

STATE OF OKLAHOMA
OFFICE OF MANAGEMENT AND ENTERPRISE SERVICES
GAAP CONVERSION MANUAL

I. ACCOUNTS PAYABLE AND ENCUMBRANCES CONVERSION PACKAGE

June 2022

I. PURPOSE AND OBJECTIVES

The ACFR presents a liability for any goods and services received but for which no payment has been made (accounts payable) on June 30. Further, a reservation of fund equity is made for the dollar amount of outstanding encumbrances on that date.

II. AGENCY ACTION REQUIRED

- A. Carefully read the key terms in Part III.
- B. The Accounts Payable and Encumbrance Summary form (summary) should reflect amounts as of June 30.
- C. Round all dollar amounts to the nearest whole dollar.
- D. All working papers are subject to audit by the State Auditor & Inspector (SA&I). The agency is required to keep a copy of the completed summary form and all associated working papers for three years after the completion of the SA&I audit.
- E. The person who completes and signs the summary form should keep a copy. OMES will contact this person if there are any questions.
- F. If needed, call your agency's financial reporting analyst for guidance.
- G. Return the completed summary form to your OMES financial reporting analyst by e-mail **no later than the due date shown on the form**. **If you can return it earlier, please do so.**
- H. If the summary form does not apply to your agency, check the box in the upper left portion of the summary, complete item (2) and return it to OMES.

III. KEY TERMS

- A. Accounts payable consists of amounts owed for goods and services that your agency both:

- * Received on or before June 30, and
- * Paid for or will pay for after June 30, including payments from agency special accounts, if applicable.

Accounts payable includes estimates of amounts that your agency owes even if the vendor has not yet issued an invoice. Accounts payable includes travel claims and payments to be made with federal funds.

Accounts payable does not include amounts owed:

- * For payroll and employee fringe benefits
- * For debt service, including capital lease payments
- * Payments due to other State agencies

- B. Federal Payables are amounts owed for goods or services that your agency:

- * Received on or before June 30 and,
- * Paid for or will pay for after June 30 and payment was made or will be made with funds received from a federal grant or entitlement.

Federal Payables does not include amounts owed to other State agencies.

- C. Capital Outlay Payables are amounts owed for goods or services that resulted in the acquisition of or addition to your agency's capital assets (i.e., long-lived tangible assets).
- D. Encumbrances are commitments related to unperformed contracts for goods or services. They represent the estimated amount of expenditures ultimately to result if unperformed contracts are completed. Do not include in encumbrances amounts of unperformed contracts due to other state agencies or due to unperformed contracts related to reimbursement-type grants.
- E. Assistance Listing Number - Assistance Listing (AL), formerly referred to as Catalog of Federal Domestic Assistance or CFDA, includes a specific reference number for most federal programs. Each assistance program is assigned a five-digit program identification number: the first two digits identify the federal department or agency that administers the program, and the last three numbers are assigned in numerical sequence.
- F. Primary Recipient - The agency that initially receives funds from the Federal Government and who is accountable to the Federal Government for the funds.
- G. "Pass-Through" Funds - "Pass-through" funds are distributed from the primary recipient to other state or non-state organizations (end recipients) in the form of a grant/entitlement (not a payment for goods or services).

IV. SPECIFIC INSTRUCTIONS

- A. Preparation of the Data - Prior to completing the Accounts Payable and Encumbrance Summary, it is necessary to arrive at a total of the payables which fits the above definition of accounts payable. Examples of procedures you might follow:

Accounts Payable

1. Since the normal business cycle for most agencies has been shown to be approximately 30 days, it may be acceptable to use July expenditures from prior year funds as June 30 accounts payable. If your agency's business cycle is other than 30 days, you should use that time period. In all cases, consider whether this approach will produce an accounts payable total that is materially correct. If you are aware of significant payments made or to be made beyond the normal business cycle which fit the above definition of accounts payable, these should be included in the total.
2. If the procedures in 1 above will not produce an accurate accounts payable total for your agency, then you should consider taking the following approach. Review payments after June 30, and
 - a. List all payments which apply to the year ended June 30. This would include all payments not processed by OMES as of June 30. For example, if your agency's accounts payable system shows a payment made on June 30, you would include this amount as an accounts payable on the Accounts Payable and Encumbrance Summary. This is because the payment would not yet have been processed by OMES.
 - b. Add any amounts owed for prior year goods and services for which your agency has not yet been billed or for which the bill has not been paid.
 - c. If your agency has federal payables, list them by federal AL Number.

- d. If your agency has capital outlay payables (account code 54xxxx, excluding account code 548xxx, Payments on Debt), include them in the list and disclose the amount on the summary form in the space provided.

The above procedures are only suggestions. If another approach will enable you to more accurately or efficiently arrive at accounts payable and meet the above definition, that approach should be used.

Encumbrances

1. Encumbrances should be determined by adding together August and estimated September expenditures from prior year funds, plus any significant expenditure to be made from these funds from October 1 - November 15. Do not include any amounts listed as accounts payable.

After determining accounts payable and encumbrances, transfer the totals to the summary form. Complete the summary form and submit it to OMES.

B. Completing the Accounts Payable and Encumbrance Summary Form

1. Enter the agency ACFR code, name and funds/accounts to be included on the summary.
2. Provide the name, title, phone number and date for each person who completes and approves this summary form. The finance officer or executive director should approve and sign the form before sending it to OMES. Keep a copy of the form. When submitting the form via email it should come from address of the approving officer. This will act as an implicit electronic signature verifying the form has been reviewed and approved for validity, accuracy, and completeness.
3. Enter the amount of capital outlay payables.
4. Enter the dollar amount of Federal Payables, providing a breakout between those relating to capital outlay payables and those relating to other.
5. Enter the amount of all other payables.
6. Total of all payables (3 + 4 + 5).
7. Specify the method used to estimate accounts payable. For Methods 1 and 2, refer to page I-2, "A. Preparation of the Data - Accounts payable."
8. Enter the total of encumbrances.
9. Specify the method used to estimate encumbrances. For method 1, refer to page I-2, "A. Preparation of the Data - Encumbrances."
10. Provide comments or explanations as needed.
11. Enter the amount of federal payables by AL number and indicate whether you are the primary recipient of federal funds, a subrecipient receiving federal funds passed through a non-state entity, or a subrecipient receiving federal funds passed through another state agency (See section III, KEY TERMS). The total of the federal payables listed here should agree to the amount listed on line (4).
12. If you receive federal funds passed through another state agency, indicate whether at June 30 you had requested reimbursement from the primary recipient for all allowable grant/entitlement expenditures. If you had allowable grant/entitlement expenditures for which you had not requested funds from the primary recipient at June 30, enter the amount of the allowable expenditures.

C. Working Papers

The agency should keep any documents that support data on the summary. For example, agencies should thoroughly document:

- * The source(s) of data for each amount.
- * Procedures used to gather the data.
- * Methods or judgments used to arrive at estimations.