• What is an Encumbrance?
• Where do they come from?
• Why is it important to manage them?
• What tools are available to manage them?
When Contracts and Procurement Services (C&PS) issue a purchase order, an encumbrance is created.

A Purchase Order (PO)
- is a result of a requisition submitted by department in FTS to order goods/services.
- reserves funds (a.k.a. encumbered) for that request.
- is a contract between SJSU and the supplier to purchase goods/services.
Supplier receives PO to process and fulfills order.

Supplier sends invoice to SJSU by mail or upload to e-Invoice.

Department creates and approves Requisition in FTS.

Contracts & Procurement Svcs. issue a PO to Supplier in CFS.

Supplier receives PO to process and fulfills order.

Department receives the goods/services.

In DW: PO Encumbrances increase.

In DW: PO Encumbrances decrease.

In DW: Actuals increase.

Payment Svcs. receive and audit invoice.

Does invoice match PO? Are there enough funds in PO to pay invoice?

YES

Payment Svcs. email Department to take action*.

NO

Payment Svcs. email Department to take action*.

Department responds to Payment Svcs. by completing requested action*.

End of Process

Payment Svcs. issue payment to the supplier.

Payment Svcs. creates a voucher in CFS for invoice.

Is there a CFS Receipt or written approval from dept. to pay the invoice?

YES

Payment Svcs. issue payment to the supplier.

NO

Payment Svcs. email Department to take action*.

Department responds to Payment Svcs. by completing requested action*.

REQUISITION TO PO LIFE CYCLE

* Dept. action is to complete a Change Order Request, Receiving in CFS or give written approval to pay.
WHY IS IT IMPORTANT TO MANAGE ENCUMBRANCES?

- PO encumbrances
  - affect how much funds are available to the department.
  - cannot be used for other transactions.
  - from prior fiscal year issued POs are carried forward to the new fiscal year.
  - remain open until one of the following action occurs
    - Payment Services voucher invoice(s) associated to PO.
    - Department submits a Change Order Request to reduce or close the PO.

- C&PS do not modify POs without the department’s consent.
Tools for Manage Encumbrances
CFS Data Warehouse

- **Start here first!**
- Requires DeptID.
- Reports
  - Financial Summary as of Period (FSAP) or Manage My Budget (MMB)
  - Open PO Report (a supplemental report)

CFS

- Requires a Requisition or PO Number
- Supplemental reports and info
  - CSU Remaining Balance
  - PO Life Cycle Report
  - Purchase Order Inquiry (not a report; a panel to get a quick view)
Tools for Managing Encumbrances

- View original submission made by department.
- Retrieve backup documentation associated to the request.
  - Requisition, PO, invoices, quotes, Change Order Requests and correspondence.
CFS Data Warehouse
In Data Warehouse, departments can run either **Financial Summary as of Period** (FSAP) or **Manage My Budget** (MMB) report to identify balance available and reconcile transactions posted as of Month To Date.

- The Encumbrances total can represent more than one PO.
- Click the Encumbrances amount hyperlink to drilldown to view transactions that make up the total.
Financial Summary

- Drilldown of Encumbrances total in the **Financial Summary as of Period** report.
- Transaction details that make up the Encumbrance total $1,092.50 display.

### Financial Reporting

<table>
<thead>
<tr>
<th>Business Unit</th>
<th>Fiscal Year</th>
<th>Period</th>
<th>Accounting Date</th>
<th>Doc ID</th>
<th>Doc Scr Descriptor</th>
<th>Doc Ln Descr</th>
<th>Amount</th>
<th>Account Descr</th>
<th>Fund Descr</th>
<th>Dept Descr</th>
<th>Prog Descr</th>
<th>Class Descr</th>
<th>Project Descr</th>
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<tr>
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<td>2018</td>
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<td>08/23/2018</td>
<td>3000023</td>
<td>VCH - AP Voucher Accounting</td>
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<td>616000 - IT Software</td>
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<td>08/08/2018</td>
<td>YE06b70441</td>
<td>YES - Year End Accruals Journals</td>
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</table>

