Encumbrance Workgroup Topics

# Overview

Our goal is to develop guidance and best practices for agencies to analyze and manage legacy encumbrance data in preparation for implementation of Florida PALM. Through discussions and comparison of agency practices and needs, the group will:

* Identify and discuss current practices and state of legacy data;
* Develop and share expectations, tools, and guidance for analyzing and cleansing legacy data; and
* Provide input for creating or updating policies and best practices to support standardization of data and processes in Florida PALM.

Participants are asked to evaluate your agency for questions related to legacy data, data management, and future state expectations.

# Legacy Data

What types of encumbrances does your agency record today?

What types of transactions are not encumbered today or are encumbered and do not consume budget?

FWC would like to know what the definition of “consume budget” means. Agencies agree. They also have allotments down to the six-digit object code based on object code. They do both based on the budget office. We need to figure out AOD – MFMP.

Robert H - This also drives org and EO set up. We check at cash and release. They do not check at level 4. They do check at allotments depending on office. Central office does broader, but the county health departments have their own spending plan, down to object code.

For AOD issue that can be applied to FLP – Accenture has taken things that we would recognize, like BE, they put it in a field called product, there is no data dictionary or crosswalk to line the data codes up.

All agree that they only check at disbursement.

Charlotte – they don’t check AB at encumbrance.

HWS – goes all the way down to level 5 org codes. Allotment are done at level 2 to track budget.

Take-Away:

We need reports to monitor and data crosswalk

How does your agency manage any commitments that are not encumbered?

Electric, pcard,

FWC – we had to get away from multi-year encumbrances. Contract managers don’t reconcile like they should. If we have an encumbrance that messes up, you can’t reconcile it or fix. Unless they have specific guidance – formal contract with manual encumbrances.

Charlotte – we issue them in MFMP and mark them as unencumber and then encumber a year at a time. They use reports to capture those, but those aren’t working.

DEO – when we do mark it completed in FLAIR, FACTS is not updated unless you do a form. They are making them

FWC – payment update eform from MFMP

DOH would do that too.

Grace Sumpter – some times it doesn’t work for us either.

Auditing is also not consistent.

Robert – lets talk about the encumbrance processes altogether. We have different things that we encumber. We don’t do travel, electric, etc. We have a threshold for Pcard that they use the procurement tool. It captures disbursement and procurement in one. Then we have a requisition were we go and get items and then process the payment through MFMP. Formal contracts are entered into FLAIR manually. We compare those to FACTS to keep the two in sync. We check paylog, encumbrance balance in FLAIR and FACTS.

Problem with encumbrances, the items are not concrete – it’s a contingent liability. The vendor may not provide the full delivery.

Then you have to consider the procurement system. Who takes authority? What have heard, the problem is that we go do a procurement process to vendor providing services to us paying them. Who is responsible for keeping that balance information up-to-date. We have FLAIR, FACTS, Manual Documentation and Procurement system.

DOH – everything is done on a fiscal, annual basis – we have a clause that they’re based on appropriation. We use 1122 forms with the budget lines distinguishing each fiscal year of the contract. One of the main reasons we do this, when we get to fiscal year end, we actually choose to have all of our obligations roll forward with a C as a certified B item.

We as agency have problems cause those outstanding balances are not cleaned up. You pay through the certified period and follow the process, then we have balances that are unused then they go through the reversion process. After 9/30 we do clean up and start all over.

Biomedical has a revert and reappropriate at roll over at the beginning of the year, we don’t do these with C, those are manually removed. We can’t pay until it’s appropriated again. If we really wanted to deal with the FLP issues, we could do the revert and reappropriate to deal with certified period work around. These encumbrances do not delete.

Tanya – who requests the new encumbrances?

Robert – The program. The 1122 should establish what should be set up as of July 1st

They have an encumbrance naming convention for those types of encumbrances.

Federal funds are further distinguished with OCA.

The problem we have at 6/30 is that we have thousands and thousands of lines, we do go through B-items with a threshold for high ticket items from B items to A items then remove it. We lost 2 days of the certifieds.

FWC – everything stays as a b item then we set up payables to offset.

We have had encumbrances for years that were still on the books, but have moved away when we pulled multi-year items.

Robert – in the past we use to use blanket Pos. Now we have items that are not monetarily great, but we have multiple sections using the same encumbrance with all these lines. The sections books are off. The company would reach out that they haven’t been paid for certain things, and they have to settlement agreement.

Renee: Do we want to put a threshold

Tanya – we need to follow the purchasing/procurement

Charlotte – budget office would object cause they use encumbrances to track. I wanted to go back to multi-year PO, you issue one each year?

DEO

HWS – multi year with encumbered

Grace – we do multi year and mark each year encumbered as it comes it, they manually encumbered.

Sally – offices are inconsistent

Sometimes vendors have hard time updating their invoices to match Pos

HWY – it would be nice if someone would define what an encumbrance is. Each agency is interpreting it differently. And how do you pay for it. If we have said definitions to help us all do the same things. They have blanket PO – because that’s how they have always done it.

Robert – disconnect – we use encumbrances as budgetary tool, and FLAIR is established to use it at an allotment level for said obligation. Now agencies use encumbrances for budget instead of setting up allotments

FLIP – where the vendor, like OD, can take the PO and flip it to provide an invoice.

Sally – even terminology is not consistent among agencies. Is it driven by the vendor number? Yes, if they’re utilizing the STC with the correct sequence code.

