

R★STARS	Version 2.0
DATA ENTRY GUIDE EXPENDITURE CYCLE	9-1 Revised 07/08

PURPOSE

This chapter provides system users with an understanding of the expenditure cycle within R★STARS. Instructions to enter each of the types of expenditure cycle transactions are presented.

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OVERVIEW

Accounting for expenditures is a key activity in any organization. Governmental entities have increased requirements relating to the expenditure cycle due to budgetary reporting needs and the variety of different fund types. The recording of expenditure-related transactions must be carefully monitored and controlled to meet these requirements.

The expenditure cycle may be divided into five categories of transactions used by most governmental funds. These categories are pre-encumbrances, encumbrances, vouchers payable, disbursements, and interfund/interagency transfers.

Pre-Encumbrances

Recording pre-encumbrances is the first step in the purchasing cycle. Pre-encumbrances are normally recorded for larger purchase requisitions which will remain outstanding for a relatively long period of time. Pre-encumbrances are memo accounts only in appropriation accounting. Their inclusion in agency budget balance calculations is dependent on the Pre-Encumbrance Indicator in the **25 – Agency Control Profile**.

Encumbrances

Accounting for encumbrances is required in governmental fund accounting for budgeted funds. Encumbrances are purchase orders, agreements for service, contracts and other commitments to purchase goods or services. Encumbrances are used in the calculation of Remaining Free Budget-Encumbered basis and Cash Available-Encumbered basis in appropriation accounting. Their inclusion in agency budget balance calculations is dependent on the Encumbrance Indicator on the **25** profile.

The State of Oregon has adopted a policy requiring pre-encumbrances and encumbrances for certain purchases. Please refer to the Oregon Accounting Manual 20.20.00.PO.

Vouchers payable

Vouchers payable are recorded to recognize expenditures when incurred and invoiced, which is required under a full accrual basis of accounting. Vouchers payable transactions may also be recorded which charge revenues, asset accounts and other liability accounts. Credit memos may also be recorded to reduce vouchers payable to vendors. Accrued expenditures are used in the Accrued Basis Budget Balances for appropriations. Accrued expenditures are always included in agency budget calculations.

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Expenditures and Payment Processing

Payment processing includes the writing of warrants and/or direct deposits for disbursements of cash to vendors. These transactions are system generated from the voucher payable transactions. When warrants and/or direct deposits are processed additional transactions are system generated to reduce cash and the related vouchers payable balances. Cash expenditures are also recorded and the related accrued expenditure balances are reduced at the time the disbursement is processed. Cash expenditures are used in both appropriation and agency budget edits.

Interfund/Interagency Expenditure Transactions

Expenditure Transfers (Interfund) are recorded when original expenditure transactions were posted to an incorrect account. Additionally, Quasi-External Transactions (Interagency) are recorded when one organization provides goods or services to another organization. The buying organization is charged with an expenditure. Depending upon the type of fund involved, the seller organization may credit revenue or expenditure reimbursements. Interfund/Interagency Transactions are also discussed in Chapter 8 of this Guide.

Additionally, refer to the ADPICS Terminal Operator's Guide for information on processing requisitions, purchase orders, vouchers and other expenditure – related documents.

This chapter reviews the procedures for recording each of the expenditure cycle transactions described above. The last section of the chapter covers the expenditure cycle examples and user specific procedures.

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9-1 ENTRY OF PRE-ENCUMBRANCES AND ENCUMBRANCES

Example of an Agency 25 profile:

