

OFFICE OF  
THE COMMISSIONER

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GOVERNMENT OF  
THE UNITED STATES VIRGIN ISLANDS

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DEPARTMENT OF FINANCE

**FINANCE MEMORANDUM NO. 05-2015**

**FOR: ALL DEPARTMENT AND AGENCY HEADS**

**SPECIAL ATTENTION TO:**

**Directors, Business & Administrative Services,  
Fiscal Officers, Federal Program Officers**

 *FEBRUARY 9, 2015*

**FROM: Valdamier O. Collens, Commissioner Designee**

**SUBJECT: Cancellation of Prior Year Purchase Orders/Encumbrances**

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In furtherance of Standard Operating Policy & Procedure #105 (SOPP #105), please be advised that the enclosed supplemental rules and regulations delineated in SOPP #305 are effective immediately. These policies and procedures ensure continuous improvements surrounding the integrity, reliability and maintenance of financial information emanating from the Enterprise Resource Planning (ERP) system.

Commencing **on Monday, February 16, 2015**, the Department of Finance will cancel any purchase order (or encumbrance) in the ERP system dated on (or prior to) June 30, 2014. The only exceptions will be those purchase orders (or encumbrances) directly associated with a valid unexpired contract, memorandum of agreement or memorandum of understanding. However, a written justification letter for any of the above-mentioned exceptions, along with supporting documentation (e.g., contract, MOA, etc.), must be submitted to my attention **by Thursday, February 12, 2015**.

If you have any questions or concerns, please contact Ms. Muriel Fenton, Director of Accounting, at 774.4750, Ext. 2111.

Your full cooperation in this matter is greatly appreciated.

cc: Honorable Kenneth E. Mapp, Governor  
Randolph Knight, Chief of Staff

Encl.

<b>SOPP # 305 (Purchase Order/Encumbrance Maintenance &amp; Management)</b>	<b>Prepared By: Accounting Division</b>
<b>Effective Date:</b> February 9, 2015	<b>Approved By: Acting Commissioner of Finance</b>
<b>Title</b>	<b>Timely Liquidation and Validation of Purchase Orders/Encumbrances</b>
<b>Purpose</b>	To ensure the effective management, maintenance, and reporting of purchase orders/encumbrances in the Enterprise Resource Planning (ERP) system.
<b>Policies</b>	<ul style="list-style-type: none"> <li>• Purchase orders must be fully liquidated within: <ul style="list-style-type: none"> <li>➢ Ninety (90) days after the date of issue or conversion by the Department of Property and Procurement, with the exception of purchase orders that are directly associated with a valid unexpired contract, memorandum of agreement (MOA) or memorandum of understanding (MOU).</li> </ul> </li> <li>• Purchase orders must be fully liquidated when the following conditions exist: <ul style="list-style-type: none"> <li>• All goods and services have been received/completed and there are remaining balances on the purchase order; and,</li> <li>• Actual expense amount is lower than the purchase order amount.</li> </ul> </li> <li>• Departments/agencies must generate an outstanding purchase order listing from the ERP system (Purchase Order Module) on a monthly basis to review and validate outstanding purchase orders, including, where applicable, coordination with the Department of Finance to cancel purchase orders that are no longer valid (e.g., exceeds 90 liquidation period, difficulty with vendor delivery of goods or services, etc.).</li> <li>• Purchases made with a cancelled purchase order, whether in hard or soft copy, are improper and illegal.</li> <li>• Any employee who uses or attempts to use a cancelled purchase order to obtain goods and/or services directly from a contractor (or other vendor) shall be held personally liable and responsible for the amount of the goods and services.</li> <li>• The Department of Finance shall not make payment to a vendor who delivered goods and/or services as a result of receipt and acceptance of a cancelled purchase order.</li> </ul>

<p><b>Procedures</b></p>	<p><b><u>Departmental Operational Procedures</u></b></p> <ul style="list-style-type: none"> <li>• Liquidate purchase orders in accordance with SOPP #130 governing Accounts Payable.</li> <li>• Ensure that the liquidation of purchase orders is consistent with a specific contract, MOA, or MOU.</li> <li>• Upon receipt of a final invoice for goods and or services, fully liquidate purchase orders when processing invoice for payment.</li> <li>• If final payment has been made and purchase order is not fully liquidated, submit written request to the Commissioner, Department of Finance to cancel the purchase order.</li> <li>• Generate, review, and validate purchase orders listed within the “Purchase Order by GL Account” or “Purchase Order Inquiry” report on a monthly basis.</li> </ul>
<p><b>Procedures</b></p>	<p><b><u>System Procedures</u></b></p> <ul style="list-style-type: none"> <li>• For procedures on running Purchase Order Report, see Munis Topic – “Purchase Order by GL Account”, or “Purchase Order Inquiry” Report at <a href="http://www.usvifinance.info/html/VisionERPmanuals.html">http://www.usvifinance.info/html/VisionERPmanuals.html</a></li> <li>•</li> <li>• For procedures on liquidating purchase orders, see MUNIS Topic – Invoice Entry – Purchase Order line Qty located at <a href="http://www.usvifinance.info/html/VisionERPmanuals.html">http://www.usvifinance.info/html/VisionERPmanuals.html</a></li> <li>•</li> <li>• For procedures on entering Accounts Payable Invoice (API) see MUNIS Topic – Invoice Entry per located at <a href="http://www.usvifinance.info/html/VisionERPmanuals.html">http://www.usvifinance.info/html/VisionERPmanuals.html</a></li> <li>•</li> </ul>

