



STATE OF HAWAII
DEPARTMENT OF ACCOUNTING
AND GENERAL SERVICES
P.O. BOX 119
HONOLULU, HAWAII 96810-0119

MAY 13 2005

COMPTROLLER'S MEMORANDUM NO. 2005-12

TO: Heads of Departments and Agencies

ATTN: Fiscal Offices

SUBJECT: Contract Encumbrances and Contract Processing Procedures

This memorandum, effective June 1, 2005, replaces Special Distribution Memorandum No. 1983-1 dated July 28, 1983, Contract Processing Procedures, and Comptroller's Memorandum No. 1993-21 dated November 12, 1993, Submission of Contracts for Encumbrance and Certification.

To facilitate the pre-audit and encumbrance of contracts, we have developed checklists for the different types of contracts. The checklists will assist departments in preparing their submittals for encumbrance. We are also requiring that contracts be fully executed prior to submittal. For contracts that are not fully executed by the end of the quarter or fiscal year, blanket encumbrances will be accepted when accompanied by the following:

1. For competitive sealed bidding - bid tabulation sheets opened on or before the end of the quarter or June 30 that reflect all bidders and their proposed amounts. Recommendations of contract awards for bids opened on or before the end of the quarter or June 30 will continue to be accepted.
2. For competitive sealed proposals – the intent to award letter containing the amount of the proposal dated on or before the end of the quarter or June 30.

3. For professional services – the intent to award letter dated on or before the end of the quarter or June 30 and the selection committee's ranking that is sent to the head of the purchasing agency. If the ranking does not contain prices, the intent to award letter must contain the amount of the proposal.
4. For sole source – State Procurement Office's approved form dated on or before the end of the quarter or June 30 which contains the vendor and the amount.

Before submitting a contract for encumbrance, the department or agency should verify that funds are available, that the contract is a proper charge against the appropriation from which the funds are being encumbered, and that all requirements including necessary prior approvals have been obtained. If required, the contract must be in a form approved by the State's Attorney General.

The following is required as part of the contract package:

1. Transmittal Memorandum:

A transmittal memorandum with the information reflected in the sample, Exhibit A, should accompany the contract. The contractor's name and the vendor code should match to the contractor's name in the contract document. If the contractor is a new vendor or, requires a different remittance address from the existing vendor code thereby requiring a new vendor suffix, a "Vendor Table Maintenance" (SAFORM A-54) with the required support (company letterhead, sample invoice, etc.) should be submitted before the contract is submitted.

2. Batch Slip (SAFORM A-47):

All required data represented by "X" in Exhibit B should be completed. The form should be signed with "blue" ink.

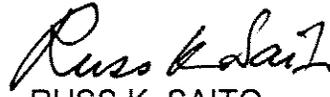
3. Contract Input (SAFORM C-41):

All required data represented by "X" in Exhibit C should be completed. The original form should be signed with "blue" ink. The original and two copies must be submitted. If the department or agency requires additional copies of the form for departmental use, please attach the additional copies needed.

Existing procedures detailed in Comptroller's Memorandum No. 1984-24, Contracts Payable from Federal Funds, Comptroller's Memorandum No. 1984-39, Contract Encumbrances Initially Recorded as "Claims", Comptroller's Memorandum No. 1996-9, Contract Encumbrance Vendor Changes, and Comptroller's Memorandum No. 1996-11, General Contract Matters Relating to Tax Clearances, remain in effect.

Comptroller's Memorandum No. 1991-16, Preparation and Submission of Encumbrance Documents, is amended to delete the use of Contract Input Form (SAFORM C-41) for contracts not fully executed and is amended to allow the use of the Encumbrance Advice (SAFORM C-06) for contracts including competitive sealed proposals (RFP), professional services, sole source procurements.

Existing procedures relating to contract encumbrance increase/decrease, establishing an assignee, and final contract payments remain the same except for any amendment or modification, which should be fully executed before being submitted for encumbrance.


