



Financial Transaction SOP: Financial Processing, Pre-Encumbrance (PE)

SOP Owner: Financial Processing Manager

Version Number, Date Revised: #2, 09/10/14

Standard Operating Procedure

1. Purpose

The Pre-Encumbrance (PE) e-doc is used to add local encumbrances instead of relying on information in an outside system. Fiscal officers can use these transactions to earmark funds for which unofficial commitments have been made. The e-doc can also be used to disencumber open encumbrances created with the PE e-doc. There are two ways to reduce a PE: by processing a disencumbrance or by entering a reversal date. A PE does not reduce based on another transaction (e.g., a Purchase Order reduces as Purchase Order invoices are processed). **Note:** Do not use a PE doc to disencumber a PO encumbrance balance.

There are three types of commitments:

- External encumbrance; example: PO (contract)
- Internal encumbrance; example: labor (salary / wages)
- Pre-encumbrances; PE e-doc uses

Examples of expected common use of the PE e-doc include:

- local commitments for summer salary (faculty and grad students),
- local commitments for planned travel expenses, and
- local commitments for planned purchase orders where contracts have not yet been approved, and
- funding commitments to other departments.



2. Procedure

Transactions

Financial Processing

- Advance Deposit
- Auxiliary Voucher
- Budget Adjustment
- Cash Receipt
- Credit Card Receipt
- Disbursement Voucher
- Distribution of Income and Expense
- General Error Correction
- Indirect Cost Adjustment
- Internal Billing
- **Pre-Encumbrance**
- Transfer of Funds

Pre-Encumbrance e-doc is located on KFS Main Menu: Transactions.

Figure 1– KFS Financial Processing Transactions menu

In addition to the standard financial transaction tabs, a PE document has its own unique tab, called: Pre-Encumbrance Details.



Pre-Encumbrance Backdoor Id rlc56 is in use

Doc Nbr: 5767047 Status: INITIATED
Initiator: rlc56 Created: 12:53 PM 09/10/2014

Document Overview

Document Overview

* Description: Explanation:

Organization Document Number:

Financial Document Detail

Total Amount:

Pre-Encumbrance Details

Pre-Encumbrance Details

Reversal Date:

Accounting Lines

Accounting Lines

Encumbrance

* Chart	* Account Number	Sub-Account	* Object	Sub-Object	Project	Org Ref Id	* Amount	Actions
IT	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	0.00	import lines
Reference Number		Line Description						
Automatic Partial Dis-Encumbrances <input type="button" value="hide"/>								
Auto DisEncumber Type		Count						<input type="button" value="add"/>
Start Date		Partial Amount						
End Date								

Disencumbrance

* Chart	* Account Number	Sub-Account	* Object	Sub-Object	Project	Org Ref Id	* Amount	Actions
IT	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	0.00	import lines
* Reference Number		Line Description						
<input type="button" value="add"/>								

General Ledger Pending Entries

Notes and Attachments (0)

Ad Hoc Recipients

Route Log

Figure 2 – Pre-Encumbrance e-doc

Business Rules

- There must be at least one accounting line in the e-doc.
- Unlike other e-docs with more than one side, there is no relationship between the Encumbrance and Disencumbrance sections of accounting lines; hence, there are no totals in the Accounting Lines tab of the e-doc.
- Expense object codes or transfer “out” object codes are allowed on this e-doc. Effective October 2014, income type object codes are allowed. (Allowability of object code is controlled by a parameter.)
- Negative amounts are not allowed. Encumbrances and disencumbrances are both recorded as positive amounts.
- KFS automatically generates offset entries, as defined by information entered in the e-doc.
- When disencumbering, identify the e-doc reference number of the original pre-encumbrance that was processed. Note: Reference Number field is required, but is not validated.



Pre-Encumbrance Backdoor ID #456 is in use Doc Nbr: 5767040 Status: ENROUTE
Initiator: dcl6 Created: 01:56 PM 09/10/2014

Document was successfully submitted. expand all collapse all
* required field

Document Overview hide

Document Overview * Description: Training Materials PD no yet issued. Explanation:

Financial Document Detail Organization Document Number: Total Amount: 1,000.00

Pre-Encumbrance Details hide

Pre-Encumbrance Details Reversal Date:

Accounting Lines hide

Accounting Lines hide detail

Encumbrance	Chart	Account Number	Sub-Account	Object	Sub-Object	Project	Org Ref Id	Amount	Actions
IT	10000 Campus	4442756		6540				1,000.00	
		Reference Number	Line Description						
		5767040	OTHER PUBLICATION MATERIALS		Supplies - Lab/Project				
1	Automatic Partial Dis-Encumbrances hide								
		Auto DisEncumber Type	Count						
		Start Date	Partial Amount						
		End Date							
								Total: 1,000.00	

Disencumbrance Total: 0.00

General Ledger Pending Entries hide

Seq #	Fiscal Year	Chart	Account Number	Sub-Account	Object	Sub-Object	Project	Doc Type	Balance Type	Obj. Type	Amount	D/C	Doc. Reversal Date
1	2015	IT	4442756		6540			DE	DE	EX	1,000.00	D	
2	2015	IT	4442756		3110			FE	FE	FB	1,000.00	C	

Notes and Attachments (0) show

Ad Hoc Receipts show

Route Log show

send ad hoc request reload close recall copy

Figure 3 – Pre-Encumbrance example

Pre-Encumbrance Details Tab

The Pre-Encumbrance Details tab contains an optional Reversal Date field date. When entering an encumbrance, a reversal date may be entered to indicate when the system should automatically reverse the encumbrance. This date must be a future date; it cannot be earlier than the current date.

Pre-Encumbrance Details hide

Pre-Encumbrance Details

Reversal Date:

Figure 4 – Reversal Date field

Table 1 Pre-Encumbrance Details tab definition

Field Name	Description (* indicates a required field)
Reversal Date	Optional. Enter the date when the system should automatically reverse the encumbrance. The date must not be earlier than the current date.



Pre-Encumbrance Backdoor ID #156 is in use

Doc Nbr: 5767049 Status: ENROUTE
Initiator: 1528 Created: 01:39 PM 09/10/2014

Document was successfully submitted. expand all collapse all * required field

Document Overview hide

Document Overview * Description: Training Materials PO no yet issued. Explanation:

Financial Document Detail Organization Document Number: Total Amount: 3,456.00

Pre-Encumbrance Details hide

Pre-Encumbrance Details Reversal Date: Oct 15, 2014

Accounting Lines hide

Accounting Lines hide detail

Encumbrance	Chart	Account Number	Sub-Account	Object	Sub-Object	Project	Org Ref Id	Amount	Actions
IT	6443726	6443726		5540				3,456.00	
Reference Number		Line Description							
2767049		OTHER PUBLICATION MATERIALS							
1		Automatic Partial Dis-Encumbrances							
Auto Dis-Encumber Type		Count							
Start Date		Partial Amount							
End Date									
								Total: 3,456.00	

Disencumbrance Total: 0.00

General Ledger Pending Entries hide

Seq #	Fiscal Year	Chart	Account Number	Sub-Account	Object	Sub-Object	Project	Doc Type	Balance Type	Obj. Type	Amount	D/C	Doc. Reversal Date
1	2012	IT	6443726		5540			PE	PE	EX	3,456.00	D	2014-10-15
2	2013	IT	6443726		3110			PE	PE	FB	3,456.00	C	2014-10-15

Notes and Attachments (0) show

Ad Hoc Recipients show

Route Log show

send ad hoc request reload close recall copy

Figure 5 – Automatic reversal example

To initiate a PE e-doc:

Complete the common financial transaction tabs.

Complete the Accounting Lines tab as follows:

- Entering information into the Encumbrance section, Disencumbrance section, or both.
 - *Encumbrance Section:* Accounting lines entered on the Encumbrance side of the e-doc generate new encumbrances on the specified accounts.
 - *Disencumbrance Section:* Accounting lines entered on the Disencumbrance section of the e-doc reverse existing encumbrances on the specified accounts.
- Lines on the Disencumbrance section require a Ref Number that identifies the e-doc number of the previous pre-encumbrance that needs to be removed. Reference number should be the number of the original pre-encumbrance.
- Complete the Pre-Encumbrance Details tab.
- Submit

Note: you can encumber and disencumber different / multiple transactions on the same e-doc by adding accounting lines.