**Revision History**

<b>Revision #</b>	<b>Date</b>	<b>Description of changes</b>	<b>Requested By</b>
0	1/7/15	Initial Release	MF
1	1/27/15	1 <sup>st</sup> Review & Revisions	VC
2	2/09/15	2 <sup>nd</sup> Review & Revisions	MF
3	2/4/15	3 <sup>rd</sup> Review & Revisions	VC
4	2/9/15	4 <sup>th</sup> Review & Revisions	MF
5	2/9/15	Final Review & Revisions	VC

<b>SOPP # 105 (Requisitioning)</b>	<b><u>Prepared By:</u> Audit Assurance Division</b>																									
<b><u>Effective Date:</u> 12/17/2009</b>	<b><u>Approved By:</u> Commissioner of Finance</b>																									
<b>Title</b>	<b>REQUISITIONING</b>																									
<b>Purpose</b>	To ensure uniformity and compliance with regulations for purchases made throughout the Government of the Virgin Islands.																									
<b>Policy</b>	<ul style="list-style-type: none"> <li>• Requisitions are initiated by the end user department/agency.</li> <li>• Departments/agencies must assign the appropriate vendor code and general ledger account number.</li> <li>• Department and agencies must ensure that the correct Org/Object/Project is being applied to requisitions to avoid rejections by Department of Finance</li> <li>• Capital asset purchases that meet the Department of Property &amp; Procurement's criteria (i.e., \$5,000 or greater per asset) must be flagged within the requisition as a fixed asset transaction by the respective department/agency using the following object codes: <table border="1" data-bbox="594 1031 1289 1262"> <thead> <tr> <th>Object Code Number</th> <th>Object Code Description</th> </tr> </thead> <tbody> <tr> <td>570000</td> <td>Capital Outlay</td> </tr> <tr> <td>571000</td> <td>Building and Improvements</td> </tr> <tr> <td>571110</td> <td>Land &amp; Land Improvements</td> </tr> <tr> <td>571300</td> <td>Infrastructure</td> </tr> <tr> <td>575000</td> <td>Machine, Equipment &amp; Misc.</td> </tr> </tbody> </table> </li> <li>• Avoid complications in the Accounts Payable Invoice (API) process, by initiating requisitions with the appropriate Org code and corresponding bank account as depicted below: <ul style="list-style-type: none"> <li>➤ Org codes within the specific ranges noted below that <b><u>do not</u></b> use federal project codes, should be assigned to the following bank accounts: <table border="1" data-bbox="594 1537 1300 1688"> <thead> <tr> <th>Org Code Range(s)</th> <th>ERP Account</th> <th>Fund</th> </tr> </thead> <tbody> <tr> <td>0100 – 0999</td> <td>TREA - 010010</td> <td>General</td> </tr> <tr> <td>2000 – 2124</td> <td>TREA - 010020</td> <td>Special &amp; Other</td> </tr> <tr> <td>2126 – 8999</td> <td>TREA - 010020</td> <td>Special &amp; Other</td> </tr> </tbody> </table> </li> </ul> </li> </ul>		Object Code Number	Object Code Description	570000	Capital Outlay	571000	Building and Improvements	571110	Land & Land Improvements	571300	Infrastructure	575000	Machine, Equipment & Misc.	Org Code Range(s)	ERP Account	Fund	0100 – 0999	TREA - 010010	General	2000 – 2124	TREA - 010020	Special & Other	2126 – 8999	TREA - 010020	Special & Other
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<b>Policy (Cont'd)</b>	<ul style="list-style-type: none"> <li>➤ Org codes within the specific ranges noted below that use federal project codes, should be assigned to the following bank accounts:</li> </ul>											
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	<ul style="list-style-type: none"> <li>➤ <b>NOTE:</b> Requisitions with an Org that cannot be applied to the appropriate bank account will result in an API transaction that is rejected by the Department of Finance.</li> <li>• Requisitions will follow the department/agency's duly authorized embedded workflow approval process.</li> <li>• In accordance with 31 V.I.C. § 239 (a)(3), requisitions must have supporting documentation attached: <ul style="list-style-type: none"> <li>➤ Procurements exceeding \$50,000 <ul style="list-style-type: none"> <li>▪ Letter of justification approved by the Commissioner of Property &amp; Procurement</li> <li>▪ At least three quotations be sought from the several vendors and the purchase be made from the best value</li> </ul> </li> <li>➤ Contract and Lease Renewals in Progress <ul style="list-style-type: none"> <li>▪ Letter of justification approved by the Commissioner of Property &amp; Procurement</li> </ul> </li> </ul> </li> <li>• Requisitions are released from the agency/department to be reviewed, approved, converted to purchase orders and subsequently distributed to the agency/department by Property &amp; Procurement (P&amp;P).</li> <li>• Requisitions applied to payroll objects codes will be rejected by Department of Finance.</li> <li>• All transactions require a Purchase Order to process a payment, except for the following transactions: <ul style="list-style-type: none"> <li>➤ Petty Cash/Imprest funds</li> <li>➤ Sub-Grants</li> <li>➤ Inter-fund and inter-governmental transfers</li> <li>➤ Stipends</li> <li>➤ Uniform Allowance</li> <li>➤ Judgments &amp; Claims</li> <li>➤ Workmen's Compensation</li> <li>➤ Refunds</li> </ul> </li> </ul>											

