

## Procedures for Multi-Year Obligations

### SCOPE:

This process applies to all purchases crossing fiscal years. If the purchase requires prepayment, the [Prepaid/Deposits Policy and Procedure](#) will also be in effect.

### PROCEDURES:

Purchases that cross fiscal years (*e.g. vehicle/tower leases, subscriptions, maintenance contracts, etc.*) will follow the multi-year obligation procedures outlined below:

#### *Initiating the purchase*

- A. The requesting department will submit a Requisition **for the full purchase amount**.
  1. Using the Transaction Date field, the requisition should be placed into the fiscal year and period of the expected delivery or beginning service date.  
***Notes: Review the [Date Fields on Banner Requisitions & POs](#) documentation for proper use of all date fields. If the purchase requires a prepayment or deposit, the [Prepaid & Deposits Policy and Procedure](#) should also be reviewed and followed.***
  2. Document text should include:
    - a. The full obligation of the contract
    - b. Expense amount associated with each fiscal year
    - c. Start and end date of contract
    - d. Payment timeline
- B. The requisition will flow through normal Banner approvals.
  1. Budget managers should ensure that the organizational budgets have available funding for the full contract amount. If not, a budget amendment will be required before the requisition can be completed.

#### *Executing the purchase order*

- A. The Purchasing Department will issue a purchase order (PO) to the appropriate vendor once an approved requisition has been obtained.
  1. The PO will be created **for the full amount of the contract/agreement**.
  2. Using the Transaction Date field, the PO will be placed into the fiscal year and period of the expected delivery or service date.
  3. On the Vendor Information Tab, enter the Multi-Year class code of “M”.  
***Note: Using the “M” class code in this field is vital to the accuracy of the multi-year obligations report addressed in the sections below.***

### ***Issuing payment***

- A. Accounts Payable will issue payment against the PO as invoices are received.  
*Note: If payment is required before goods/services have been received, the Prepaid & Deposits Policy and Procedure will also be in effect.*

### ***Changing Fiscal Years***

- A. At the end of each fiscal year, a multi-year obligations report created by the Business Intelligence Office will be generated to identify all open POs with a “M” Class Code. These POs will become part of the encumbrance roll process that will be completed at the end of July.
- B. Immediately following the encumbrance roll process, Financial Planning & Budgeting will process a journal voucher to fund the organizational budgets for the remaining balance of each multi-year PO.
- C. Refer to “Issuing Payment” section to continue use of the PO until the term of the contract has been reached.

### **RELATED DOCUMENTS:**

- Date Fields on Banner Requisitions & POs
- Prepaid /Deposits Policy & Procedure