Accounting Lines													
Encumbrance													
IT	Chart	Account Number	Sub-Account	Object	Sub-Object	Project	Org Ref Id	Amount	Actions				
add.		Reference Number	Line Description										
Automatic Partial Dis-Encumbrances													
IT	0254700	ACCOUNTING GENERAL EMERITUS		6100				8,000.00	Actions				
1		5767047	Monthly Postage										
Automatic Partial Dis-Encumbrances													
Auto Disencumber Type		Monthly	Count		3		Partial Amount		7,500.00				
Start Date		09/30/2014											
End Date		04/30/2015											
Total: 6,500.00													
Disencumbrance													
add.		Reference Number	Line Description										
Automatic Partial Dis-Encumbrances													
IT	0254700	ACCOUNTING GENERAL EMERITUS		6100				1,500.00	Actions				
2		5767047	September Travel										
Automatic Partial Dis-Encumbrances													
Auto Disencumber Type		One Time	Count		1		Partial Amount		7,500.00				
Start Date		09/30/2014											
End Date		09/30/2014											
Total: 6.00													
General Ledger Pending Entries													
Seq #	Fiscal Year	Chart	Account Number	Sub-Account	Object	Sub-Object	Project	Doc Type	Balance Type	Obj. Type	Amount	D/C	Reversal Date
1	2015	IT	0254700	6100	2110			FR	FR	FR	1,000.00	D	2014-09-10
2	2015	IT	0254700	6100	2110			FR	FR	FR	1,000.00	C	2014-09-10
3	2015	IT	0254700	6100	2110			FR	FR	FR	1,000.00	D	2014-10-10
4	2015	IT	0254700	6100	2110			FR	FR	FR	1,000.00	C	2014-10-10
5	2015	IT	0254700	6100	2110			FR	FR	FR	1,000.00	D	2014-11-10
6	2015	IT	0254700	6100	2110			FR	FR	FR	1,000.00	C	2014-11-10
7	2015	IT	0254700	6100	2110			FR	FR	FR	1,000.00	D	2014-12-10
8	2015	IT	0254700	6100	2110			FR	FR	FR	1,000.00	C	2014-12-10
9	2015	IT	0254700	6100	2110			FR	FR	FR	1,000.00	D	2015-01-10
10	2015	IT	0254700	6100	2110			FR	FR	FR	1,000.00	C	2015-01-10
11	2015	IT	0254700	6100	2110			FR	FR	FR	1,000.00	D	2015-02-10
12	2015	IT	0254700	6100	2110			FR	FR	FR	1,000.00	C	2015-02-10
13	2015	IT	0254700	6100	2110			FR	FR	FR	1,000.00	D	2015-03-10
14	2015	IT	0254700	6100	2110			FR	FR	FR	1,000.00	C	2015-03-10
15	2015	IT	0254700	6100	2110			FR	FR	FR	1,000.00	D	2015-04-10
16	2015	IT	0254700	6100	2110			FR	FR	FR	1,000.00	C	2015-04-10
17	2015	IT	0254700	6100	2110			FR	FR	FR	1,500.00	D	2014-09-30
18	2015	IT	0254700	6100	2110			FR	FR	FR	1,500.00	C	2014-09-30

Figure 6 – Multiple Instruction example

Training Issues:

- A PE on a C&G account will continue into the next fiscal year; a PE for a non-C&G account does not carry forward. As a workaround: in the new year, copy the pre-encumbrances that you still need but did not get carried forward.
- Encumbrances entered on a PE document without a reversal date must be reversed manually by processing another PE document and entering one or more accounting lines in the Disencumbrance section of the document. Until manually reversed, the pre-encumbrance will remain on the account.
- If you process a PE and schedule a reversal date, but then **manually** disencumber, you will have to process another encumbrance e-doc (i.e., a PE) in order to correct the balance.
- You can schedule multiple disencumbrances on the same e-doc based on fixed schedules. Each of the schedules is associated with a **single** pre-encumbrance, but you can have multiple encumbrances on a doc, each with its own disencumbrance schedule.
- You must save the e-doc before submission to generate the multiple reversal dates.
- You can review the scheduled reversal dates through the details presented in the General Ledger Pending Entries tab before submitting or approving the e-doc.



- Required input fields include the **Auto DisEncumber Type** you are using, the **Start Date** of the schedule, the **Count**, and the **Partial Amount** per disencumbrance
- Fixed Schedule Options:
 - **Monthly** - same calendar day each month
 - **Semimonthly**- follows semimonthly payroll dates
 - The recommended start date is the 15th or the last day of a month.
Caution: If you set the start date as July 5, the **semimonthly** schedule will schedule a disencumbrance on July 5, July 15, and July 31, etc.
 - **Biweekly** - every 14 days from the start date
 - **One time** - specified date

Example of a saved PE e-doc with multiple instructions:

- *Best Practice recommendation:* for C&G accounts, encumbrances should be reviewed monthly; for all other accounts, encumbrances should be reviewed quarterly.

