VI Department of Finance

Accounting Policies and Procedures

October 1, 2025

SOPP 305 – Timely Liquidation and Validation of Purchase Orders/Encumbrances

SOPP SECTION ORDER

SOPP NO. / Title:
SOPP 305 – Timely Liquidation and Validation of Purchase Orders/Encumbrances
Version / Effective Date:
10/01/2025
Approved Date:
10/23/2025
Approved By:
Commissioner of Finance

Section 1. PURPOSE:

The purpose of this procedure is to ensure the effective management, maintenance, and reporting of Purchase Order (PO)/Encumbrances in the Enterprise Resource Planning (ERP) system for the Department of Finance (DOF).

This SOPP shall be reviewed and revised, if necessary, at a minimum of every two years from its effective date to ensure its continued relevance and accuracy.

Section 2. SCOPE:

The Timely Liquidation and Validation of Purchase Orders/Encumbrances procedure outlines the process to ensure that purchase orders are liquidated timely within the ERP.

Section 3. ROLES AND RESPONSIBILITIES:

1. **Departments & Agencies (D&A)** – Requisition Entry Personnel-Enters requisition in ERP system and releases via workflow approval.
2. **DPP-Procurement Officer/Approver** – Reviews PO for necessary documents, approves, and converts the purchase order in ERP.
3. **D&A Chief Financial Officer (CFO)** – Generates and manages PO reports and provides a listing of purchase orders to cancel.
4. **DOF-Administration Officer or Designee** – Cancels and reopens purchase orders in the ERP system.

Section 4. DEFINITIONS / ABBREVIATIONS:

SOPP Acronyms	
D&A – Department and Agency	DOF – Department of Finance
PO – Purchase Order	

Section 5. REGULATIONS / REFERENCES:

In addition to local territory regulations, all departments and agencies receiving federal grants and utilizing federal grant funds for program expenditures must incorporate fiscal controls and accounting procedures in accordance with the Code of Federal regulations Title 2 Part 200. For those D & A's utilizing federal grant funds, the following regulations are applicable.

- **2 CFR § 200.302 Financial management.** (a) Each State must expend and account for the Federal award in accordance with State laws and procedures for expending and accounting for the State's funds. All recipient and subrecipient financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by the terms and conditions; and tracking expenditures to establish that funds have been used in accordance with Federal statutes, regulations, and the terms and conditions of the Federal award.

- **§ 200.303 Internal controls. (**a) Establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in "Standards for Internal Control in the Federal Government" (Green Book) issued by the Comptroller General of the United States or the "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Green Book provides a framework for establishing and maintaining effective internal control systems in federal agencies. It is also widely adopted by non-federal entities (e.g., nonprofits, local governments) that receive federal funds.

The Green Book is built around five components of internal control:

1. **Control Environment** – Leadership sets the tone for integrity and ethical behavior.
2. **Risk Assessment** – Identifying and analyzing risks to achieving objectives.
3. **Control Activities** – Policies and procedures to mitigate risks.
4. **Information and Communication** – Ensuring relevant information flows internally and externally.
5. **Monitoring** – Ongoing evaluations to ensure controls are effective.

The COSO Framework is a globally recognized model for designing, implementing, and evaluating internal controls. It is widely used across sectors, including government, nonprofits, and private industry. It has five components that are the same as the Green Book.

Under **2 CFR § 200.303**, recipients and subrecipients of federal awards must maintain internal controls that align with either the **Green Book** or the **COSO Framework**. These controls help ensure:

- Proper use of federal funds
- Compliance with laws and regulations
- Prevention of fraud and misuse

See the appendix for more details.

Section 6. POLICY:

ALL Purchase Orders (PO) must be fully liquidated within ninety (90) days after the date of issue or conversion by the Department of Property and Procurement (DPP), except that:

- Purchase orders that are directly associated with a valid unexpired contract, valid justification letter approved by DPP, memorandum of agreement (MOA), or memorandum of understanding (MOU) are exempt from the ninety (90) day limit; and,

- Purchase orders supporting certain procurement documents (e.g., Request for Proposal solicitations), unexecuted contracts, unexecuted memoranda of understanding, unexecuted memoranda of agreement, and unexecuted real property leases are exempt from ninety (90) day limit. They are valid for one hundred and eighty (180) calendar days from the date of issuance.
- Purchase orders tied to unexpired, authorized federal funds covering regular federal funds, Disaster, COVID, and ARPA funds.

