



**City of Pittsburgh  
Financial Management Policies**

<b>Policy: Encumbrance Procedure for Professional Service Agreements</b>	<b>Original Date: January 1, 2016</b>
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**PURPOSE:** To improve the mechanism through which funds for professional service agreements with City of Pittsburgh departments are encumbered and ensure adequate management is provided by all associated parties throughout the process.

**PROCEDURES:** All City of Pittsburgh departments seeking to enter into a professional service agreement with a Vendor must adhere to the protocol outlined by the Office of Management and Budget (OMB).

**Establishing an encumbrance:**

Departments are able to encumber funds through two mechanisms: legislative approval and direct correspondence to the Office of the City Controller requesting the establishment of an encumbrance. These two mechanisms allow departments to allocate undesignated or unreserved resources for specific liabilities. This process permits departments to proactively manage and prevent overspending of budgets.

**Legislative approval**

An encumbrance can be established through the authorization of legislation by City Council. All contracts must be approved by City Council in accordance with the *Contract Authorization Process Policy*. Should City Council vote to permit the Department to enter into a contract with a Vendor, the City Controller shall encumber current year funds in the amount stated in the authorizing resolution.

If during the contract authorization process the current fiscal year liability is changed to an amount lower than that stated in the authorizing resolution, OMB will notify the Office of the City Controller and request that the encumbrance be updated to reflect the revised cost.

Conversely, if during the contract approval process funds in the corresponding authorizing legislation prove insufficient to offset first year contractual liabilities the department shall submit a legislative amendment to City Council. This amendment will augment the resources the department is authorized to allocate toward the procurement of said good or service. Upon approval, the Office of the City Controller will update the existing encumbrance in the JDE financial system to reflect the increased amount referenced in the amended legislation.

**Direct correspondence with the Office of the City Controller**

At the beginning of each fiscal year individual departments shall submit a letter the Office of the City Controller requesting to encumber funds in the amount of the current fiscal year liability for all existing contracts. The Office of the City Controller shall accept this letter and encumber funds in the appropriate account line totaling the approved allocation for the current fiscal year defined in the corresponding authorizing resolution previously passed by City Council. Encumbrance letters should be accompanied by the *Encumbrance Request Sheet* (see Appendix B) along with a copy of the

authorizing resolution. The Director of OMB and the applicable OMB Budget Analyst should be copied on all correspondence related to establishing and liquidating encumbrances.

## **Encumbrance Management**

### **Liquidation of existing encumbrances**

Upon the fulfillment of the contract and satisfaction of all financial liabilities, any funds remaining in the encumbrance will be liquidated. To liquidate existing encumbrances, departments will submit the *Request for Encumbrance Liquidation* (see Appendix C) to the Office of the City Controller and OMB identifying the amount of funds remaining, account number, contract number, and corresponding authorizing legislation.

### **Rollover of unspent encumbrances**

Any encumbrance that is not exhausted by the end of the current fiscal year shall be rolled over into the next fiscal year. The department will have the remaining resources within the encumbrance available to satisfy any outstanding liability associated with the corresponding contract.

At the beginning of the new fiscal year OMB will conduct an audit of previous year encumbrances rolled over into the new fiscal year. OMB will assist departments in identifying prior year encumbrances that can be liquidated.