Workflow

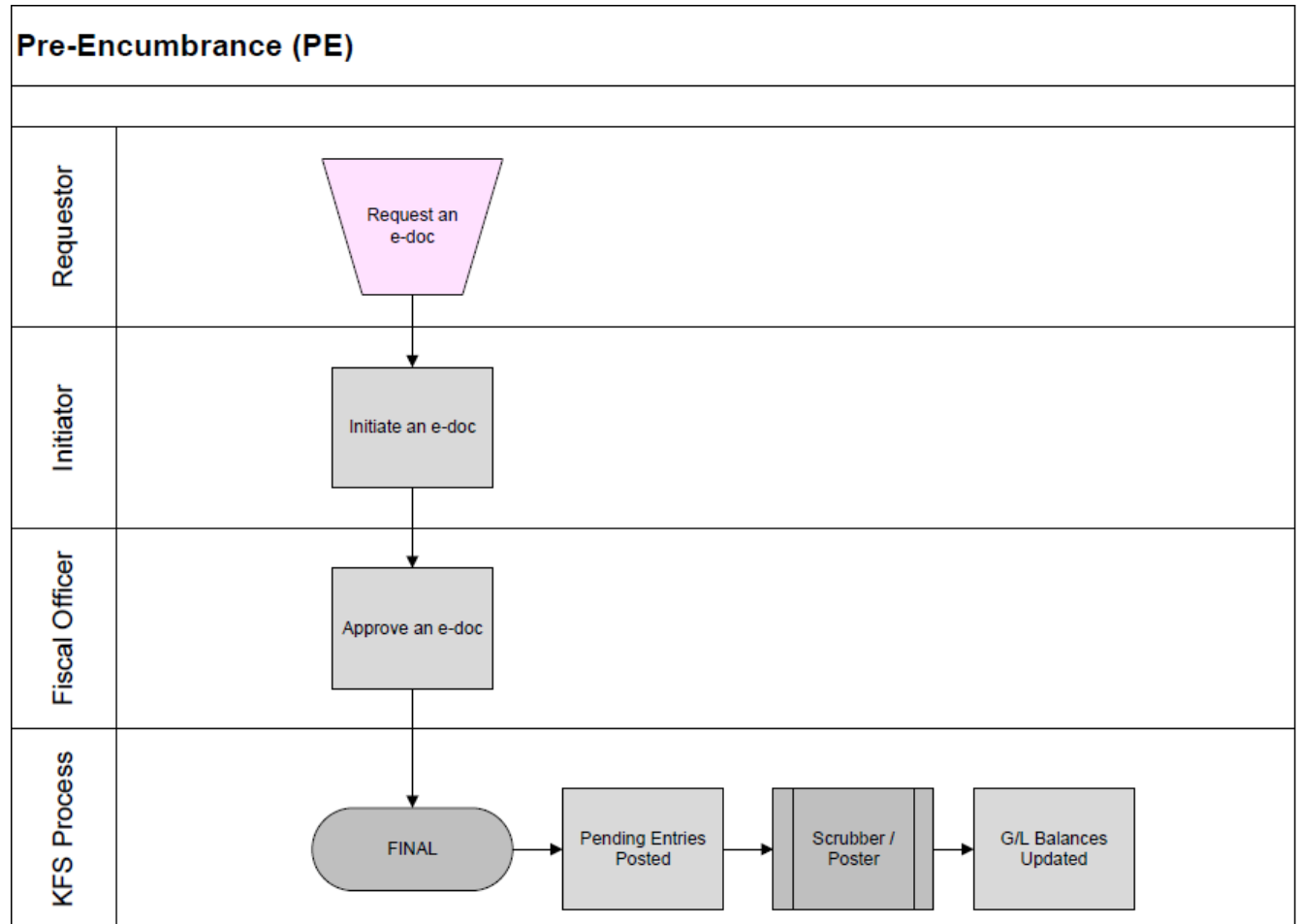


Figure 6 – Pre-Encumbrance workflow



3. Definitions

- [KFS at CU: Chart of Accounts](#)
- [KFS at Cornell Glossary](#)
- [Old World / New World, Definitions, Helpful Information](#)

4. References

- KFS “Basics” tutorials
- KFS “FP: Pre-Encumbrance” tutorial