**Grand Total**: 1,092.50
Examples of how PO activity displays in the main FSAP or MMB summary page.

**Current Budget minus Actuals minus Encumbrances equal Balance Available**

<table>
<thead>
<tr>
<th>Fund Fdscrs</th>
<th>Dept Fdscrs</th>
<th>Acct Fdscrs</th>
<th>Class Fdscrs</th>
<th>Project Fdscrs</th>
<th>Prog Fdscrs</th>
<th>Current Budget</th>
<th>Actuals</th>
<th>Encumbrances</th>
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<td>13,100.00</td>
<td>0.00</td>
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<tr>
<td><strong>Grand Total</strong></td>
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<td></td>
<td></td>
<td></td>
<td><strong>13,100.00</strong></td>
<td><strong>0.00</strong></td>
<td><strong>1,092.50</strong></td>
<td><strong>12,007.50</strong></td>
</tr>
</tbody>
</table>

**Example 1:** Encumbrance- When a PO is issued. No vouchers or payment made to supplier.

**Example 2:** PO is paid in full.

**Example 3:** PO is partially paid.
- A supplemental report found in the Transaction Inquiry dashboard.
- Encumbrance total from MMB or FSAP reports should be the same as the Open PO total.
- Displays open POs and their encumbrances.
- Gives PO line number and remaining balance for it.
- Open PO Amount includes tax, if it’s on the PO.
• Driltdown of PO in **Open PO Report** displays the transaction details for it.

![Open PO Report screenshot](image-url)

**Open PO Detail**

<table>
<thead>
<tr>
<th>Bus Unit Fdescr</th>
<th>Fiscal Year</th>
<th>Period</th>
<th>Accounting Date</th>
<th>Doc ID</th>
<th>Doc Src Descr</th>
<th>Doc Ln Descr</th>
<th>Amount</th>
<th>Account Fdescr</th>
<th>Fund Fdescr</th>
<th>Dept Fdescr</th>
<th>Program Fdescr</th>
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<td>616003 - IT Software</td>
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</table>

Grand Total | 1,092.50
CFS
• Four supplemental reports and views
  • PO Inquiry
  • CSU PO Life Cycle Reports
  • CSU Open PO by Chartfield
  • CSU Remaining Balance
• CSU PO Remaining Balance Inquiry
  • Must know the PO Number
  • A quick way to check the balance remaining on a purchase order.

• PO Inquiry
  • Must know the PO Number.
  • A quick check on the status of a PO and balance remaining.
• **CSU PO Life Cycle**
  - Must know PO Number.
  - Displays the PO activity from Requisition > PO > Receipts > Vouchers
  - Does not display remaining balance.

• **CSU Open PO by Chartfield**
  - Enter one or more chartfield value (e.g. DeptID)
  - Will display open POs and closed POs that have an open amount.
    - Closed POs with have open amount are known as “dangling encumbrances” and require assistance from FinanceConnect to clear.
1: Purchase Order Inquiry

- Quick view of a PO.
- Must know PO number.
- Navigation: Main Menu > NavBar > Navigator > Purchase Orders > Review PO Information > Purchase Orders
- Enter Business Unit: SJ000 and PO ID (Number).
- Click Search.
• Purchase Order Inquiry page displays.
• Panel information includes Supplier, PO Status, and Encumbrance Balance, PO line information and status.
• Click on **Activity Summary** to view Receipt and Invoice information.
• Click on **Document Status** to view PO history (Req, PO, Receipt, and Vouchers)
Select Purchase Order radio button.
Enter Business Unit: SJ000 and PO Number.
Click **Run** and then **Report Manager** to retrieve report.
**2: CSU PO LIFE CYCLE REPORT**

- PDF of CSU PO Life Cycle Report
- Displays entire PO activity from Requisition, PO, Receipt, and Vouchers/Payments
3: CSU OPEN PO BY CHARTFIELD

- **Navigation:** Purchasing > Purchase Orders > CSU Open PO by Chartfield
- **Enter**
  - Business Unit: SJ000
  - Fiscal Year: Current FY
  - Period: 12
  - Check box for "Include Closed PO’s"
  - Chartfield section
  - DEPTID
  - From Value: 1606
  - To Value: 1606
  - Click Save.
  - Click Run.


