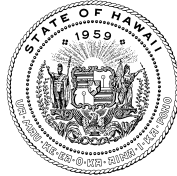


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February 27, 2025

COMPTROLLER'S MEMORANDUM NO. 2025-07

TO: Heads of Departments and Agencies
ATTN: Fiscal Offices
FROM: Keith A. Regan, Comptroller 
SUBJECT: Establishing Encumbrances for Short-Term Contracts Using Purchase Orders

The purpose of this Memorandum is to provide guidance and clarification of Section 465: Requisition & Purchase Order, SAFORM C-03 and Section 470: Encumbrance Policy and Procedure of the Accounting Manual as it applies to the use of a Purchase Order Encumbrance (PO) for contracts. **A PO should be used to encumber funds for an executed contract when the term is no longer than 12 consecutive months (short-term).**

DAGS Accounting receives numerous short-term contracts to establish encumbrances for which departments request expedited payments. The rationale for using a PO for short-term contracts is to allow for better efficiency in the process that can lead to prompter payment, decreased paperwork and labor effort, and less storage and retention space. Departments can request extensions for their short-term contract encumbrances established with POs if certain criteria are met.

An exception to this memorandum would be an encumbrance of funds for leases, which requires establishment through a Contract Encumbrance (State Accounting Form C-41) as provided for in Comptroller's Memorandum No. 1993-15.

Please contact Theoni Wong at theoni.k.wong@hawaii.gov for questions related to this memorandum.