Encumbrance Review
Procurement Services
Encumbrance Review Objective

Focus of this session will be on encumbrances created in Smart Source

We will cover:

- What is an encumbrance?
- How are encumbrances created?
- Who monitors them? When? How?
- Who closes them?
What is an Encumbrance?

- An Encumbrance is:
  - Obligation for goods/services ordered but not yet received
  - Ensures funds are set aside for payment once goods/services are received; the funds are no longer available for use in other transactions
  - Also called commitments
How are encumbrances created?

- An encumbrance is created:
  - By University Procurement once a PO is created
    - In Smart Source, this occurs once the requisition is fully approved and becomes a Purchase Order
  - Encumbrances post in Banner but are viewable in WebFinance

<table>
<thead>
<tr>
<th>Acct numb</th>
<th>Account name</th>
<th>Original Budget</th>
<th>Revised Budget</th>
<th>YTD Activity</th>
<th>Encumbrances</th>
<th>Remaining Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>3011</td>
<td>Office Supplies Expense</td>
<td>4,000.00</td>
<td>4,000.00</td>
<td>2,665.28</td>
<td>33.58</td>
<td>1,101.14</td>
</tr>
<tr>
<td>3017</td>
<td>Other Supplies Expense</td>
<td>1,053.00</td>
<td>1,053.00</td>
<td>0.00</td>
<td>0.00</td>
<td>1,053.00</td>
</tr>
<tr>
<td>3018</td>
<td>Computer Supplies</td>
<td>2,500.00</td>
<td>2,500.00</td>
<td>11.11</td>
<td>0.00</td>
<td>2,488.89</td>
</tr>
</tbody>
</table>
Who Monitors Encumbrances?

- Departments monitor encumbrances:
  - With the implementation of Smart Source
    - Increase in encumbrances to manage
    - Before Smart Source, check requests and catalog vendor order (ex. Telrose) did not encumber funds
  - Encumbrances may not clear in full due to
    - Order received in full and paid, but amount was less than the original PO
    - Order was cancelled or a duplicate
    - Order partially received, invoiced or paid and the remainder was cancelled
How Do I Monitor Encumbrances?

- Encumbrances should not be monitored in Smart Source
  - Banner is the system of record
    - An Invoice keyed into Smart Source has not necessarily fed into Banner
      - Example: Invoice not approved for payment
    - Best practice:
      - Monitor on a monthly basis
      - At minimum, per quarter
Using WebFinance To Monitor Encumbrances

- Things to consider using WebFinance
  - Not everyone has access to WebFinance
    - Contact your department administrator to request access
  - Best for areas managing a handful of ORGNS
    - Cannot use roll ups; must query by specific cost center
Using Outstanding Encumbrances Query

- Select Outstanding Encumbrances

Welcome to Web*Finance

Your User name and
Click on a link to choose the type of information you'd like:

- Fiscal Account Activity
- Outstanding encumbrances
- Grant Activity
- Document Tracking
Using Outstanding Encumbrances Query

- Enter your cost center and fiscal year

- This will generate a listing of encumbrances per account code for your review
Using Document Tracking

- You can also use the Document Tracking query for a specific document number (ex. U00XXXXX, V00XXXXX)
  - This query will provide you detail about a specific order such as PO, invoice and payment information
Using Hyperion To Monitor Encumbrances

- Things to consider using Hyperion
  - Not everyone has access
    - Contact your department administrator to request access
  - Best for areas managing many ORGNS
Who Closes Encumbrances?

- Procurement Services is responsible for closing encumbrances
  - Encumbrances are close when invoiced by the vendor against the PO
    - Removed once invoice posts to Banner and only for the invoiced amount
    - Once a quarter, Procurement runs a query to close $0 balance encumbrances
  - If product/service final invoice is less than PO, University Procurement must be notified to release encumbrance
    - Otherwise, encumbrance remains open
    - To close encumbrance, email smartsource@drexel.edu
Questions?
Thank you!

If you have any questions or require further assistance, please contact the Smart Source Hotline at:
215-895-2876 or email smartsource@drexel.edu.