When the following conditions exist, purchase orders MUST be fully liquidated using "Fully Liquidation" feature in ERP:

- All goods and/or services have been received and completed with no balance.
- All goods and/or services have been received and there is a balance that is no longer needed.

When the following conditions exist, purchase orders are **ENCOURAGED** to be partially liquidated using the "Modify Liquidation" feature in the ERP:

- Some goods and/or services have been received, but there is still a balance of items left to be received.
- Some goods and/or services have been received on a PO that is obligated to cover several periods of a monthly recurring cost.

Section 7. PROCEDURES:

7.1 Purchase Order (PO) Management:

DOF coordinates with D&As to implement Purchase Order Management processes as follows.

1. D&A CFOs must manage this process for their agency by working with DPP and DOF to meet the timely liquidation process. They must document any unusual circumstances where an extension of a purchase order is needed by submitting to DOF a written request to reopen a purchase order for an invoice received. (See Procedures in Section 7.3)
2. DOF Commissioner may approve and/or reject the written request.
3. DOF- Administration Officer or Designee will reopen the purchase order in the ERP system and submit a letter to DOF-Commissioner for signature.
4. D&A CFO will have to seek revalidation of funds within another source.
5. D&A CFO will be responsible for working with OMB on a new funding source, which could result in the utilization of the current year's budget.

7.2 Carryforward Purchases:

D&A CFO must ensure that all purchase orders are liquidated timely, and that any carryforward purchases are limited to the liquidation of invoice within the first quarter of the new fiscal year. (Ex. Purchase order dated in September and invoices dated October, November, and December (in the new fiscal year) are being liquidated.)

7.3 Purchase Order Inquiry and Reporting

1. D&A CFO must generate the following PO reports monthly and review with D&A Agency Head to determine what needs to remain open and what needs to be cancelled. This is referred to as PO Analysis.
   - Standard PO Reports
   - Purchase Orders by GL Account

Standard PO Report

Account Description	Org Code	Object Code	Project Code	Fund	Fund Description	PO #	PO Fiscal Year	PO Department	Line Number	Vendor Number	Vendor Name	PO Date	Ordered Amount	Open Amount
PROFESSIONAL SERVICES	00390204	534000		0100	GENERAL FUND	8,803	2025	3901	2	4,078	CENTRAL WAREHOUSE	06/27/2025	31.64	31.64
PROFESSIONAL SERVICES	00390204	534000		0100	GENERAL FUND	8,803	2025	3901	3	4,078	CENTRAL WAREHOUSE	06/27/2025	21.09	21.09
PROFESSIONAL SERVICES	00390204	534000		0100	GENERAL FUND	8,803	2025	3901	4	4,078	CENTRAL WAREHOUSE	06/27/2025	10.55	10.55
PROFESSIONAL SERVICES	00394004	534000		0100	GENERAL FUND	11,052	2025	3901	1	12,392	OMNI SYSTEMS, INC.	08/18/2025	900.00	22.50

2. D&A CFO must submit PO analysis in excel format to include purchase order number, fiscal year, org code, and amount with notes to DOF-Admin Officer accountingpoe@dof.vi.gov every 15 business days after month end.