- PO information displays in the report.
- S column is displays the PO status.
- C- Completed; D- Dispatched (open)
- X- Cancelled

<table>
<thead>
<tr>
<th>PO ID</th>
<th>PO Date</th>
<th>S</th>
<th>Lin.Sc.Dc</th>
<th>PO Line Description</th>
<th>Supplier Description</th>
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<th>Project</th>
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</tbody>
</table>
4: CSU PO REMAINING BALANCE INQUIRY

- Enter PO Number.
- Enter Business Unit: SJ000, PO Number and click Search.
This inquiry will show you any remaining balance as well as all encumbrances and vouchers that have been paid against this purchase order.

Includes the Accounting Period/Fiscal Year transaction was posted in.

To print this for your records you will need to click on the Printer icon.

Then go to Process Monitor to print the PDF or save a copy.
- PDF report of the CSU PO Remaining Balance Inquiry.
Change Order Request
• Change Order Request is the method for a department to have Contracts and Procurement Services to modify, close, or cancel a PO.
• An online form completed by department in FTS.
• Reasons to submit a Change Order to modify a PO
  • Increase/decrease
    • Not enough or too much funds for a blanket order.
    • Need to increase/decrease quantity for an item.
    • Price change for goods/services.

• When preparing a Change Order to modify a PO
  • Identify how much to increase/decrease for quantity or amount
  • If it’s a blanket order, how much to increase/decrease to cover purchases until the end of fiscal year.
• To Close or Cancel?
  • Close if PO or PO Line has been partially paid.
  • Cancel if PO or PO Line has not been paid at all.

• Reasons to close/cancel a PO or a PO Line
  • Prior fiscal year blanket order PO.
  • Department cancelled order with supplier.
  • Department did not use the service.
  • Purchase made after PO was issued using an alternate process such as ProCard.
• Questions to ask when preparing the close/cancel request
  • Were goods/services received?
  • Were invoice(s) paid?
• If **YES** to both questions, then submit a Change Order Request to close PO.
• If **NO or unsure**, then research the PO activity and ask
  • Were goods obtained through another purchasing process (e.g. ProCard or Employee Reimbursement) after PO was issued?
  • Did the order get cancelled or returned?
  • Did the supplier send an invoice?
  • Was there a price change for goods/services?
  • Is item on backorder or service delayed?
PO Change Order Request is in FTS.
**PUR Change Order Request**

### Department Information
- **CO Requestor Name**: Amy Ma Chan
- **CO Requestor Email**: amy.chan@sjsu.edu
- **CO Approver Name**: 
- **CO Approver Email**: 
- **Requisition ID**: lw R00
- **Purchase Order Status**: lo - 01s P A T C H ED
- **CO Request Date**: 06/15/2021 03:55:33 PM
- **CO Approval Date**: 

### Purchase Order Information
- **Purchase Order ID**: 800004
- **Supplier Name**: le ' BO
- **Supplier ID**: 000004.
- **Dept Approver**: 
- **Dept Approver Email**: 
- **Department ID**: 1

### Additional Information
- **Requisition ID**: WR00
- **Purchase Order Status**: D - DISPATCHED
- **Buyer ID**: O01
- **Purchase Order Amount**: $9510
- **Purchase Order Type**: RO
- **Purchase Order Balance**: $389,828.81

### Change Order Request

[37]
### Change Order Request Form

**Action Requested**

Request Summary and Additional Details:

**Add a Line**

- **Quantity**
- **UOM**
- **Unit Price**
- **Ext Amt**
- **Description**

**Change Existing Line(s)**

- **Change Type**
- **Line #**
- **Qty From**
- **Qty To**
- **Unit Price From**
- **Unit Price To**

**Cancel the entire PO (PO must have no activity. Buyers cannot cancel any part of order that has been received, invoiced and/or paid.)**

**Change Order Backup Document(s)**

PUR Change Order Backup Doc:

- Attach PUR Change Order Backup Doc

**Submit**
• Encumbrance management
  • Should be completed frequently throughout the fiscal year.
  • Don’t wait until the end of the fiscal year to take action.

• Encumbrances are reserved for goods/services listed on PO.
  • You can’t use encumbrances towards other expenses.

• Complete Change Order Request to modify or close/cancel a PO.
• Tools are available for Encumbrance management.
• Find your open POs by running Financial Summary or Manage My Budget Reports in Data Warehouse.
• Utilize supplemental reports in Data Warehouse or CFS to help you research the open POs.
Help is available

• Tutorials- https://www.sjsu.edu/fabs/connect/training-and-tutorials.php
• Website- www.sjsu.edu/fabs
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