S025 UC: 08	STATE OF OREGON	07/23/08 08:30 AM
LINK TO:	AGENCY CONTROL PROFILE	PROD
AGENCY: 107	FISCAL YEAR: 09	
COST RUN IND:	RUN TYPE:	NO STEPS: LAST STEP:
ALLOCATION- CA BY IDX:	CA BY PROJ:	CA BY GRANT: CA POST:
CA RANGE FROM: TO:	CA TYPES:	
BILLING DEF- IDX:	PCA:	EXP COMP/AGY OBJ:
DEFAULT- IDX:	PCA:	REV COMP/AGY OBJ:
REPORTING INDS- WEEK:	N MONTH: N QUARTER: N YEAR: N	
DOCUMENT MATCH LEVEL INDICATORS - PRE-ENC: 1 ENC: 1 NON-ENC: 1		
REDUCE AGENCY BUDGET INDICATORS - PRE-ENC: N ENC: Y (Y OR N)		
COMP OBJ RECD ON D11: Y		
FIXED ASSET - IND: N	THRESHOLDS - CAP: INV:	CAPTURE:
AGENCY OBJECT IND: B (R=REV, E=EXP, B=BOTH, N=NONE)		
LAST MONTH CLOSED: 00	AGY BUD BY ORG IND: N	(Y OR N)
AE LAST MONTH/YEAR PURGED:	AGY BUD BY PGM IND: Y	(Y OR N)
REPORTING MONTH/YR: 06 09	LABOR RUN IND: N	(Y, N OR A)
INTEREST CALC RUN/MONTH: N	COLLECTION TRANSFER RUN: N	(Y OR N)
GRANT/PROJ BILLING RUN: N	SGL ORG LVL IND: 1	STATUS CODE: A
EFF START DATE: 07012008	EFF END DATE:	LAST PROC DATE: 05292007
Z06 RECORD SUCCESSFULLY RECALLED		
F1-HELP F3-DEL F5-NEXT F9-INT F10-SAVE F11-SAVE/CLEAR ENTER-INQ CLEAR-EXIT		

Pre-encumbrances are entered into R★STARS at the option of agencies. Recall that pre-encumbrances are considered "memo" entries and are not included in any of the available appropriation balances. Agency budget calculations, however, are dependent upon the Pre-Encumbrance Indicator in the 25 profile. The Current Document Number on the transaction uniquely identifies the pre-encumbrance in the system.

Encumbrances are typically entered as reserves of budgetary balances. That is, encumbrance transactions are controlled in R★STARS. They may be rejected if the available appropriation, agency budget, grants or project expendable budget is exceeded. As with pre-encumbrances, the reduction of agency budget authority by encumbrances is also controlled by an indicator in the 25 profile. The Current Document Number on the transactions uniquely identifies the encumbrance in the system.

When encumbrances are pre-encumbered, the entry of the encumbrance transaction with a Reference Document Number causes the automatic liquidation of the pre-encumbrance. The value of the Modifier Code entered identifies if the pre-encumbrance liquidation is partial or final. Only the Transaction Code, Pre-Encumbrance Number (Reference Document Number), agency, and transaction amount need be entered. R★STARS automatically retrieves all other required information from the pre-encumbrance. This data can then be reviewed and accepted, or can be changed for the encumbrance.

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Pre-encumbrance and encumbrance transactions (batch type 3) are entered on the **505 – Pre-Encumbrance/Encumbrance/Expenditure Transaction Entry** screen. Examples of this are shown in Section 9-6. Chapter 3 of this Guide includes instructions on the use of this screen.

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9-2 ENTRY OF VOUCHERS PAYABLE

Vouchers payable transactions may be entered to charge accrued expenditures, revenues or other accounts. Credit memos may also be recorded to reduce the liability to a vendor. The Current Document Number field in R★STARS identifies the vouchers payable or credit memo document. Vouchers payable are liabilities which have been "vouchered" and are supported by a vendor invoice and result in the generation of a payment to a vendor.

When the appropriate Transaction Code and Reference Document Number are coded, the entry of an vouchers payable transaction automatically liquidates a previously entered encumbrance. The liquidation may be partial or final, as indicated by the Modifier Code.

Expenditures may be greater or less than the related encumbrance amount. However, R★STARS provides the ability to liquidate the original amount of the encumbrance when an 'F' is entered in the Modifier field on the transactions/vouchers.

