

30.2 Establish Encumbrances

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Establish Encumbrances

General Information

This document describes and depicts the process steps and supporting information for the identified State business process. Within the *Subprocess Flow Details* section, included for each process step are:

- **Process Step ID** – A unique number assigned to each process step
- **Process Step Title** – A short description assigned to each process step
- **Description of Process** – A detailed narrative description of the process step
- **Ledger Impacts ID** – The number assigned to the documented accounting entry associated with the step

Also described below are the *Ledger Impacts* and *Reports*, which are displayed as icons on the *Business Process Flow Diagrams*. Finally, included in the *Terminology* section are definitions of terms to help the reader to better understand the document.

Dependencies and Constraints

- An Encumbrance PO must be interfaced from a purchase order (PO) created in MyFloridaMarketPlace (MFMP) or an Agency Business System (ABS), or manually created in Florida PALM.
- An Encumbrance PO is required to record encumbrances.
- A valid supplier must exist to create an Encumbrance PO or supplier contract.
- An Encumbrance PO requires sufficient budget authority to be created.
- An Encumbrance PO manually created in Florida PALM is subject to the approval process.

Business Process Overview

Encumbrances are used to reserve 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.

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 ABS, as applicable) to obtain the necessary data to create and release encumbrances. To distinguish from the POs used for procurement, these POs are referred to as Encumbrance POs.

State contract information is maintained in the Florida Accountability and Contract Tracking System (FACTS) as required by State law for transparency purposes. This contract information is interfaced with Florida PALM to create supplier contracts with the data necessary to create an encumbrance. This alternative method can be used to manually create an Encumbrance PO. A Budget Check is required for all encumbrances.

Subprocess Flow Details

The table below describes steps in the business subprocess as reflected on the Process Flow diagrams. The table also reflects 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 either an agency or enterprise role. 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.

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Swim Lanes – Definition	<p>Agency Encumbrance Processor: agency role responsible for entering Encumbrance POs into Florida PALM</p> <p>Agency Program Approver: agency role responsible for reviewing and approving an encumbrance request</p>

Process Step ID	Process Step Title	Description of Process
1	FACTS (Contracts)	FACTS interfaces nightly with Florida PALM to create supplier contracts with the required information to create encumbrances.
2	Agency Business Systems (Contracts)	As applicable, contracts maintained in ABS, that are not required to be included in FACTS, interface nightly with Florida PALM. The contract data includes the minimum data elements required to create encumbrances.
3	Receive Inbound Contract Data	Florida PALM receives contract data from FACTS or ABS in a standard file format.
4	Load Supplier Contract Data	The contract data is loaded and validated.
5	Establish Supplier Contract	Supplier contracts are created and uniquely identified with a contract identification number.
6	Enter Supplier Contract	If necessary, a supplier contract can be created manually in Florida PALM.
7	Create Encumbrance PO	An Encumbrance PO may be established manually with information from a supplier contract. Encumbrance POs established manually require approval before they are sent for Budget Check. Workflow is used to return any items for appropriate action.
8	MFMP (POs)	MFMP issues POs to suppliers to procure goods or services. MFMP interfaces nightly with Florida PALM to encumber the POs.

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9	Agency Business Systems (POs)	As applicable, ABS POs (non-MFMP) interface nightly with Florida PALM to encumber the POs.
10	Receive Inbound PO Data	Florida PALM receives PO data from MFMP or ABS in a standard file format.
11	Load Inbound PO Data	Florida PALM loads and validates the PO data.
12	Establish Encumbrance PO (pre-approved)	Florida PALM uses the PO data to establish the Encumbrance POs. These transactions do not require approval before the Budget Check Process is initiated.
13	Run Budget Check	Each Encumbrance PO is subject to Budget Check to validate whether spending authority is available. If there is available spending authority, the transaction continues processing and an encumbrance is created. If there is not available spending authority, the transaction fails and must go through exception handling to continue.

Ledger Impacts

Ledger Impact ID	Ledger - Ledger Impact Title	Ledger Impact Description
LI1	Budget Ledger - Encumbrance Entry	Increases Encumbrance Decreases Spending Authority

Reports

Report Number	Report Description	Report Frequency	Audience
R1	Reconciling Items for PO and Contract Data	Periodic	Agency, DFS
R2	Returned Encumbrance PO Requests	Periodic	Agency, DFS
R3	Encumbrance POs with Budget Exceptions	Periodic	Agency, DFS

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 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.

Encumbrance PO – the mechanism used to create an encumbrance in Florida PALM.

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 ABS, where POs are generated for dispatch to suppliers. A PO is used in the Accounts Payable process for matching the details of the goods received or services rendered, and the amounts billed on an invoice.

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 a State disbursement of funds.

Supplier – all payees are referred to as suppliers in Florida PALM.

Business Process Flow Diagrams

Please see *30.2 – Establish Encumbrances* located in the [D54 Standardized Business Processes > Working > Workstream B folder](#).