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

Acct numb	Account name	Original Budget	Revised Budget	YTD Activity	Encum-brances	Remaining Balance
3011	Office Supplies Expense	4,000.00	4,000.00	2,865.28	33.58	1,101.14
3017	Other Supplies Expense	1,053.00	1,053.00	0.00	0.00	1,053.00
3018	Computer Supplies	2,500.00	2,500.00	11.11	0.00	2,488.89

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?

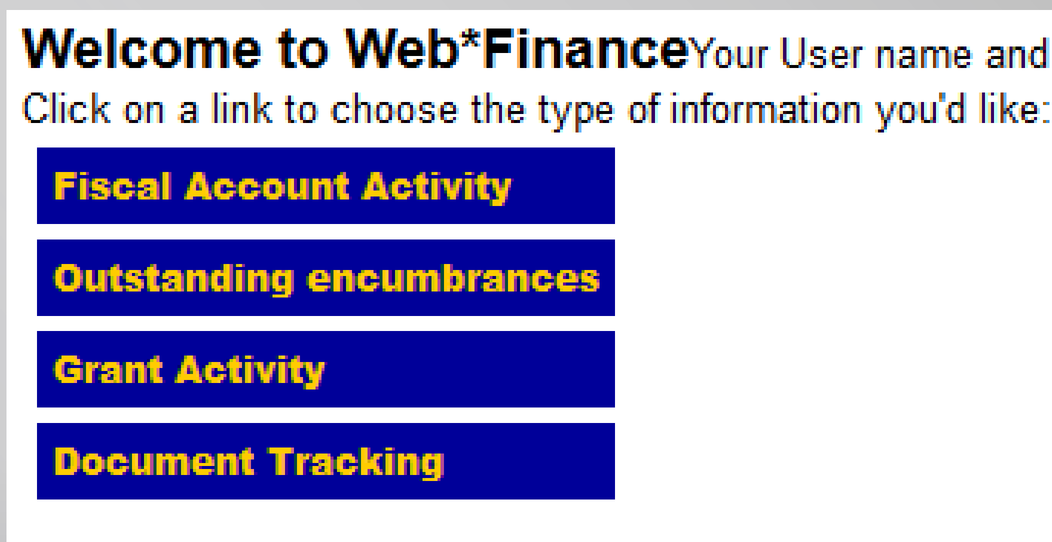
- Encumbrances should not be monitored in Smart Source
  - Banner is the system of record
    - An Invoice keyed into Smart Source has not necessarily fed into Banner
      - Example: Invoice not approved for payment
    - Best practice:
      - Monitor on a monthly basis
      - At minimum, per quarter

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

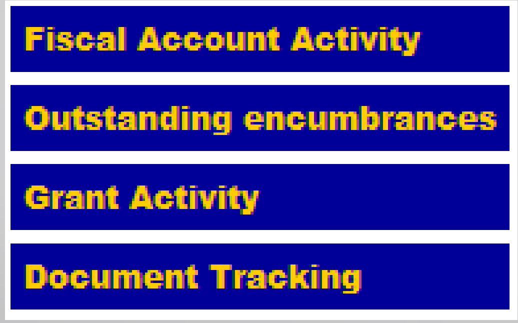
- Enter your cost center and fiscal year

To display a list of outstanding or open encumbrances for your accounts, enter the Fund and Organization numbers. Required fields are shown in red. Fields shown in black are optional.	Fund: 110001 (usually 110001) Organization: (your dept number) Fiscal year: 2014 (2014 or higher) Show accounts	Fund defaults to the General Fund. The Fiscal Year defaults to the current value. Click to view data.

- 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.