<p><b>Policy (Cont'd)</b></p>	<ul style="list-style-type: none"> <li>• Requisitions for year-end encumbrances, <b>must</b> be related to goods and services that have been incurred for the existing fiscal year (i.e., obligation to charge the Government of the Virgin Islands has been satisfied by the vendor).             <ul style="list-style-type: none"> <li>➤ Specifically, 33 V.I.C. § 3111 states, "Except as otherwise provided by law, all balances of appropriations contained in the annual appropriation bills and made specifically for the service of any fiscal year shall only be applied to the payment of expenses properly incurred during that year, or to the fulfillment of contracts properly made within that year. As used in this section, the phrase "expenses properly incurred" shall not include general encumbrance documents executed without obligation to specific vendors or for services by a specific person."                 <ul style="list-style-type: none"> <li>▪ <b>Note:</b> With the exception of goods and services that require a binding contract with the Government of the Virgin Islands (e.g. RFP) that is not completed by year-end; requisitions processed at year-end for the purpose of encumbering funds for the future purchase of goods and services for a subsequent fiscal year (i.e., obligation to charge the Government of the Virgin Islands has <b>not</b> been satisfied by the vendor), shall be subject to rejection by the Department of Property &amp; Procurement.</li> </ul> </li> </ul> </li> <li>• With the exception of encumbrance balances that are tied to contracts, all other encumbrance balances (i.e., goods and services) reflected on the ERP System for at least (3) months will be subject to cancellation/deletion without proper written justification by the respective department/agency to the Department of Finance.</li> <li>• Requisitions created in the existing fiscal for the sole purpose of paying expenses related to a previous fiscal year(s) must be accompanied by an authorization letter from the Office of Management &amp; Budget and/or Legislative Act.</li> <li>• The department or agency should indicate the shipping address on the requisition.             <ul style="list-style-type: none"> <li>➤ <b>Note:</b> The shipping address enables vendors to deliver items purchased to the appropriate location. This should include the name of the receiving agent, the contact number, and the address.</li> <li>➤ <b>Contact:</b> The Department of Property &amp; Procurement o make changes to shipping address.</li> </ul> </li> </ul>
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<b>Policy (Cont'd)</b>	<ul style="list-style-type: none"> <li>Department of Finance will monitor payments and report to the Department Property and Procurement instances of circumvention of the contractual process.</li> </ul>
<b>Responsibilities</b>	<p>Departments/agencies are responsible to do the following:</p> <ul style="list-style-type: none"> <li>Enter requisitions within regulatory guidelines</li> <li>Verify that requisitions have been released and sent to approvers</li> <li>Forwarding the purchase order to the vendor</li> <li>Attach supporting documentation to requisitions, when appropriate</li> </ul> <p>Property &amp; Procurement are responsible for the following:</p> <ul style="list-style-type: none"> <li>Reviewing requisitions to ensure compliance with regulations.</li> <li>Approving requisitions and converting them to purchase orders.</li> <li>Forwarding purchase orders to the departments and agencies</li> </ul>
<b>Procedures</b>	<p>For detailed procedures see MUNIS GVI Manual – Requisitioning at <a href="http://www.usvifinance.info/html/ERP-Manuals.html">http://www.usvifinance.info/html/ERP-Manuals.html</a></p>

### Revision History

Revision #	Date	Description of changes	Requested By
0	3/2/2009	Initial Release	JL
1	3/25/09	Revise to show new legislation	LM
2	7/30/09	Add Act # and Bill No.	JL
3	8/11/09	Additional revisions.	JL
4	12/9/09	Final review.	JL,CB,DJ,MF,CME,RT,VC