Overview
The Pre-Encumbrance (PE) document allows you to add encumbrances using an e-doc instead of relying on information from some system outside the KFS. These transactions are for the use of the fiscal officers to earmark funds for which unofficial commitments have already been made, setting aside amounts for future anticipated expenses that are not otherwise encumbered. The document can also be used to disencumber open encumbrances created with the PE document.

Note: KFS can accept encumbrances from many sources, including external systems (such as a payroll system that might feed information into the General Ledger) and internal systems that represent other modules of the KFS such as its purchasing module.

Note: The PE document should only be used to either encumber funds if they have not already been encumbered through other means or to remove encumbrances created by a PE document. To remove encumbrances created by other documents, review those document instructions on how to remove their encumbrances.

Document Layout
A PE document has its own unique tab called “Pre-Encumbrance Details” in addition to the standard financial transaction tabs.

For more information about the standard tabs, see “Standard Tabs” in the IU KFS Overview and Introduction.
Pre-Encumbrance Details Tab

The “Pre-Encumbrance Details” tab contains an optional “Reversal Date” field date. When entering an encumbrance, a reversal date may be entered to indicate when the system should automatically reverse the encumbrance. This date must not be earlier than the current date.

Encumbrances entered on a PE document without a reversal date must be reversed manually by processing another PE document and entering one or more accounting lines in the “Disencumbrance” section of the document.
Pre-Encumbrance Details tab definition

<table>
<thead>
<tr>
<th>Title</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reversal Date</td>
<td>Optional. Enter the date when the system should automatically reverse the encumbrance. The date must not be earlier than the current date.</td>
</tr>
</tbody>
</table>

Process Overview

Business Rules
- There must be at least one accounting line in the document.
- Unlike other documents with more than one side, there is no relationship between the “Encumbrance” and “Disencumbrance” sections of accounting lines.
- Negative amounts are not allowed. Encumbrances and disencumbrances are both recorded as positive amounts.
- KFS automatically generates offset entries, as defined by information entered into the document.
- Only object codes with an object type code of Expenditure Not Expense (EE) or Expense Expenditure (EX) are allowed on this document.

Routing
The PE document routes based on the account numbers used on the document as follows:
- The fiscal officer for each account must approve.
- Organization review routing occurs for the organization that owns each account.
- Sub-fund routing occurs based on the sub-fund of each account.

The document status becomes “FINAL” when the required approvals are obtained and the transaction is posted to the G/L during the next G/L batch process.

Initiating a PE Document

1. Log into One.IU as necessary.
2. Search for “All Financial Services” and click All Financial Services tile in the search results. Under “Financial Processing,” select Create Pre-Encumbrance.
3. A blank PE document with a new document ID appears.
4. Complete the standard tabs. Complete the “Accounting Lines” tab as follows:
   - Complete the “Accounting Lines” tab by entering information into the “Encumbrance” section, “Disencumbrance” section, or both.
     - Encumbrance Section: Accounting lines entered on the “Encumbrance” side of the document generate new encumbrances on the specified accounts.
     - Disencumbrance Section: Accounting lines entered on the “Disencumbrance” section of the document reverse existing encumbrances on the specified accounts.
   - Lines on the “Disencumbrance” section require a “Ref Number” which identifies the document number of the previous pre-encumbrance that needs to be removed. Disencumbrances entered in the PE document would only be used to remove an encumbrance previously established with a PE document.
5. Complete the “Pre-Encumbrance Details” tab.
6. Click submit.
7. Review the “General Ledger Pending Entries” tab. The pending entries include offset generation lines to a pre-defined reserve for encumbrances object code.
8. Review the “Route Log” tab. The document is routed to the fiscal officer for each account used in the “Accounting Lines” tab. The route status shows “ENROUTE.”
9. Appropriate fiscal officers, organization reviewers, and sub-fund reviewers approve the document.
**Example**

*Adding an Encumbrance to an Account without a Reversal Date*

We need to encumber $1,000 that we plan to pay to an artist who is creating a mural. This allows us to set aside the money in our account to keep track of this $1,000 expense that is to be charged to account 1031400 in the future.

In this example we have not included a reversal date. This means that rather than having the KFS automatically remove this encumbrance on a future date, the user has to disencumber the account by processing another PE document.

The “General Ledger Pending Ledger Entries” tab shows that these entries are made in balance type PE (Pre-Encumbrance). This marks the entries as being distinct from other balance types such as Actuals (AC) or Current Budget (CB).

*Disencumbering the Funds*

We now need to disencumber the funds that were encumbered in the first example. Notice that we have entered the same information used before, but this time the entries are made on the “Disencumbrance” section of the document. One difference is that we were required to enter the “Ref Number.” We use the “Ref Number” that identifies the document number of the original PE document that encumbered the funds.
**Pre-Encumbrance**

**Document Overview**

- **Description:** Disemb Artist fee
- **Explanation:** Disemb artist fee for psychology building morale.

**Financial Document Detail**

| Total Amount | 1,000.00 |

**Pre-Encumbrance Details**

**Accounting Lines**

**Encumbrance**

**Disencumbrance**

<table>
<thead>
<tr>
<th>Seq</th>
<th>Fiscal Year</th>
<th>Chart</th>
<th>Account</th>
<th>Sub-Account</th>
<th>Object</th>
<th>Sub-Object</th>
<th>Project</th>
<th>Org Ref Id</th>
<th>Amount</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2015</td>
<td>BI</td>
<td>1031400</td>
<td>1031400</td>
<td>4503</td>
<td>ARTIST PERFORMANCE FEES</td>
<td></td>
<td>30774445</td>
<td>1,000.00</td>
<td></td>
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</tbody>
</table>

**General Ledger Pending Entries**

<table>
<thead>
<tr>
<th>Seq #</th>
<th>Fiscal Year</th>
<th>Chart</th>
<th>Account</th>
<th>Sub-Account</th>
<th>Object</th>
<th>Sub-Object</th>
<th>Project</th>
<th>Doc Type</th>
<th>Balance Type</th>
<th>Obj. Type</th>
<th>Amount</th>
<th>D/C</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2015</td>
<td>BI</td>
<td>1031400</td>
<td>1031400</td>
<td>99999</td>
<td>------------</td>
<td>PE</td>
<td>PE</td>
<td>EX</td>
<td>1,000.00</td>
<td>C</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>2015</td>
<td>BI</td>
<td>1031400</td>
<td>1031400</td>
<td>99999</td>
<td>------------</td>
<td>PE</td>
<td>PE</td>
<td>FB</td>
<td>1,000.00</td>
<td>D</td>
<td></td>
</tr>
</tbody>
</table>