

## 30.2 Establish and Maintain Encumbrances

This document is a draft and subject to change

## Revision History

Version	Date	Revision Notes
1.0	07/30/2019	Accepted Version
2.0	04/29/2021	Accepted Departmental Version
2.1	01/24/2022	Updates per Financials Wave Module Workgroup Sessions

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## General Information

This document describes and depicts the process steps and supporting information for the identified State of Florida financial management business process. This information should be read in conjunction with the Business Process Flow Diagrams.

The Dependencies and Constraints section describes any conditions or criteria that impact how or when the business process should be executed. These could be set within Florida PALM or from external sources (i.e., Law or Rule).

The Business Process Overview section summarizes the business process and provides context for understanding the objectives and desired outcomes of the described business process.

Within the Business Process Flow Details section, included for each process step are:

- **Process Step ID** – A unique number assigned to each process step, which corresponds to the Business Process Flow Diagram
- **Process Step Title** – A short description assigned to each process step, which corresponds to the Business Process Flow Diagram
- **Description of Process** – A detailed narrative description of the process step, which provides additional information and context for understanding the process step

Florida PALM screenshots are included within the sections following the Business Process Flow Diagrams to allow connections to be made from specific business subprocess steps to screens within Florida PALM.

Also described below are the Ledger Impacts, Interfaces and Key Reports, which are displayed as icons on the Business Process Flow Diagrams. Ledger impacts describe where there is an update to one of the ledgers used to track activity for accounting, budget management, or financial reporting purposes. Key Reports describe where a report is identified to be produced at a particular process step or is used to support the completion of a process step. Interface IDs are provided for each interface identified on the Business Process Flow Diagrams.

Tables are included to identify the Conversions, Forms, Workflows, and Stakeholder Configurations related to this Business Process. These items may not be included within the Business Flow Diagrams, however, these items are important elements of each Business Process as a whole.

Finally, included in the Terminology section are definitions of terms to help the reader to better understand the document. These are terms that are used within this document that may be new or that require a description for common understanding.

## Dependencies and Constraints

- An encumbrance must be interfaced from a purchase order (PO) created in MyFloridaMarketPlace (MFMP) or an agency business system, or manually created in Florida PALM
- A valid supplier ID must exist to create an encumbrance
- An encumbrance requires sufficient budget authority to be created
- An encumbrance manually created in Florida PALM is subject to the approval process
- Errors are reported to the source system

- Agencies will have the option to encumber or not encumber MFMP POs in Florida PALM

## **Business Process Overview**

The Establish and Maintain Encumbrances business process is within the Disbursement Management (DM) business process grouping. DM includes a collection of business processes that:

- Manage supplier information, including demographic and payment information for tax withholding and reporting purposes;
- Support the disbursement process for State obligations from encumbrance through payment request, payment creation, and escheatment; and
- Perform month-end and year-end closing activities.

Encumbrances are used to reserve the State's budgetary authority for goods or services ordered and are released when the goods or services are received and approved for payment. Encumbrances in Florida PALM are created based on information recorded in a PO.

The business subprocess included are:

- 30.2.1 – Create and Maintain Encumbrances
- 30.2.2 – Monitor Encumbrances

State procurement activity, including the creation of POs, is handled through procurement systems outside Florida PALM. These POs, generated primarily from MFMP, are used to communicate to suppliers an order for good or services. All procurement activities including the creation of POs and the approval of goods and services received occurs outside Florida PALM. Florida PALM uses interfaces from MFMP (and other agency business system, as applicable) to obtain the necessary data to create and update encumbrances. The basic information needed to establish an encumbrance in Florida PALM includes: the supplier ID, a valid ChartField string, and an amount. A grant or project number may also be included to associate the encumbrance to a grant or project.

Creating a manual encumbrance requires the Agency PO Encumbrance Processor to enter the same information that is provided by MFMP and agency business system for adding an encumbrance. A Budget Check is required for all encumbrances.