RUSS K. SAITO
State Comptroller

Attachments

1. Checklist - Sealed Bids – Construction
2. Checklist - Sealed Bids – Non-Construction
3. Checklist - Sealed Proposals – Section 103D-303
4. Checklist - Contract for Professional Services – Section 103D-304
5. Checklist - Contract - Exempt; Small Purchase; Sole Source; or Emergency
6. Checklist – Supplemental Agreements
7. Checklist – Agreement - Competitive Purchase of Services
8. Checklist – Agreement – Restrictive Purchase of Services
9. Checklist – Agreement – Treatment Purchase of Services
10. Checklist – Agreement – Transactions Exempt from Chapter 103F, HRS
11. Checklist – Agreement – Small Purchase of Services
12. Checklist – Agreement – Crisis Purchase of Services
13. Exhibit A
14. Exhibit B
15. Exhibit C

**AGREEMENT FOR GOODS OR SERVICES BASED UPON COMPETITIVE
SEALED BIDS – SECTION 103D-302
CONSTRUCTION**

	Attached	Form No.
Agreement		Form AG2-K(3) (1/96) or AG approved equivalent
Certificate of Exemption from Civil Service		AG/SPO Form-K(1) (12/04)
Contractor's Standards of Conduct Declaration		AG/SPO Form-K(1) (12/04)
Scope of Services		Attachment 1
Compensation and Payment Schedule		Attachment 2
Special Provisions (if any)		Attachment 3
General Conditions		Form AG2-GC (12/04)
Certificate of Liability Insurance		
Surety Performance Bond		
Surety Labor and Material Payment Bond		
Power of Attorney and Certificate of Authority of Attorney(s)-In-Fact		
Notice of Award		
Notice to Proceed		
Notice of Intent to Bid		
Bid (Offer)		
Invitation for Bids		
Prime Contractor Certification of Subcontractor Eligibility		
Surety Bid Bond		
Power of Attorney and Certificate of Authority Of Attorney(s)-In-Fact		
Statement of Attestation for Internet Posting with Notice to Bidders		SPO Form-20 (04/11/05)
Tax Clearance Application		Form A-6 (Rev. 10/2004) valid for 6-months
DCCA Certificate of Good Standing*		No Form No., valid for 6-months
DLIR Application for Certificate of Compliance w/ Section 3-122-112, HRS		Form LIR#27 (11/09/04) valid for 6-months
Additional approvals, if required		

*Not required for sole proprietorships.

**AGREEMENT FOR GOODS OR SERVICES BASED UPON COMPETITIVE
SEALED BIDS – SECTION 103D-302
NON-CONSTRUCTION**

	Attached	Form No.
Agreement		Form AG2-K(3) (1/96) or AG approved equivalent
Certificate of Exemption from Civil Service		AG/SPO Form-K(1) (12/04)
Contractor's Standards of Conduct Declaration		AG/SPO Form-K-(1) (12/04)
Scope of Services		Attachment 1
Compensation and Payment Schedule		Attachment 2
Special Provisions (if any)		Attachment 3
General Conditions		Form AG2-GC (12/04)
Notice of Award		
Notice to Proceed		
Bid (Offer)		
Invitation for Bids (Instructions, Specifications, Special Provisions, Offer Form, etc.)		
Statement of Attestation for Internet Posting with Notice to Bidders		SPO Form-20 (04/11/05)
Tax Clearance Application		Form A-6 (Rev. 10/2004) valid for 6-months
DCCA Certificate of Good Standing*		No Form No., valid for 6-months
DLIR Application for Certificate of Compliance w/ Section 3-122-112, HRS		Form LIR#27 (11/09-04) valid for 6-months
Additional approvals, if required		

*Not required for sole proprietorships.