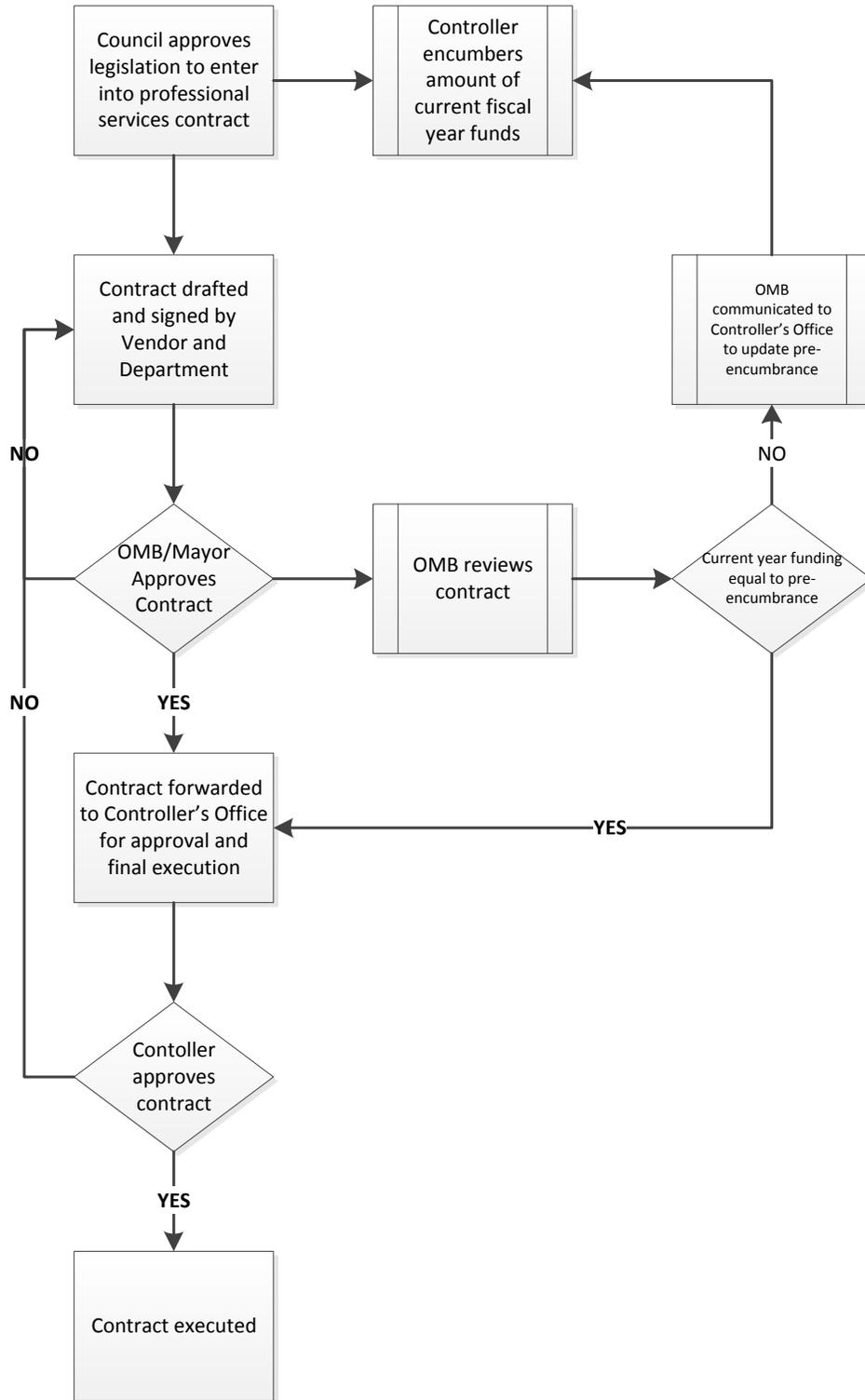
Departments will develop, and forward to the Department's analyst in OMB, a spending plan for all rolled over funds that have not been liquidated during the audit at the beginning of the fiscal year. This plan will exhaust the encumbrance in a timely manner by outlining the time of expected payments related to the encumbrance. In addition, the OMB will monitor these encumbrances throughout the year to ensure timely liquidation.

Balances of rolled over encumbrances will be reported within the financial report submitted monthly to departments by OMB. This report will state the rolled over amount and report all expenditures made against said encumbrance within the current fiscal year.

OMB will conduct quarterly audits of all rolled over encumbered funds within each Department. These reviews will ensure that all prior year encumbrances are exhausted in accordance with the spending plan developed by the department.

The schedule for OMB review of encumbrances is provided as Appendix D.

**APPENDIX A: Flow chart for establishing an encumbrance related to contracts**



## APPENDIX B: Sample Encumbrance Request Letter

January 2, 2016

Michael Lamb, City Controller  
414 Grant Street  
Pittsburgh, PA 15219

Dear Mr. Lamb,

The Department of Finance has identified existing Professional Service Agreements that require funds to be encumbered for the current fiscal year. Attached to this letter one will find a list of contracts identified by:

- Vendor name
- JDE account string
- Amount to be encumbered
- Contract Number, and
- Authorizing Resolution

The Department of Finance requests the Controller to encumber funds in the amount indicated in the attachment for each individual contract. These encumbrances will recognize funds earmarked for particular services and allow for the proper identification of discretionary funds. Your immediate attention to this matter is appreciated.

