

30.2 Establish and Maintain Encumbrances

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Establish and Maintain 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 must be interfaced from a purchase order (PO) created in MyFloridaMarketPlace (MFMP) or an Agency Business System (ABS), 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

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

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 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 ABS for adding an encumbrance. 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.

30.2.1 – Create and Maintain Encumbrances	
Swim Lanes – Definition	<p>Agency Encumbrance Processor: agency role responsible for entering encumbrance 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.

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Process Step ID	Process Step Title	Description of Process
7	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. Workflow is used to return any items for appropriate action. The voucher may be updated to resolve accounting errors that occur during the budget check process.
8	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 will require Budget Check to be re-run before the encumbrance is recorded.
9	Deny Encumbrance	An Agency Program Approver denies the encumbrance and returns it to the Agency Encumbrance Processor to update or close the encumbrance.
10	Approve Encumbrance	An Agency Program Approver approves the encumbrance and the Budget Check Process is run.
11	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.
12	MFMP (POs)	MFMP issues POs to suppliers to procure goods or services. MFMP interfaces nightly with Florida PALM to encumber the POs.
13	Agency Business Systems (POs)	As applicable, ABS POs (non-MFMP) interface nightly with Florida PALM to encumber the POs.
14	Receive Inbound PO Data	Florida PALM receives PO data from MFMP or ABS in a standard file format.
15	Load Inbound PO Data	Florida PALM loads and validates the PO data.
16	Create Encumbrance	Florida PALM uses the PO data to create the encumbrances. These transactions do not require approval before the Budget Check Process is initiated.
17	Record Encumbrance	If there is available spending authority, the transaction continues processing and the encumbrance accounting entries are recorded.
18	Encumbrance File	Florida PALM interfaces with MFMP and ABS to provide encumbrance information.

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30.2.2 – Monitor Encumbrances	
Swim Lanes – Definition	Agency AP Supervisor: agency role responsible for managing encumbrances Agency Encumbrance Processor: agency role responsible for entering Encumbrances into Florida PALM

Process Step ID	Process Step Title	Description of Process
1	Monitor Encumbrance Errors	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. If the budget error is resolved, budget check re-runs and the encumbrance is created. If it remains unresolved the encumbrance is not processed. If the error requires an accounting resolution, the Agency Encumbrance Processor returns to the encumbrance to make the necessary edit.
2	Close Encumbrance	If a budget resolution or accounting resolution is unable to be completed the Agency Encumbrance Processor may choose to close the encumbrance.
3	Manage Encumbrances	The Agency AP Supervisor will use the Outstanding Encumbrance Errors report to manage unresolved encumbrance errors.

Ledger Impacts

Ledger Impact ID	Ledger - Ledger Impact Title	Ledger Impact Description
LI1	Encumbrance Entry	In the Budget Ledger, increases encumbrance and decreases appropriation
LI2	Encumbrance Adjustments	In the Budget Ledger, increases encumbrance and decreases appropriation, or In the Budget Ledger, decreases encumbrance and increases appropriation

Reports

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

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Report Number	Report Description	Report Frequency	Audience
R2	Contract Load Exceptions – a report listing supplier contract data exceptions occurring during the FACTs or ABS load process.	Periodic	Agency
R3	Encumbrances by Supplier – a report of encumbrances by Supplier used to ensure that encumbrances are not duplicated.	Periodic	Agency, DFS
R4	Returned Encumbrances – a report listing returned encumbrance requests.	Periodic	Agency, DFS
R5	PO Load Exceptions – a report listing PO data exceptions occurring during the MFMP or ABS load process.	Periodic	Agency
R6	Encumbrance Budget Exceptions – a report listing encumbrances with budget exceptions.	Periodic	Agency, DFS
R7	Budget Overrides – a report listing budget overrides approved to enable the creation of an encumbrance.	Periodic	Agency, DFS
R8	Encumbrance Aging Report: a list of all encumbrances, date encumbrance was established, and the date the last activity occurred.	Periodic	Agency
R9	Outstanding Encumbrance Errors – a report listing unresolved encumbrances due to budget exceptions.	Periodic	Agency

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.

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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 disbursement of funds.

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

Business Process Flow Diagrams

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

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