## Business Process Flow Details

The tables below describe steps in each business subprocess as reflected on the Business Process Flow Diagrams. The tables also reflect information associated with each step describing the intent of the specific process.

The Business Process Flow Diagrams use horizontal swim lanes to depict where activities are performed by different parties or systems. Each swim lane is titled with a role, either an agency-based or within Department of Financial Services (DFS), and in some cases, are representative of an external entity or system. The swim lanes may change from page to page within a single business subprocess as more or fewer roles are required to execute sections of the business subprocess. Optionally, the process flow diagram may reflect vertical swim lanes to further designate information such as systems or time intervals.

### 30.2.1 – Create and Maintain Encumbrances

Table 1: Create and Maintain Encumbrances

30.2.1 – Create and Maintain Encumbrances		
Module	Purchasing	
Related Module(s)	Commitment Control	
Swim Lanes – Definition	<b>Agency PO Encumbrance Processor:</b> agency role responsible for entering encumbrances into Florida PALM <b>Agency PO Program Approver:</b> agency role responsible for reviewing and approving an encumbrance request	
Process Step ID	Process Step Title	Description of Process
1	Create/Update Encumbrance	An encumbrance may be established manually by an Agency PO Encumbrance Processor with information from a supplier contract. Encumbrances established manually require approval from the Agency PO Program Approver before they are sent for Budget Check.  Encumbrance Workflow is used to return any items for appropriate action. The encumbrance may be updated to resolve accounting errors that occur during the Budget Check. The Monitor Encumbrances business subprocess shows the steps related to monitoring and resolving encumbrance errors.  Reports used for monitoring encumbrances include: Encumbrances by Supplier ID, and Closed Encumbrances.
2	Review Encumbrance	An Agency PO Program Approver reviews the encumbrance for ChartField values and amounts. If an error is found, the Agency PO Program Approver has the option to return the encumbrance to the Agency PO Encumbrance Processor for corrections or may choose to deny approval of the encumbrance. Encumbrances that have been updated require Budget Check to be re-run before the encumbrance is recorded.

Process Step ID	Process Step Title	Description of Process
3	Deny Encumbrance	An Agency PO Program Approver denies the encumbrance and returns it to the Agency PO Encumbrance Processor to update or close the encumbrance.
4	Approve Encumbrance	An Agency PO Program Approver approves the encumbrance, and the Budget Check is run.
5	Run Budget Check	Each encumbrance is subject to Budget Check to validate whether spending authority is available. If there is not available spending authority, the transaction fails and must go through exception handling to continue.  Any Budget Check errors are followed up for resolution through the Monitor Encumbrances business subprocess.  The Agency PO Encumbrance Processor, and others, use the Encumbrance Budget Exceptions report, and Budget and Cash Exceptions Report, to manage budget exceptions.
6	Inbound Encumbrance Load	A flat file interface is established with agency business systems and Florida PALM to obtain encumbrance data.  In addition, A Web Service is available to MyFloridaMarketPlace (MFMP), select agencies, and Florida PALM to obtain encumbrance data.
7	Receive Inbound PO Data	Florida PALM receives PO data from MFMP or agency business system in a standard file format.
8	Load Inbound PO Data	Florida PALM loads and validates the PO data. Any errors created during the load process are corrected in the source system and reloaded into Florida PALM.
9	Create Encumbrance	Florida PALM uses the PO data to create the encumbrances. The Agency PO Encumbrance Processor reviews the Encumbrance by Supplier ID report to review the encumbrance created, and to monitor for duplicate encumbrances.
10	Record Encumbrance	The transaction continues processing, and the encumbrance accounting entries are recorded, and budget is consumed. The Encumbrance Aging Report is available for managing encumbrance activity.
11	Outbound Encumbrance Extract	Florida PALM interfaces with MFMP and agency business systems, as applicable, to provide encumbrance information, including encumbrance errors, updates, and closures.