Purchase Orders by GL Report shows the accounts

ORGANIZATION CODE	ORGANIZATION DESC	OBJECT CODE	OBJECT DESC	PROJECT CODE	PROJECT DESC	FUND CODE	FUND DESC
00110004	OFF ATTY GEN OTH SRV	534000	PROFESSIONAL SERVICES			0100	GENERAL FUND
00111003	DOJ BUDGET ACCT SPL	541100	OPERATING SUPPLIES			0100	GENERAL FUND
00111003	DOJ BUDGET ACCT SPL	541200	VEHICLE SUPPLIES			0100	GENERAL FUND
00111003	DOJ BUDGET ACCT SPL	541200	VEHICLE SUPPLIES			0100	GENERAL FUND
00111003	DOJ BUDGET ACCT SPL	541200	VEHICLE SUPPLIES			0100	GENERAL FUND
00111003	DOJ BUDGET ACCT SPL	541200	VEHICLE SUPPLIES			0100	GENERAL FUND
00111003	DOJ BUDGET ACCT SPL	541200	VEHICLE SUPPLIES			0100	GENERAL FUND
00111003	DOJ BUDGET ACCT SPL	541200	VEHICLE SUPPLIES			0100	GENERAL FUND
00111003	DOJ BUDGET ACCT SPL	541200	VEHICLE SUPPLIES			0100	GENERAL FUND
00111003	DOJ BUDGET ACCT SPL	542000	REPAIR AND MAINTENANCE SUP			0100	GENERAL FUND

FUND DESC	STATUS	VENDOR NUMBER	VENDOR NAME	PO NUMBER
GENERAL FUND	Carry Fwrd	67261	NATIONAL MEDICAL SERVICES, INC.	12003
GENERAL FUND	Carry Fwrd	14495	SALAM INTERNATIONAL	9171

3. D&A can request to cancel the PO before the ninety (90) days and one hundred (180) days.

Section 8. COMPLIANCE AND ACCOUNTABILITY:

- D&A CFO is responsible for ensuring that the PO (agreements with vendors) are liquidated in compliance with this policy.
- OMB, DPP, and DOF will work collaboratively to confirm that the funds are still available for purchase orders tied to contracts and make the necessary recommendations.
- DPP and DOF will work collaboratively to provide a report to the Governor on D&A who are performing poorly in managing purchase orders.
- Departments and agencies must monitor and enforce compliance with federal regulations and grantors' requirements including any specific conditions, if applicable, such as maintaining current standard operating procedures.

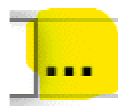
Section 9. APPENDICES:

Appendix A. Generating PO Reports

This section presents the Standard PO Report Steps in the ERP System:

1. Search for "Standard PO Report" in Search Engine Menu

- Click on "Open PO by Account".
- Click on "Define"
- Enter PO Date Range: 10/01/2023- 09/30/2024 (Example: FY' 2024).
- Enter D&A department/Location number. To find the department number, click on the ellipsis highlighted in yellow below. If the department number is readily available, enter it in the field.



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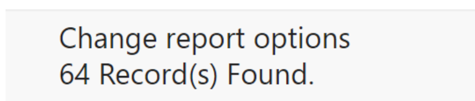
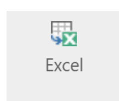
- Check box, "Expense"
- Select Accept so the system can pull the data.



- Once the number of records are found the notice above will appear.
- Click on Excel Icon 

- In Export Filter, click on "Select All"
- Select "Accept"
- Save Report for analysis (The Standard PO Report shows the accounts.)

Account Description	Org Code	Object Code	Project Code	Fund	Fund Description	PO #	PO Fiscal Year	PO Department	Line Number	Vendor Number	Vendor Name	PO Date	Ordered Amount	Open Amount
PROFESSIONAL SERVICES	00390204	534000		0100	GENERAL FUND	8,803	2025	3901	2	4,078	CENTRAL WAREHOUSE	06/27/2025	31.64	31.64
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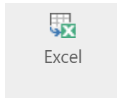
PROFESSIONAL SERVICES	00394004	534000		0100	GENERAL FUND	11,052	2025	3901	1	12,392	OMNI SYSTEMS, INC.	08/18/2025	900.00	22.50

Purchase Order by GL Account

2. Search for "Purchase Order by GL Account" in Search Engine Menu

- Click on "Seg Find"
- Enter Fund and Department # or leave blank to pull in all POs.
- Click on "Define"
- Leave as "Now" for executing the report
- Highlight circle next to "Fund Range"
- Click on "Accept"

- Click on "Select"
- *The system will begin to "Loading" data*
- *The left bottom left of the screen will indicate how many records were found.*
- Click on Excel Icon 

- In Export Filter, click on "Select All"
- Select "Accept"
- Save Report for analysis (The Purchase Orders by GL Report shows the accounts.)