There are many transaction codes that can be used for vouchers payable transactions. The most common vouchers payable transactions are:

- **T-Code 222 Voucher Payable Not Encumbered**
- **T-Code 225 Voucher Payable Encumbered**
- **T-Code 220 Revenue Refund Payble/Trfr to Comp Unit**

Vouchers payable transactions (batch type 4) are entered on the **505** screen.

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9-3 ENTRY OF EXPENDITURE AND PAYMENT PROCESSING

Expenditure transactions are entered to record expenditures and the associated vouchers payable of the state. Warrant or direct deposits are generated depending on the Payment Distribution Type (PDT) on the transaction. Most of these warrants are automatically generated as a result of the payment processing capabilities of R★STARS. System users also record cash expenditure transactions for wire transfers.

Several T-Codes are available to record vouchers payable that generate the processing of a warrant or direct deposit. For system generated warrants the reduction of cash and vouchers payable, and the reclassification of expenditures from accrued to cash occurs automatically on the due date of the payment as entered on the transaction. Wire transfer transactions are generated on the Effective Date of the transaction entry.

Payment processing automatically generates a warrant and/or direct deposit and liquidates the voucher payable transaction on the Due Date. Users enter the Payment Distribution Type (PDT) on the transaction or allow it to default from the vendor profile. This indicator determines if the vendor will be paid by warrant or direct deposit and also determines if transactions will be combined across documents, appropriated funds, and/or batch agencies before generating payment to a vendor. Voucher transactions can be placed on hold with a DMI set to 'H'. *In Oregon, the default PDT for most vendors will combine across documents, appropriated funds and batch agencies.*

Warrants can be expedited and printed during the day using the **41 – Disbursement Maintenance Screen**. Transactions must be error free, approved and posted before they can be expedited.

R★STARS also provides the ability to cancel a single payment, a range of payments, or a document. Cancellation must be performed by central users with special security.

Agencies request cancellations through SFMS Operations.

For more discussion on the payment processing features, see Chapter 5 of the R★STARS System Management Guide.

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9-4 ENTRY OF INTERFUND/INTERAGENCY EXPENDITURES

Interfund/Interagency Transactions are entered as balanced transactions. There are two T-Codes for every document. For every 'in' there must be an 'out' for the document to balance.

Expenditure Transfers are entered to record transfers within an agency between different funds. They are used to correction expenditures that were posted incorrectly.

Example:

T-Code 415/416 Move Expenditure/Cash Into/Out of a Fund – Moves the Expenditure and Reduces or increases cash between two funds within an agency.

Quasi-External transactions are entered to record expenditures in organizations receiving goods and services from another agency in Oregon using R*STARS.

Example:

T-Code 730/731 Quasi-External Expenditure/Revenue (A/R) – Record expenditure for purchase of goods from another agency that were invoiced (Accounts Receivable)/receipt of Accounts Receivable from another Agency (used to record revenue for an Agency seller).

This process is discussed in more detail in Chapter 8 of this guide.

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9-5 EXPENDITURE REPORTING

After expenditure cycle transactions have been entered, and additionally after payments have been generated, the status of payables, expenditures and their associated budgets should be monitored. R★STARS provides two methods for monitoring status: On-line inquiry and standard reports.

On-Line Inquiries

There are several useful screens on R*STARS to look up expenditure transactions. Here are some of them:

85 Vendor Transaction Inquiry – displays the accounting details for transactions for a particular vendor.

86 Document Transaction Inquiry – shows all of the transactions that reference a particular document number and suffix.

84 Accounting Event Record Inquiry – displays records from the Accounting Event (AE) and Inactive Accounting Event (IAE) Tables. The Accounting Event Tables contain the details for each transaction. This inquiry can be drilled down to from the 86 Document Transaction Inquiry.

44 Single Payment Cancellation – displays the vendor, amount, and status for a particular warrant or direct deposit and all of the R*STARS and ADPICS transactions included in the payment. Not primarily used as an inquiry, but is a useful tool.

Standard Reports

Standard requestable reports are available to track and audit expenditures in R*STARS. See page 33 of Chapter 1 of the Report Guide for a recommended list of SFMS requestable expenditure reports.