Figure 1: Encumbrance Transaction Entry Page

### 30.2.2 – Monitor Encumbrances

Table 2: Monitor Encumbrances

30.2.2 – Monitor Encumbrances	
<b>Module</b>	<b>Purchasing</b>
<b>Related Module(s)</b>	<b>Commitment Control</b>
<b>Swim Lanes – Definition</b>	<p><b>Agency PO Approver:</b> agency role responsible for managing and reviewing encumbrances</p> <p><b>Agency PO Encumbrance Processor:</b> agency role responsible for entering and monitoring Encumbrance errors into Florida PALM</p>



Process Step ID	Process Step Title	Description of Process
1	Monitor Encumbrance Errors	<p>Each encumbrance is subject to Budget Check to validate whether spending authority is available. If there is not available spending authority, the transaction fails and must go through exception handling to continue.</p> <p>The Agency PO Encumbrance Processor monitors encumbrances to ensure resolution of errors. Two types of errors exist: errors that require a budget resolution, such as a budget amendment or budget override, or an error that requires an accounting resolution, such as a ChartField edit on the encumbrance.</p> <p>If the error requires a budget resolution the transaction is subject to the Budget Execution and Management business process. If the budget error is resolved, the budget check re-runs and the encumbrance is created. If it remains unresolved, the encumbrance is not processed.</p> <p>The Agency PO Encumbrance Processor uses the Encumbrance Aging Report, and the Outstanding Encumbrance Errors report to manage the resolution of the budget exceptions.</p> <p>If the error requires an accounting resolution, the Agency PO Encumbrance Processor returns to the Create/Update Encumbrance step to make the necessary edit.</p> <p>If a budget resolution or accounting resolution is unable to be completed, the Agency PO Encumbrance Processor may choose to close the encumbrance.</p>
2	Manage/ Review Encumbrances	<p>Encumbrances are monitored and reviewed by the Agency PO Approver using the Encumbrance Aging Report, the Outstanding Encumbrance Errors report, Closed Encumbrances report, and the Budget and Cash Exceptions report. The Agency PO Approver provides direction as to the appropriate resolution of any exceptions or required actions to manage established encumbrances.</p>

## Ledger Impacts

Table 3: Ledger Impacts Included on Business Process Flow Diagrams

Ledger Impact ID	Ledger - Ledger Impact Title	Ledger Impact Description
LI1	Budget Ledger – Encumbrance Entry	Increases encumbrance Decreases appropriation, release, and/or allotment, as appropriate
LI2	Budget Ledger – Encumbrance Adjustments	Increases encumbrance Decreases appropriation, release, and/or allotment, as appropriate, or Decreases encumbrance Increases appropriation, release, and/or allotment, as appropriate

## Key Reports

Table 4: Key Reports Included on Business Process Flow Diagrams

Report Number	Report Description	Report Frequency	Audience
R1	<b>KKR018 - Agency Obligations Report</b> – a report that provides encumbrances and payables by ChartField combinations	Periodic	Agency, DFS
R2	<b>POR008 - Closed Encumbrances Report</b> – a report listing closed encumbrances	Periodic, Monthly	Agency, DFS
R3	<b>POR009 - Outstanding Encumbrance Errors Report</b> – a report that lists unresolved encumbrance exceptions.	Periodic, Monthly	Agency, DFS
R4	<b>KKR058 - Budget and Cash Checking Exceptions Report</b> – a report that lists budget and cash check exceptions along with balances.	Periodic	Agency, DFS
R5	<b>POR002 - Encumbrance Aging Report</b> – a list of all encumbrances, date encumbrance was established, and the date the last activity occurred	Periodic, Monthly	Agency

**Note:** A complete list of reports may be found in the [Reports Catalog](#)<sup>1</sup> .

<sup>1</sup> <https://app.smartsheet.com/b/publish?EQBCT=a8d51896f0144ef6a87314b3c7824ba5>