ORGANIZATION CODE	ORGANIZATION DESC	OBJECT CODE	OBJECT DESC	PROJECT CODE	PROJECT DESC	FUND CODE	FUND DESC
00110004	OFF ATTY GEN OTH SRV	534000	PROFESSIONAL SERVICES			0100	GENERAL FUND
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FUND DESC	STATUS	VENDOR NUMBER	VENDOR NAME	PO NUMBER
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GENERAL FUND	Carry Fwrd	14495	SALAM INTERNATIONAL	9171

- DOF-MIS Unit provides annual ERP training. For more information, please contact MIS Help Desk for the annual schedule.

Appendix B. References And Regulations

The Code of Federal regulations Part 200 provides guidance for the drawdown of federal grant funds. To read the full guidance listed in Section 5, please access the eCFR online at https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200.

- **2 CFR § 200.302 Financial management.**

  (a) Each State must expend and account for the Federal award in accordance with State laws and procedures for expending and accounting for the State's funds. All recipient and subrecipient financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by the terms and conditions; and tracking expenditures to establish that funds have been used in accordance with Federal statutes, regulations, and the terms and conditions of the Federal award. See § 200.450.

- **§ 200.303 Internal controls.**

  The recipient and subrecipient must:

  (a) Establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

  (b) Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal award.

  (c) Evaluate and monitor the recipient's or subrecipient's compliance with statutes, regulations, and the terms and conditions of Federal awards.

  (d) Take prompt action when instances of noncompliance are identified.

- **2 CFR § 200.305 Federal payment.**

  (a) Payments for States. Payments for States are governed by Treasury-State Cash Management Improvement Act (CMIA) agreements and default procedures codified at 31 CFR part 205 and Treasury Financial Manual (TFM) 4A-2000, "Overall Disbursing Rules for All Federal Agencies."

  (b) Payments for recipients and subrecipients other than States. For recipients and subrecipients other than States, payment methods must minimize the time elapsing between the transfer of funds from the Federal agency or the pass-through entity and the disbursement of funds by the recipient or subrecipient regardless of whether the payment is made by electronic funds transfer or by other means. See § 200.302(b)(6). Except as noted in this part, the Federal agency must require recipients to use only OMB-approved, government-wide information collections to request payment.

- **34 CFR § 75.707 When obligations are made**.

The following table shows when a grantee makes obligations for various kinds of property and services.

If the obligation is for—	The obligation is made—
(a) Acquisition of real or personal property	On the date the grantee makes a binding written commitment to acquire the property.
(b) Personal services by an employee of the grantee	When the services are performed.
(c) Personnel services by a contractor who is not an employee of the grantee	On the date on which the grantee makes a binding written commitment to obtain the services.
(d) Performance of work other than personal services	On the date on which the grantee makes a binding written commitment to obtain the work.
(e) Public utility services	When the grantee receives the services.
(f) Travel	When the travel is taken.
(g) Rental of real or personal property	When the grantee uses the property.
(h) A pre-agreement cost that was properly approved by the Secretary under the cost principles in 2 CFR part 200, Subpart E—Cost Principles	On the first day of the project period.

- (Authority: 20 U.S.C. 1221e-3 and 3474)

Section 10. REVISION HISTORY:

Revision #	Date Requested	Author (Name/Title)	Description of Changes	Approved By (Name & Title)	Signature	Date Approved
0	01/07/2015	Muriel Fenton	Initial release of the policy	Valdamier Collens, Finance Commissioner	VC	07/12/2016
1	12/21/2021	Ebony Serrano	Add D&A reporting mechanism	Bosede Bruce, Finance Commissioner	BB	12/21/2021
2	04/26/2024	Ebony Serrano	Revised to make DPP leading agency in cancel of POs	Kevin McCurdy, Finance Commissioner	KM	04/26/2024
3	05/19/2025	Ebony Serrano	Updated to include useful language regarding 2CFR-Language	Kevin McCurdy, Finance Commissioner	KM Kevin McCurdy	10/30/2025