Examples of suggested expenditure reports are:

DAFR6510 – Expenditure and Revenue Register

DAFR6510 – Cash Receipts and Cash Disbursements Register

DAFR9200 – Revenues and Expenditures Register by Fund, Organization, Program and Object

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9-6 EXAMPLE OF EXPENDITURE TRANSACTIONS

PRE-ENCUMBRANCE EXAMPLE

An agency entered into an agreement to purchase fifty new trucks. A purchase order was filled out. The screen below shows the entry of the pre-encumbrance into the system.

```

S505 UC: 10 STATE OF OREGON 07/23/08 08:34 AM
LINK TO: PRE-ENC/ENC/EXPEND TRANSACTION ENTRY NOTE: PROD
BATCH: AGENCY 106 DATE 072008 TYPE 4 NO 202 SEQ NO 00001 MODE EDIT AND POST
DOC DATE: 070708 EFF DATE: 070808 DUE DATE: SERV DATE:
CUR DOC/SFX: PE000001 001 REF DOC/SFX: MOD: AGENCY: 106
TRANS CODE: 200 ESTABLISH A PRE-ENCUMBRANCE (NON-ADPICS)
INDEX: 10000 DOT ADMINISTRATION
PCA: 10000 RISK MANAGEMENT AY: 09
COMP/AGY OBJ: 4200 TRUCKS
AMOUNT: 000000600000.00 RVS: DISC: 1099: FO: PDT:
DOC COUNT: DOC AMT: 00000600000.00 DOC AGY: 106 CI: PROP #:
INV NO: DT: DESC:
VEND/MC: 1111111110 000 NM: FORD MOTOR COMPANY
CONT NO: ADDR 1: 100 SW DRIVE
WARR NO: ADDR 2:
APPN NO: ADDR 3:
FUND: ADDR 4:
GL AC/AGY: CITY: SALEM ST: OR ZIP: 97310
GRANT NO/PH: SUB GRANTEE: PROJ NO/PH:
MPCD: AGY CD-1: 2: 3: G38: RTI:

F1-HELP F3-RTI F4-EDIT F6-BALANCING F7-DETAILS F9-INTERRUPT F10-SAVE
F11-SAVE/CLEAR F12-HEADERS CLEAR-EXIT

```

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ENCUMBRANCE EXAMPLE

An agency ordered three desks and chairs for new employees. It was not pre-encumbered. A purchase order was filled out and approved. The screen below shows the entry of the encumbrance into the system.

```

S505 UC: 10 R★STARS ACCOUNTING 07/23/08 08:35 AM
LINK TO: PRE-ENC/ENC/EXPEND TRANSACTION ENTRY NOTE: PROD
BATCH: AGENCY 106 DATE 080406 TYPE 3 NO 101 SEQ NO 00002 MODE EDIT AND POST
DOC DATE : 080406 EFF DATE: 080406 DUE DATE: SERV DATE:
CUR DOC/SFX: E0000001 001 REF DOC/SFX: MOD: AGENCY: 106
TRANS CODE: 203 ENCUMBRANCE NOT PRE-ENCUMBERED
INDEX: 10000 DOT ADMINISTRATION
PCA: 10000 RISK MANAGEMENT AY: 09
COMP/AGY OBJ: 8483 OFFICE FURNITURE AND EQUIPMENT
AMOUNT: 600.00 RVS: DISC: 1099: FO: PDT:
DOC COUNT: 00001 DOC AMT: 0000000600.00 DOC AGY: 106 CI: PROP #:
INV NO: DT: DESC:
VEND/MC: 2409521468 002 NM: TEX-PACK
CONT NO: ADDR 1: 217 SOUTH J STREET
WARR NO: ADDR 2:
APPN NO: ADDR 3:
FUND: ADDR 4:
GL AC/AGY: CITY: MCALLEN ST: TX ZIP: 78501 0000
GRANT NO/PH: SUB GRANTEE: PROJ NO/PH:
MPCD: AGY CD-1: 2: 3: G38: RTI:

F1-HELP F3-RTI F4-EDIT F6-BALANCE F7-DETAILS F9-INTERRUPT F10-SAVE
F11-SAVE/CLEAR F12-HEADERS CLEAR-EXIT