**AGREEMENT FOR GOODS OR SERVICES BASED UPON COMPETITIVE
SEALED PROPOSALS – SECTION 103D-303**

	Attached	Form No.
Agreement		Form AG2-K(4) (1/96) or AG approved equivalent
Certificate of Exemption from Civil Service		AG/SPO Form-K(1) (12/04)
Contractor's Standards of Conduct Declaration		AG/SPO Form-K(1) (12/04)
Scope of Services		Attachment 1
Compensation and Payment Schedule		Attachment 2
Special Provisions (if any)		Attachment 3
General Conditions		Form AG2-GC (12/04)
Certificate of Liability Insurance		If applicable
Notice of Award		
Notice to Proceed		
Proposal (Offer)		
Request for Proposal		
Request for Proposal Notice		
Statement of Attestation for Internet Posting with Notice to Bidders		SPO Form-20 (04/11/05)
Tax Clearance Application		Form A-6 (Rev. 10/2004) valid for 6- months
DCCA Certificate of Good Standing*		No Form No., valid for 6-months
DLIR Application for Certificate of Compliance w/ Section 3-122-112, HRS		Form LIR#27 (11/09/2004) valid for 6- months
Additional approvals, if required		

*Not required for sole proprietorships.

**CONTRACT FOR PROFESSIONAL SERVICES
SECTION 103D-304**

	Attached	Form No.
Contract		AG/SPO Form K(1) (12/04)
Certificate of Exemption from Civil Service		AG/SPO Form-K(1) (12/04)
Contractor's Standards of Conduct Declaration		AG/SPO Form-K(1) (12/04)
Scope of Services		Attachment 1
Compensation and Payment Schedule		Attachment 2
Special Provisions (if any)		Attachment 3
General Conditions		Form AG2-GC (12/04)
Statement of Attestation for Internet Posting or Letter of Selection (Award Notice) or Letter of Ranking		SPO Form-20 (04/11/05)
Notice of Interested Professionals		
Tax Clearance Application		Form A-6 (Rev. 10/2004) valid for 6- months
DCCA Certificate of Good Standing*		No Form No., valid for 6-months
DLIR Application for Certificate of Compliance w/ Section 3-122-112, HRS		Form LIR#27 (11/09/04) valid for 6- months
Additional approvals, if required		

*Not required for sole proprietorships.

**CONTRACT FOR GOODS OR SERVICES (IN THE FOLLOWING CATEGORIES:
EXEMPT; SMALL PURCHASE (SECTION 103D-305); SOLE SOURCE (SECTION
103D-306); OR EMERGENCY (SECTION 103D-307)**

	Attached	Form No.
Contract		AG/SPO Form K(2) (1/01)
Certificate of Exemption from Civil Service		AG/SPO Form-K(1) (12/04)
Contractor's Standards of Conduct Declaration		AG/SPO Form-K(1) (12/04)
Scope of Services		Attachment 1
Compensation and Payment Schedule		Attachment 2
Special Provisions (if any)		Attachment 3
General Conditions		Form AG2-GC (12/04)
Proposal (if applicable)		
Exemptions (if applicable)		
Tax Clearance Application		Form A-6 (Rev. 10/2004) valid for 6-months
DCCA Certificate of Good Standing*		No Form No., valid for 6-months NOT REQ FOR EMERGENCY PURCH
DLIR Application for Certificate of Compliance w/ Section 3-122-112, HRS		Form LIR#27 (11/09/04) valid for 6-months NOT REQ FOR EMERGENCY PURCH
Additional approvals, if required		

*Not required for sole proprietorships.

Note: Exemption from Chapter 103D, HRS, proof of compliance documents (Tax Clearance certificate, DCCA Certificate of Good Standing, and DLIR certificate) are not required for small purchases under \$2,500. This exemption expires on June 30, 2005.

