

SECTION 475: GENERAL DESCRIPTION OF ENCUMBRANCE ADJUSTMENTS

1. Purpose. As described in this section, encumbrance adjustments are those transactions (in addition to initial encumbrances) that affect an allotment account; the purposes of such transactions are to facilitate maintaining agreement between subsidiary and control accounts for encumbrances and to provide a means of correcting or otherwise adjusting the accounting records for encumbrances.
2. Responsibilities. The preparation of encumbrance adjustments is the responsibility of departments and agencies and of DAGS Accounting Division. The adjustments prepared by departments and agencies are usually oriented toward the correction of a particular transaction itself, whereas the adjustments prepared by DAGS Accounting Division are usually oriented toward the maintenance of ledger controls for the total accounting system. The delineation of responsibilities, however, is not precise, and certain situations will require communication between both organizations to resolve matters.
3. Encumbrance Adjustments. The encumbrance adjustments described in this section cover only those adjustments affecting the encumbrance (contracts and claims) transaction column of the subsidiary APPROPRIATION/ALLOTMENT LEDGER. Excluded are the expenditure adjustments, which are covered in the expenditure section of this manual. The specific types of adjustments described in this section include:
  - (a) Reduction of Encumbrances.
  - (b) Transfer of Encumbrances.
  - (c) Encumbrances for Federal Share of Program Costs.
  - (d) Non-routine Error Corrections and Adjustments.
4. Types of Adjustments. The types of adjustments affecting the encumbrance (contracts and claims) transaction columns are:
  - (a) Reduction of Encumbrances. This adjustment is for the purpose of reducing a previous claims encumbrance or formal contract, including reductions for unrequired contract balances. The various forms used to effect these reductions include: (1) The JOURNAL VOUCHER, SAFORM A-27, prepared by departments and agencies for reduction of claims encumbrances; (2) the CONTRACT INPUT, SAFORM C-41 prepared by DAGS Accounting Division for reduction of formal contracts; (3) the UNREQUIRED CONTRACT ENCUMBRANCE ADVICE, SAFORM C-07, prepared by departments and agencies for unrequired contract balances.

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- (b) Transfer of Encumbrances. This adjustment concerns the transfer of contract encumbrance of restricted amounts for invested funds, and other authorized encumbrance transfers. The JOURNAL VOUCHER, SAFORM A-27, prepared by departments and agencies is used to effect these transfers.
- (c) Encumbrance for Federal Share of Program Costs. This adjustment is for the purpose of making allotment transfers to prior years encumbrances for federal share of program costs, and for other claims encumbrances. The JOURNAL VOUCHER, SAFORM A-27, prepared by departments and agencies is used to make this adjustment.
- (d) Non-routine Error Corrections and Adjustments. This adjustment concerns the correction and adjustment of previously established encumbrance amounts, and the correction of the transactions previously described in this section. Departments and agencies are responsible for the preparation of the JOURNAL VOUCHER, SAFORM A-27, to correct errors committed by them and to notify DAGS Accounting Division of other differences identified by them in their review of the APPROPRIATION AND EXPENDITURES REPORT. DAGS Accounting Division is responsible for the correcting of posting errors and other adjustments to maintain ledger control.