```

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EXPENDITURE EXAMPLE

Once the order is received the agency must record the expenditure and liquidate the encumbrance. The screen below shows the entry of the voucher payable into the system.

```

S505 UC: 10 R★STARS ACCOUNTING 07/23/08 08:36 AM
LINK TO: PRE-ENC/ENC/EXPEND TRANSACTION ENTRY NOTE: PROD
BATCH: AGENCY 106 DATE 080406 TYPE 4 NO 103 SEQ NO 00002 MODE EDIT AND POST
DOC DATE : 080406 EFF DATE: 080406 DUE DATE: SERV DATE: 032891
CUR DOC/SFX: VP000001 001 REF DOC/SFX: E0000001 001 MOD: F AGENCY: 106
TRANS CODE: 225 VOUCHER PAYABLE PREVIOUSLY ENCUMBERED
INDEX: 10000 DOT ADMINISTRATION
PCA: 10000 RISK MANAGEMENT AY: 09
COMP/AGY OBJ: 8483 OFFICE FURNITURE AND EQUIPMENT
AMOUNT: 600.00 RVS: DISC: 1099: FO: PDT: MA
DOC COUNT: 00001 DOC AMT: 0000000600.00 DOC AGY: 106 CI: PROP #:
INV NO: DT: DESC:
VEND/MC: 1409521468 002 NM: TEX-PACK
CONT NO: ADDR 1: 217 SOUTH J STREET
WARR NO: ADDR 2:
APPN NO: 10001 ADDR 3:
FUND: 0001 ADDR 4:
GL AC/AGY: CITY: MCALLEN ST: TX ZIP: 78501 0000
GRANT NO/PH: SUB GRANTEE: PROJ NO/PH:
MPCD: AGY CD-1: 2: 3: G38: RTI:

F1-HELP F3-RTI F4-EDIT F6-BALANCE F7-DETAILS F9-INTERRUPT F10-SAVE
F11-SAVE/CLEAR F12-HEADERS CLEAR-EXIT

```

The screen below shows the generated warrant transaction from the t-code 225 in the system.

```

S505 UC: 10 STATE OF OREGON 07/23/08 08:38 AM
LINK TO: PRE-ENC/ENC/EXPEND TRANSACTION ENTRY NOTE: N PROD
BATCH: AGENCY 106 DATE 080506 TYPE W NO 927 SEQ NO 00086 MODE MASTER EDIT ONLY
DOC DATE: 080406 EFF DATE: 080406 DUE DATE: SERV DATE: 032891
CUR DOC/SFX: ZE60805R 001 REF DOC/SFX: VP000001 001 MOD: AGENCY: 106
TRANS CODE: 380 PAYMENT LIQUIDATION EXPENDITURE
INDEX: 10000 INSURANCE DIVISION
PCA: 10000 INVESTIGATIONS AY: 09
COMP/AGY OBJ: 8483 PROF DEV INSTATE TUITION/REGISTRATION
AMOUNT: 00000000600.00 RVS: DISC: 00000000000.00 1099: 7 FO: PDT: MA
DOC COUNT: 00203 DOC AMT: 0000134741.77 DOC AGY: 106 CI: PROP #:
INV NO: DT: DESC:
VEND/MC: 1409521468 002 NM: TEX-PACK
CONT NO: ADDR 1: 217 SOUTH J STREET
WARR NO: 120000000 ADDR 2:
APPN NO: 10001 ADDR 3:
FUND: 0001 ADDR 4:
GL AC/AGY: CITY: MCALLEN ST: TX ZIP: 78501 0000
GRANT NO/PH: SUB GRANTEE: PROJ NO/PH:
MPCD: AGY CD-1: 2: 3: 00450 G38: RTI: D

F1-HELP F5-NEXT F7-DETAILS F12-HEADERS CLEAR-EXIT

```