Thank You,

Paul Leger, Director  
Department of Finance

cc.

Sam Ashbaugh, Director of Management and Budget  
Matt Gemberling, Office of Management and Budget

<b>Vendor Name</b>	<b>Contract Number</b>	<b>Resolution Number</b>	<b>JDE Account String</b>	<b>Amount</b>
Neve Appraisals	50193	Resolution 30 of 2012	107000.53101	\$17,625.00

**Contract Description:**

Assessment appeal services to residential home owners in the City of Pittsburgh on their Primary residence whose property value is \$150,000 dollars or less in 2011, and/or 65 years or older. Services included one-on-one consultation, free legal services, and free assistance with appeals filling, and reduced fee appraisals assistance and/or a reduced-free comparable analysis.

<b>Vendor Name</b>	<b>Contract Number</b>	<b>Resolution Number</b>	<b>JDE Account String</b>	<b>Amount</b>
P.C.Kaufmann Appraisals Services, LLC.	50258	Resolution 30 of 2012	107000.353101	\$19,375.00

**Contract Description:**

Assessment appeal services to residential home owners in the City of Pittsburgh on their primary residence whose property value is \$150,000 dollars or less in 2011, and/or is 65 years or older, and those services shall include but not be limited to, one-on-one, consultation, free legal services, free assistance with appeals filing, and reduced-fee appraisal assistance and/or a reduced-free comparable analysis.

<b>Vendor Name</b>	<b>Contract Number</b>	<b>Resolution Number</b>	<b>JDE Account String</b>	<b>Amount</b>
Zelenkoske Axelrod, LLC	20120	Resolution 532 of 2012	107000.53501	\$250.00

**Contract Description:**

Providing for a professional services agreement for accounting, auditing and consulting services to the City related to tax collection, internal controls, financial reporting, performance, grant, and fiscal auditing, and financial systems implementation.

**APPENDIX C: Sample Request for Encumbrance Liquidation**

**Date:** July 15, 2016

**Departmental Contact:** Paul Leger, Director, Department of Finance

**Phone:** 412-255-xxxx

**Email Address:** paul.leger@pittsburghpa.gov

<b>ENCUMBRANCE TO BE LIQUIDATED</b>				
<b>Vendor Name</b>	<b>Order Number</b>	<b>JDE Account String</b>	<b>Resolution Number</b>	<b>Amount</b>
eCivis, Inc.	52137	107000.53301	Resolution 122 of 2015	\$766.25

**Reason for Liquidation:**

**Department Signature:**

**Title:**

**Printed Name:**

**Date:**

Please send completed form to both the Office of the City Controller and Office of Management and Budget

**APPENDIX D: Schedule of OMB encumbrance review**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Beginning of Year	✓											
Monthly Review	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Quarterly Review			✓			✓			✓			✓
Third Quarter Review									✓			
End of Year Review											✓	✓

- **Beginning of the Year Review:**
  - At the beginning of each fiscal year OMB will reference contract information stored in Questica Budget software to generate a list, by department, of funds that must be encumbered per the agreement of the existing contract.
  - Each Budget Analyst will prepare a letter comprehensively detailing, by department, those funds that need to be encumbered per the agreement of existing executed contracts. This letter will be sent to each respective Department Head to review, verify, and sign. Upon signature, the Department Head will forward the letter to the Office of the City Controller instructing the encumbrance be entered into JD Edwards in the amount of the current year commitment.
- **Monthly Financial Reporting:**
  - Departments are responsible for maintaining records of their respective contract encumbrances relating to open year prior contracts, current year encumbered contracts, and pending contracts and reporting said information to OMB. In addition to monitoring funds that have been rolled over from prior year encumbrances into the current fiscal year in order to ensure timely liquidation, Budget Analysts will work with their departments to identify future contracts being drafted for utilization in the current fiscal year.
- **Quarterly Reviews:**
  - Budget Analysts will review, on a quarterly schedule, prior year encumbrance spend-downs, current year encumbrance expenditures, and pending contracts for their respective departments.
    - Budget Analysts will engage in a process mid-year to work with departments to identify prior year encumbered contracts eligible for liquidation. Contracts that have been fulfilled and fully rendered whose funds have not been expended to zero dollars will be liquidated.