Encumbrance Workgroup Topics

Our goal is to develop guidance for agencies on best practices to prepare for converting encumbrance data to FLP. In addition, A&A would like to collect information about how agencies would like to use/manage encumbrances in the future. Please note that until we have additional information about HOW FLP will work, we cannot develop policy or confirm recommendations.

This meeting consisted of the identified Agency Subject Matter Experts, as well as procurement resources from the selected agencies, to provide encumbrance data management from a procurement perspective. This meeting did not follow the identified topics as discussed in previous meetings.

# Renee - Kicked off the meeting and gave overview of Agenda and goals.

* Encumbrances - how agencies handle them, encumbrance challenges, etc.
* This is one of 8 data groups that will be held to assist as we move into a new accounting system.

# FWC - Procurement, not really involved, not understanding. Everything is manually sent to FLAIR.

# Renee - Encumbrance staff isn't really involved - very automated

# DOR – We do the same,

# DEP - Same

# HSMV - involved to a degree, set up automated encumbrances in the procurement process. There is criteria to determine what is encumbered.

# DBPR - Procurement officers don’t get involved with encumbrances.

# DOH – Procurement - Activities via change orders effect balances in FLAIR.

* Renee - Are these activities someone is asking you to do?
* DOH - While purchasing does not do a lot with encumbrances, activities do affect, primary done through purchase requisitions through MFMP. PO managed with encumbered budget. Purchasing folks are not SME but their activities do effect encumbrance balances.
* Renee - Purchasing area reconciles the balances? Who does the change orders?
* The programs do the change orders for their areas. Works with Budget or Accounting office if any adjustments are needed. Ideally, all business is done in MFMP so all systems communicate with one another.

# Renee - When we get to FLP, there will be less gaps that will allow for systems to get out of balance.

# DOR - AOD has a problem with manual encumbrances. More to come.

# FWC - End of the year data will not be clean due to AOD issues.

# DOH - Regarding disconnect between AOD and FLAIR - we do anticipate this gap even in FLAIR. This serves as a manual backup if AOD is unable to process a payment.

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# Renee - Things that we do/don’t encumber has been discussed. In FLP encumbrances will consume budget because there will not be departmental/central segregation. Thresholds are being discussed. Do our Purchasing Offices have any inputs on a threshold?

* DEP - Heavily FCO funded, we hold budget staff accountable via encumbrances, thresholds wouldn't be a good idea for us. We will have to encumber due to commitments.
* DOR - Is a threshold going to be required or is it a choice? Some programs are heavily budgeted.
  + Renee - This will be taken back to leadership for decisions. A&A does not have a lot of 'dog in the fight' regarding encumbrances. There's a lot of benefit to agencies managing their encumbrances well. We are looking for guidance.
* DOH - From Purchasing standpoint, it wouldn't matter for encumbrance matter - this is a budget tool. At DOH only annual encumbrances are done; they are managed throughout the year. There is nothing that crosses physical years.
  + Renee - you will do annual or shorter, no multi-year?
  + Correct
* HSMV - The inability to over-encumber will cause issues. We have an over-encumbrance issue for certain account codes throughout the fiscal year. It would be very useful for FMMIS payments and unexpected, one-time payments, if three was not a hard stop on payments when accounts become over encumbered.
* DEP - Very concerned with encumbrance up front without additional release. Settlement agreements can affect as well. The release/encumbrance tie is scary. It adds an additional limitation to get our vendors paid.
* FWC - Different encumbrances available need to logically thought out. Help make connections by 'type'.
* DEO - Currently, disbursement staff can decide which over encumbrance that can be paid. There are emergencies and you can choose to establish an encumbrance quickly. She is concerned with blocking the ability to encumber. Right now I have flexibility, a block will take that away.
* FWC - Where is the change going to be started? If you have to go back to originator, it will cause delays… We will have available balance override in FLP?
* Renee - Not sure
* FWC - Sometimes we need to run in the red…
* Renee - These decisions are made fairly often?
* DEO - Yes
* DEP - Not a fan of threshold or typing to release due to FCO management

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# Renee - Questions related to procurement?

* DEP - Some scenarios require IT to encumber funds. We're try to limit lines on a PO…it's a lot to manage - that's why we don’t do it in AOD.
* Renee - Allocating at the time of payment, not after?
* DEP - yes. Encumbrance is a good tool to know what's out there and what's left.
* DOH - IT encumbrance: at DOH we encountered the same issue in AOD. There is functionality in AOD, there are hidden buttons. She will share the information on how to do this in AOD. (one encumbered line paying for multiple funding sources).
* Renee - Has there been trouble finding this functionality in AOD?

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# HSMV - Need project help. At HSMV there is an issue when collecting fee money and giving them to other agencies. HSMV typically runs out of budget authority towards the end of the fiscal year, and it delays payment to state agencies until amendments can be approved. Can we leverage what can be budgeted so I can give money to other agencies?

* Renee - The project has in the past had the conversation. Because payments are distributed to vendors, we have to get nonoperating budget to send the eft payments to banks in the correct funds. We have made the same arguments. We haven't been able to make any progress with this topic, but we would like to address again.
* HSMV - Other state agencies have this issue, maybe this will help because it's not just DFS, it's all state agencies.
* Renee - this may be something that we can continue working towards due to so many changes being made at one time. In the future, FLP won't have compartments, helping with understanding, transparency, etc. hopefully after go-live, we will have a better understanding.

# DEO - Maybe you can tie multiple bank accounts to the same 29-digit account code. Treasury can help understand this process.

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# Website and Resources Available:

# Renee -

# Data Management Workgroup information is available on the Data Management webpage.

# Additional Comments:

# DBPR-

As a rule DBPR’s purchasing team is not directly involved with the encumbrance process.

Their FLAIR involvement is mostly focused on ensuring:

* The correct Org EO Object are used, and that this combination generates the correct account code,
* that the object code matches DFS Audits requirements for the purchasing event being generated.
* When the purchase is a formal contract the purchasing office handles all the FACTS coding.
* When AOD allows a miss match between the Accounting Codes entered and what would have been generated by the Org EO Object combination. DBPR has a report in FLAIR@BPR that shows where the two are in conflict, and F&A will help determine if a  change order needs to be done

The F&A and Budget office’s work with the purchasing area to assist with these edits and inputs as needed.

The F&A office creates all FLAIR encumbrances  Exxxxxx in this office using information from all relevant sources.