



State of Illinois
COMPTROLLER
Loleta A. Didrickson

ACCOUNTING BULLETIN

TO: Fiscal Officers of All State Agencies

FROM: Steven L. Valasek, Director of State Accounting

DATE: July 23, 1998

SUBJECT: Contract and Obligation Requirements

NUMBER: 79

The current contract and obligation requirements of the State have been substantially impacted by the passage of the new Illinois Procurement Code (PA 90-572), hereafter the "Code". The Illinois Office of the Comptroller, hereafter the "Comptroller" has identified the following associated changes to the contract and obligation requirements.

Contract Filing Requirements

Contracts/Grants (Except Professional & Artistic Contracts)

Section 20-80 (b) of the Code raises the filing threshold from \$5,000 to \$10,000 for contracts/grants. The Comptroller has adopted this change in the filing requirements and will monitor for compliance at this new level.

Professional & Artistic Contracts (P & A) Contracts

Section 20-80 (c) of the Code is consistent with the prior statutory requirement for P & A contracts. The Code maintains the filing requirement for P & A contracts at \$5,000. The Comptroller will continue to monitor for compliance at this level.

Contract Content Requirements

Subject to Appropriation Clause

Section 20-60 (b) of the Code states "All contracts made or entered into shall recite that they are subject to termination and cancellation in any year for which the General Assembly fails to make an appropriation to make payments under the terms of the contract." The Comptroller will monitor for this clause in all contracts.

Record Retention

Section 20-65 of the Code changes the record retention time period from 5 years to 3 years. The Code states "The books and records shall be maintained by the contractor for a period of 3 years from the later of the date of final payment under the contract or completion of the contract and by the subcontractor for a period of 3 years from the later of the date of final payment under the subcontract or completion of the subcontract." The Comptroller will monitor for this new minimum record retention period in all contracts.

Obligation Requirements

Consistent with the filing requirements established above, the Comptroller requires that all filed contracts must be obligated with the Comptroller's Office prior to voucher submittal.

If an agency opts to file a contract below the established contract filing limits, the contract and associated obligation must meet all Comptroller requirements.

The Comptroller is developing the option for agencies to establish single vendor obligations below the contract filing threshold without the submittal of a fully executed contract. The minimal backup for these obligations will include a contract/encumbrance synopsis and a signed certification statement. An Accounting Bulletin will be released once this option is developed.

On-line Obligation Entry

Currently, there are 14 agencies which enter obligations on-line. These agencies account for 75% of the total obligation volume. On-line entry provides the agencies with immediate notification of system errors, electronic notification of legal compliance issues, and a reduced processing cycle. The Comptroller will expand this opportunity to more agencies in October. If your agency would like to participate in the October roll out of this functionality, please contact Paula Kitchen at 782-7078.

If you have any questions on this bulletin, please contact Lu Irwin at 782-3686.