SUPPLEMENTAL AGREEMENTS

	Attached	Form No.
Supplemental agreement		Form AG-Supp (5/99) or AG approved equivalent
Certificate of Exemption from Civil Service		AG/SPO Form-K(1) (12/04)
Contractor's Standards of Conduct Declaration		AG/SPO Form-K(1) (12/04)
Compensation and Payment Schedule		
Request for Extension of Time on Contracts		SPO Form-3 (Rev. 7/1/02)
Additional approvals, if required		

Agreement for Health and Human Services
Competitive Purchase of Services

	Attached	Form No.
Agreement		Form AG3Comp (4/99)
Certificate of Exemption from Civil Service		
Scope of Services		
Compensation and Payment Schedule		
Standards of Conduct Declaration		
General Conditions		Form AG3-HHSGC(4/99)
Special Conditions (if any)		
Statement of Attestation for Internet Posting		SPO Form 20 (05/21/03)
Affadvit for Newspaper Public Notice		
Certificate of Insurance		
Tax Clearance		
Notice to Proceed		if applicable

Agreement for Health and Human Services
Restrictive Purchase of Services

	Attached	Form No.
Agreement		Form AG3Rest (4/99)
Certificate of Exemption from Civil Service		
Scope of Services		
Compensation and Payment Schedule		
Standards of Conduct Declaration		
General Conditions		Form AG3-HHSGC(4/99)
Special Conditions (if any)		
Statement of Attestation for Internet Posting		SPO Form 20 (05/21/03)
Affadavit for Newspaper Public Notice		
Certificate of Insurance		
Tax Clearance		if applicable
Copy of approval by CPO		SPO-H 500

Agreement for Health and Human Services
Treatment Purchase of Services

	Attached	Form No.
Agreement		Form AG3-Treat (4/99)
Certificate of Exemption from Civil Service		
Scope of Services		
Compensation and Payment Schedule		
Standards of Conduct Declaration		
General Conditions		Form AG3-HHSGC(4/99)
Special Conditions (if any)		
Certificate of Insurance		if applicable
Copy of page of the Treatment List indicating: 1)provider, 2)service and 3)date provider was added to list for the service.		

Agreement for Health and Human Services
Transactions Exempt from Chapter 103F, HRS

Agreement	Form AG3-Exem(4/99)
Certificate of Exemption from Civil Service	
Scope of Services	
Compensation and Payment Schedule	
Standards of Conduct Declaration	
General Conditions	Form AG3-HHSGC(4/99)
Special Conditions (if any)	
Certificate of Insurance	if applicable
Copy of approval if applicable	Form SPO-H 150

Agreement for Health and Human Services
Small Purchase of Services

	Attached	Form
Agreement		Form AG3-Small(4/99)
Certificate of Exemption from Civil Service		
Scope of Services		
Compensation and Payment Schedule		
Standards of Conduct Decalration		
General Conditions		Form AG3-HHSGC(4/99)
Special Conditions (if any)		
Certificate of Insurance		if applicable
Copy of approvals as applicable		

Agreement for Health and Human Services
Crisis Purchase of Services

	Attached	Form
Agreement		Form AG3-Crisis(4/99)
Certificate of Exemption from Civil Service		
Scope of Services		
Compensation and Payment Schedule		
Standards of Conduct Declaration		
General Conditions		Form AG3-HHSGC(4/99)
Special Conditions (if any)		
Certificate of Insurance		if applicable
Copy of approvals as applicable		

EXHIBIT A

MEMORANDUM

Date: _____

TO: State Comptroller
Department of Accounting and General Services
Attention: Pre-Audit

SUBJECT: Contract Submittal for: Encumbrance & Certification Encumbrance Only

Contractor: _____

Vendor Code-Suffix: _____ Quarter to be Encumbered: 1st 3rd
 2nd 4th

Project: _____

Modification No. _____ to Contract No. _____

New Suffix(es) to be Established:

Summary of Appropriations:

	<u>Appropriation</u>	<u>Basic</u>	<u>Extra</u>	<u>Reimbursement</u>	<u>Total</u>
State Funds					

Fed. Funds as Rec'd

Others

Grand Total

Please return ___ copies of the certification; and retain a copy of the executed contract/modification,
