

30.2 Establish and Maintain Encumbrances

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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 located as appendix to this document.

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

Also described below are the Ledger Impacts and 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. Reports describe where a report is identified to be produced at a process step or is used to support the completion of a process step.

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 must exist to create an encumbrance or supplier contract
- An encumbrance requires sufficient budget authority to be created
- An encumbrance manually created in Florida PALM is subject to the approval process

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. Florida PALM provides the ability to record multi-year encumbrances and convert a future encumbrance to a current encumbrance at the beginning of the new fiscal year.

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 vendor ID, valid organization code, account code, amount, and budget entity. A grant or project number may also be included to associate the encumbrance to a grant or project.

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. Creating a manual encumbrance requires the Agency 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 table 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.

Table 1: Create and Maintain Encumbrances

30.2.1 – Create and Maintain Encumbrances		
Swim Lanes – Definition	Agency Encumbrance Processor: agency role responsible for entering encumbrance into Florida PALM Agency Program Approver: agency role responsible for reviewing and approving an encumbrance request	
Process Step ID	Process Step Title	Description of Process
1	Data to Load Contracts	Required contract data elements are loaded to create encumbrances. FACTS interfaces nightly with Florida PALM to create supplier contracts with the required information to create encumbrances. As applicable, contracts maintained in agency business system that are not required to be included in FACTS, interface nightly with Florida PALM.
2	Receive Inbound Contract Data	Florida PALM receives contract data from FACTS or an agency business system in a standard file format.
3	Load Supplier Contract Data	The contract data is loaded and validated. Load errors must be corrected and reloaded to proceed.
4	Establish Supplier Contract	Supplier contracts are created and uniquely identified with a contract identification number. The Supplier Contract Status report is used to determine if a contract is active or inactive.
5	Enter Supplier Contract	If necessary, a supplier contract can be created manually in Florida PALM.
6	Create/ Update Encumbrance	An encumbrance may be established manually with information from a supplier contract. Encumbrances established manually require approval from the Agency Program Approver before they are sent for Budget Check.

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Process Step ID	Process Step Title	Description of Process
		<p>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 process shows the steps related to monitoring and resolving encumbrance errors.</p> <p>Reports used for monitoring encumbrances include: Encumbrances by Supplier, and Closed Encumbrances.</p>
7	Review Encumbrance	An Agency Program Approver reviews the encumbrance for ChartField values and amounts. If an error is found, the Agency Program Approver has the option to return the encumbrance to the Agency 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.
8	Deny Encumbrance	An Agency Program Approver denies the encumbrance and returns it to the Agency Encumbrance Processor to update or close the encumbrance.
9	Approve Encumbrance	An Agency Program Approver approves the encumbrance and the Budget Check Process is run.
10	Run Budget Check	<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>Any Budget Check errors are followed up for resolution through the Monitor Encumbrance business process.</p> <p>The Agency Encumbrance Processor, and others, use the Encumbrance Budget Exceptions report, and the Budget Overrides report, to manage budget exceptions.</p>
11	Data to Load Purchase Orders	<p>MFMP issues POs to suppliers to procure goods or services, and interfaces nightly with Florida PALM to encumber the POs.</p> <p>As applicable, agency business system POs (non-MFMP) interface nightly with Florida PALM to encumber the POs.</p>
12	Receive Inbound PO Data	Florida PALM receives PO data from MFMP or agency business system in a standard file format.
13	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 to Florida PALM.
14	Create Encumbrance	Florida PALM uses the PO data to create the encumbrances. The Agency Encumbrance Processor reviews the

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Process Step ID	Process Step Title	Description of Process
		Encumbrance by Supplier report to review the encumbrance created, and to monitor for duplicate encumbrances.
15	Record Encumbrance	If there is available spending authority, the transaction continues processing and the encumbrance accounting entries are recorded. The Encumbrance Aging Report is available for managing encumbrance activity.
16	Encumbrance File	Florida PALM interfaces with MFMP and agency business systems, as applicable, to provide encumbrance information, including encumbrance errors.

Table 1: Monitor Encumbrances

30.2.2 – Monitor Encumbrances		
Swim Lanes – Definition	Agency AP Supervisor: agency role responsible for managing encumbrances and overriding voucher match errors Agency Encumbrance Processor: agency role responsible for entering Encumbrances into Florida PALM	
Process Step ID	Process Step Title	Description of Process
1	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.
2	Monitor Encumbrance Errors	<p>The Agency 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 Encumbrance Processor uses the Encumbrance Aging Report and the Outstanding Encumbrance Errors report to manage the resolution of the budget exceptions.</p>
3	Create/Update Encumbrance	If the error requires an accounting resolution, the Agency Encumbrance Processor returns to the Create/Update Encumbrance step to make the necessary edit.

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Process Step ID	Process Step Title	Description of Process
4	Close Encumbrance	If a budget resolution or accounting resolution is unable to be completed, the Agency Encumbrance Processor may choose to close the encumbrance. The close encumbrance is completed at the Create/Update Encumbrance step.
5	Manage/ Review Encumbrances	Encumbrances are monitored and reviewed by the Agency AP Supervisor using the Encumbrance Aging Report, the Outstanding Encumbrance Errors report, Closed Encumbrances report, and the Budget Overrides report. The Agency AP Supervisor provides direction as to the appropriate resolution of any exceptions or required actions to manage established encumbrances.

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
LI2	Budget Ledger – Encumbrance Adjustments	Increases encumbrance Decreases appropriation, or Decreases encumbrance Increases appropriation

Reports

Table 4: Reports Included on Business Process Flow Diagrams

Report Number	Report Description	Report Frequency	Audience
R1	Supplier Contract Status – a report that lists if a contract is active or inactive	Periodic	Agency, DFS
R2	Encumbrances by Supplier – a report of encumbrances by Supplier used to ensure that encumbrances are not duplicated	Periodic	Agency, DFS
R3	Closed Encumbrances – a report listing closed encumbrances	Periodic	Agency, DFS
R4	Encumbrance Budget Exceptions – a report listing	Periodic	Agency, DFS

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Report Number	Report Description	Report Frequency	Audience
	encumbrances with budget exceptions		
R5	Budget Overrides – a report listing budget overrides approved to enable the creation of an encumbrance	Periodic	Agency, DFS
R6	Encumbrance Aging Report – a list of all encumbrances, date encumbrance was established, and the date the last activity occurred	Periodic	Agency
R7	Outstanding Encumbrance Errors – a report listing unresolved encumbrance exceptions	Periodic	Agency

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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 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 in the Accounts Payable process for matching the details of the goods received or services rendered, and the amounts billed on an invoice.

Supplier – all payees 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.