Robert – another challenge is that agencies don’t know what we use to know. Knowledge is not there anymore. We don’t know what’s held on the vendor file that causes all these other things to happen.

Renee: Like the eft file and the vendor file. They are different but they are very connected.

One of the things that we need to know, as we are revisiting requirements, are all of these things that we call FLAIR, are they going to be replaced? We have been going through a series of meetings to explain what all FLAIR does. We afraid that there are things that FLAIR does that we don’t know.

Tanya – we are teaching our staff where to click instead of why they’re doing that. We are missing pieces.

Sally, we need to start from the main process to where it ends.

Mike – hwy – are your budget offices involved?

Tanya – we have a collaboration. Accounting disbursement and budget are two different things

Does your agency use encumbrances to manage budget? If so at what level?

FWC – Yes, at level 2.

DOH – We actually budget at lower levels at CHD, they see what they have committed. There is a difference between budgeting and tracking. We are tracking things. If you really used the budget the money would only be for that and truly match it to the cents.

Sally – we have budget coordinators who should be monitoring monthly, but they don’t look at it until quarterly spending plans are due

Charlotte – they do a monthly report to review and where they all are out on spending.

DOR – they monitor everything for us. We have a standard encumbrance report that they use daily to update things. DOR has been stable staff. They have balances for FACTS, LTD, to all be in one place.

A lot of manual processes around monitoring.

FWC uses project ID and DOH uses OCA.

DOH – we have an encumbrance log too that is posted for everyone to review. It has all of them – they are color coated based on activity. We have some that are set up but never used.

DOR and Charlotte - has a payment log for each PO and contract.

DOH that responsibility falls onto the program.

Tanya – where can we get back up to apply these policies. Programs are pushing back on where is it said that we have to do it that way. We need consistency within our tools too.

Robert – all that we are discussing for standardization, we have to have all parties at the table: F&A, procurement, and budget. Encumbrances go through budget and purchasing. We have a lot discussion about these things because our units have relationships and sit down and discuss these items. Robert pulls them into conversations that they all need to be part in.

What is the cadence you all would be able to attend? Do we want blend? Prefer in person. We are not opposed to having budget and procurement. Every other week for cadence. Target groups target encumbrances and purchasing and encumbrances and budget. We think starting at budget.

FWC – is anyone in accounting in the approval flow? FWC does not validate org, eo, expansion file. Yes, DOR and DEO before the PO issues.

HWY and DEO – They have budget office in the flow as well, as well as subject area experts

DOR has issues with Pos getting created with the wrong EO/object code

DEO – pull the expansion file to use for reviewing payments

DOH – this is another issue – the newest iteration of systems have not held to FLAIR standards. It doesn’t follow any of the criteria that FLAIR does.

Concerned that all the open systems are going to cause more vetting and validation into the process.

Renee – FLAIR has been tweaked over the years to offset human errors and work arounds.

Robert: Can we generate a report to edit what (data code) is not correct?

Charlotte: MFMP doesn’t use speed charts, so all the people in the field offices are going to have to know fund and accounting information.

John – when they say that the system can use org/eo. When it does its FLAIR validation at the end, then that causes issues. Speed types are not eos. We need to use org, eo, objects - it would be tied to an account code, and that combination will never change.

Robert – these systems have the process down to the end user, but its not practical for the state, cause someone else was doing it for them.

No one uses the encumbrance portion of STMS

How do you handle PCard for large ticket items at year end? DOH – don’t have large ones, usually less than $2,500. HWS – we have it in policy based on amount threshold.

DOH uses an emergency procurement. DBPR – Pcard plans should have it. This allows agencies to use them for different things.

FDLE – Does not use pcard for travel.

How are multi-year contracts managed regarding encumbrances?

How does your agency uniquely identify and manage each encumbrance?

Let’s go back and get perspective from those other areas – our next discussion is for data management

Robert – another aspect – putting aod on the side, to talk about data management, you have to talk about the data from AOD. There is a report that merges PO info to FLAIR information that would help recon. But there is another system that pulls this information and does other things. We need to talk about the pieces of data that happened between the systems. The report is from legacy MFMP. It comes from MFMP warehouse.

Get notes –

Data management – in two weeks – then bring in budget people.

Need names and emails of others who need to come for additional meeting.

# Data Management

Has your agency started analyzing legacy encumbrance data?

What are your agency concerns for the readiness of your encumbrance data for use in Florida PALM?

What are common data issues for encumbrances?

Are there invalid encumbrances still open in FLAIR (e.g., old, low dollar, inactive codes, other)?

What is the frequency at which your agency reviews and manages encumbrance data?

What best practices could we share with all agencies for managing encumbrance data?

What data cleansing procedures does your agency currently use for the Encumbrance Subsidiary file?

How does your agency plan to identify encumbrances that should not be recorded in Florida PALM?

What lessons have you learned through other projects (object code standardization) that could be applied here?

What tools or assistance is needed for your agency to analyze and manage encumbrances?

# Future State

-Include budget and procurement on these topics

What are standard practices that should be used across agencies for managing encumbrances, and what differences in practices are appropriate?

What existing policies are helpful?

Where are there current policy gaps?

What assumptions do we have about encumbrance conversion? For example, we should only record encumbrances in Florida PALM that we expect to pay against after go-live.

What encumbrance information is needed in Florida PALM?