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