Financial Process Module

Pre-Encumbrance

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 might not otherwise be 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.

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. Hence, there are no totals in the **Accounting Lines** tab of the document.

- Only object codes with an object type code of Expenditure Not Expense (EE) or Expense Expenditure (EX) are allowed on this document.

- 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.
Initiating a PE Document

1. Select Pre-Encumbrance from the Financial Processing submenu group in the Transactions submenu on the Main Menu tab.

2. Log into the KFS as necessary.

   A blank PE document with a new document ID appears.

3. 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.

4. Complete the Pre-Encumbrance Details tab.

5. Click submit.

6. Review the General Ledger Pending Entries tab.
The pending entries include offset generation lines to a pre-defined reserve for Encumbrances object code.

7. 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’.

8. 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)'.

![Image of General Ledger Pending Ledger Entries](image-url)
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 two other fields: Ref Origin Code and Ref Number. We use the Ref Origin Code to indicate to the system that the original encumbering transaction came from ('01' means the KFS in this example) and the Ref Number indicates the identifying document number in that system (the document ID number of the KFS Pre-Encumbrance document used to initially encumber the funds).

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.