ACCOUNTING POLICY AND PROCEDURES (APP) MANUAL

TOPIC: Section 5 – Budget Control 1.0	EFFECTIVE DATE: 09/27/1985
TITLE: Administering GPR Annual Appropriation Laws and Year-End Encumbrance Policies	REVISION DATE: 11/29/2012
AUTHORIZED BY: Director, Bureau of Fiscal Services	

### BACKGROUND

Each year divisions within the Department of Health Services (DHS) advocate carryover of certain general purpose revenue (GPR) funds not spent by the closing of the state fiscal year. In addition, questions are raised about the requirement to reconcile underspending at year end and what encumbrances can or cannot be carried into the new fiscal year.

The purpose of this bulletin is to summarize the major policies in existence.

### POLICY

DHS, through the Bureau of Fiscal Services (BFS) and the various budget/management offices in each division, has the responsibility to administer the appropriation and accounting statutes and the year-end Department of Administration (DOA) announcements applicable to GPR balances and encumbrances. These responsibilities are usually communicated via Reconciliation Bulletins from BFS and should be followed by divisions and accountants when reviewing purchase orders, contracts and other GPR commitments issued before July 1.

In addition, DHS has, through delegation from DOA, the responsibility to analyze "GPR lapsing appropriations" to ensure:

1. That the appropriation laws and budget policy are enforced;
2. The justifications for carryover balances are documented and within the state accounting regulations;
3. All purchase orders or contracts are submitted to the delegated authority in the agency or DOA for approval as to legality and sufficiency of appropriations before liability is incurred.

After the closing process, DOA and the Legislative Audit Bureau review our application and enforcement of the laws and regulations.

### SUMMARY OF APPLICABLE REGULATIONS AND PROCEDURES

1. Expenditures and balances in GPR annual appropriations must be reconciled at year end, and unencumbered balances "shall revert to the general fund" [[Wis. Stat. § 20.001 \(3\) \(a\)](#)]. Lapsing amounts must be determined and certified to DOA each year.

Annual appropriations are expendable *only* up to the amount shown in the schedule and *only* for the fiscal year it is made by the Legislature. Management's responsibility in the

Division of Enterprise Services and the other divisions is to know what type of appropriations they are administering.

2. Accounts kept by DHS shall show the amounts appropriated, allotted, encumbered, expended, and unencumbered for each appropriation [[Wis. Stat. § 16.52 \(3\)](#)].
3. If funds from GPR appropriations are legally encumbered and there are questions about how to reconcile these amounts between fiscal years, the following rules apply:
  - Purchase orders and contracts are legal methods of encumbering funds.
  - The date of the purchase order or contract governs the fiscal year to which the order or contract is chargeable, unless the DOA Secretary (or designee) determines that the purpose of the contract or order is to prevent the lapsing of appropriations or to otherwise circumvent budgetary intent [[Wis. Stat. § 16.52 \(6\)](#)].
  - Encumbrance is defined as follows: Commitments to purchase or contracts to pay, *documented by contracts, purchase orders, contract release orders by contract, or printing orders*, which are chargeable to an appropriation. They reduce the allotment balance and reserve a like amount for the eventual payment of the purchase.
  - Encumbrances which are still outstanding from a previous state fiscal year carried forward to the current state fiscal year (that is, being closed out) shall be reviewed by agency officials for the purpose of liquidating all bills and lapsing the unspent amounts. If the agency requests another carryover, justifications must be provided. Funds carried forward from one year to the other are not eligible for use for any purpose other than that it was originally intended for.
  - Personal Contractual Services: Encumbrance can be carried forward if two out of the three services are provided by June 30 or if the services will be completed between June and August.
  - Supplies purchased in excess of normal quantities ordered throughout the year must be justified.
  - Orders and contracts not complying with the above and the specific reconciliation bulletins and announcements will be suspended and cancelled unless successfully re-justified and subsequently approved by BFS.

Questions not specifically covered above or interpretation questions should be forwarded to the BFS Director's Office.

## REFERENCES

[Reconciliation Bulletins, DHS Bureau of Fiscal Services](#)

## CONTACTS

[Director, Bureau of Fiscal Services](#)

[Deputy Director, Bureau of Fiscal Services](#)