## Conversions

Table 5: Data Converted from External System to Florida PALM

Conversion Number	Conversion Description	Conversion Frequency	Source
POC001	<b>Open Encumbrances</b> – Conversion of open encumbrance balances that are authorized for continued use.	One-time	DFS Enterprise System, MFMP, Agency Business Systems

**Note:** A complete list of conversions may be found in the [Catalog of Conversion Offerings<sup>2</sup>](#) on Smartsheet. This is a protected publication that requires login. If your business or technical teams do not currently have access to the Smartsheet Florida PALM Dashboard, contact your Readiness Coordinator to request their access.

## Interfaces

Table 6: Interfaces Included on Business Process Flow Diagrams

Interface Number	Interface Description	Interface Frequency	Source	Target
POI001	<b>Outbound Encumbrance Extract</b> – Outbound interface containing encumbrance errors, updates, and closures.	Daily	Florida PALM	Agency Business Systems
POI002	<b>Inbound Encumbrance Load</b> – Inbound interface to establish and maintain encumbrances.	Daily	Agency Business Systems	Florida PALM
POI003	<b>Inbound Encumbrance Web Service</b> – Inbound web service to establish encumbrances from external systems.	Daily	MFMP, Agency Business Systems	Florida PALM
KKI008	<b>Inbound Budget Pre-checking Web Service</b> – Optional inbound web service to budget pre-check encumbrances and Accounts Payable transactions by external systems.	Periodic	MFMP, Agency Business Systems	Florida PALM

**Note:** A complete list of interfaces may be found in the [Catalog of Interface Offerings<sup>3</sup>](#) on SmartSheet. This is a protected publication that requires login. If your business or technical teams do not currently have access to the Smartsheet Florida PALM Dashboard, contact your Readiness Coordinator to request their access.

## Forms

Table 7: Forms Included on Business Process Flow Diagrams

Form Number	Forms Description	Frequency	Audience
N/A			

<sup>2</sup> <https://app.smartsheet.com/dashboards/xW9gQgMRP6w5pfRGMQJh4wvP676gf2h4mf57hP1>

<sup>3</sup> <https://app.smartsheet.com/dashboards/xW9gQgMRP6w5pfRGMQJh4wvP676gf2h4mf57hP1>

## Workflows

Table 8: Workflows Included on Business Process Flow Diagrams

Interface Number	Interface Description	Frequency	Audience
POW001	<b>Encumbrance Workflow</b> – Workflow to route encumbrances for approval.	Daily	Agency PO Program Approver

## Agency Configurations

Table 9: Configurations Defined and/or Maintained by Agencies

Configuration Number	Configuration Description	Frequency
C1	<b>SpeedCharts</b> – Shortcut key established to populate ChartField values on encumbrances and vouchers.	As Needed

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## Terminology

**Budget Check** – compares the transaction to available spending authority. If there is available spending authority, the transaction continues processing. If there is not available spending authority, then the transaction stops. Budget Check exceptions are resolved via the Budget Execution and Management business process.

**Contract** – written agreement or purchase order issued for the purchase of goods or services or a written agreement for state or federal financial assistance.

**Encumbrance** – amount of budget committed for the payment of goods and/or services.

**Purchase Order** – the terms of an agreement between the State and suppliers to purchase goods or services are outlined in a PO. The State's procurement activities are handled in MFMP or an agency business system, where POs are generated for dispatch to suppliers. A PO is used for Accounts Payable for matching the details of the goods received or services rendered, and the amounts billed on an invoice.

**Supplier** – all individuals or entities receiving a payment are referred to as suppliers in Florida PALM.

**Supplier Contract** – a supplier contract is the term used in Florida PALM for a two-party agreement to purchase goods or services, award grants to subrecipients, or authorize disbursement of funds.

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