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Pre-Encumbrance

The Pre-Encumbrance (PE) document allows you to earmark funds for which unofficial commitments have already been made, setting aside amounts for future anticipated expenses that might not otherwise be encumbered such as an interdepartmental order. Certain providers of interdepartmental goods or services may require a processed pre-encumbrance eDoc to ensure funds have been set aside prior to proceeding with the order. All pre-encumbrances should be disencumbered using the automatic reversal feature or manual adjustment (disencumbrance) referencing the original PE document number. Pre-encumbrances for extramurally funded accounts otherwise known as Contracts and Grants (CG) accounts with outstanding balances will be carried forward to the new fiscal year.

**Important Note:** A purchase order encumbrance cannot be disencumbered using this document.

Pre-Encumbrance Workflow

The Pre-encumbrance eDoc may be initiated by any Kuali Financial System (KFS) user, but the document will route to the Account Fiscal Administrator or Delegate for approval. Further approval may be required by an Organization Reviewer if established. The following diagram illustrates the general workflow of the PE document, including applicable KFS roles in the routing cycle and processing requirements of each.

![Pre-Encumbrance Workflow Diagram](diagram.png)
Creating a Pre-Encumbrance

To create a Pre-Encumbrance, go to the Main Menu tab, Transactions menu group, Financial Processing subgroup and select Pre-Encumbrance.

The Pre-Encumbrance eDoc contains the standard document header, 7 tabs, and 5 action buttons.
For more information about the standard document header, tabs, and workflow action buttons, please refer to the Standard KFS eDoc Layout User Guide.

Pre-Encumbrance Details Tab

The PE document has its own unique tab called Pre-Encumbrance Details in addition to the standard financial transaction tabs.

The Pre-Encumbrance Details tab contains an optional Reversal Date field. When creating a new pre-encumbrance, a reversal date may be entered to indicate when the system should automatically reverse the encumbrance.

- This feature should be used only if you are certain of when the actual expense will occur.
- Encumbrances entered on a PE eDoc without a reversal date must be decreased manually by processing another PE document and entering one or more accounting lines in the Disencumbrance section of the document.

- **Reversal Date** – (Optional) Enter the date when the system should automatically reverse the encumbrance. The date must not be earlier than the current date.

**Important Note:**
- If an auto Reversal Date was specified on the PE and the PE was also manually disencumbered, submit a trouble ticket to request a Journal Voucher (JV) correction to reverse the duplicate disencumbrance.
- Pre-Encumbrances with reversal dates beyond the current fiscal year are limited only to CG accounts. All Non-CG Pre-Encumbrance outstanding balances at the end of the current fiscal year are not carried forward to the new fiscal year.
- If the Non-CG PE outstanding balance is needed in the next fiscal year, a new PE document should be created in the new fiscal year.
Accounting Lines Tab

The accounting information for the Pre-Encumbrance financial transaction is entered in the Accounting Lines tab. There are two sections in this tab: Encumbrance and Disencumbrance.

Encumbrance Section

Accounting lines are entered in the Encumbrance section of the document to generate new encumbrances on the specified accounts.

- **Chart** – *(Required)* Select the Chart code from the Chart List. Default chart code is based on the initiator’s primary department chart code.
- **Account** – *(Required)* Enter the account number or search for it from the Account lookup.
- **Sub-Account** – *(Optional)* enter the sub-account number or search for it from the Sub-Account lookup.
- **Object** – *(Required)* Enter the object code or search for it from the Object Code lookup.
  - Only object codes with an object type code of EE-Expenditure Not Expense or EX-Expense Expenditure are allowed on this document.
- **Sub-Object** – *(Optional)* Enter the sub-object code or search for it from the Sub-Object Code lookup.
- **Project** – *(Optional)* Enter the project code or search for it from the Project Code lookup.
- **Org Ref Id** – *(Optional)* Enter reference data to further identify the transaction, e.g. Interdepartmental order number, work order number, etc. (Limited to 8 characters).
- **Amount** – *(Required)* Enter the amount of this accounting line.
  - Negative amounts are not allowed.
- **Line Description** – *(Optional)* Enter Line Description data to further identify the transaction, e.g. Description of Item related to encumbrance, Interdepartmental order number, work order number, etc. (Limited to 40 characters).
- **Actions** - *(Required)* Click the ‘add’ button to add the accounting line information.
Disencumbrance Section

Accounting lines are entered in the Disencumbrance section of the document to decrease existing pre-encumbrances on specified accounts. If an automatic reversal date was not specified when the original PE was created, the Disencumbrance section needs to be completed on a new Pre-Encumbrance document to manually decrease the encumbrance.

Most of the accounting line fields in the Disencumbrance section are the same as the Encumbrance section except Line Description is not available and Reference Number is an additional field.

- **Chart to Amount fields**, enter the exact accounting line information as the original PE. Refer to Encumbrance section for more information regarding the specific fields.
- **Reference Number - (Required)** Enter the PE eDoc number used to initially encumber the funds.

**Important Note:**
- If the exact accounting line information and PE eDoc number used to initially encumber the funds is not entered in the disencumbrance section, the original PE encumbrance will not be properly decreased in the Open Encumbrance table.

General Ledger Pending Entries Tab

After the PE eDoc is saved or submitted, the General Ledger Pending Entries tab displays the transactions that are to be posted to the General Ledger (GL) when the document is fully approved and the GL batch process has run.

In addition to the entries created by the user, the General Ledger Pending Entries tab may include system-generated offset transactions to enforce the basic rule that debits must equal credits. For Pre-Encumbrance transactions, the system generated offset entries are posted to Fund Balance Object code 9980 Reserve for Pre-encumbrance.

**Note:**
- Balance Type is PE for Pre-Encumbrance. The Pre-Encumbrance amount is included in the Encumbrance Amount column and reduces the Expense Budget Available balance of the General Ledger Balance inquiries: Available Balances, Balances By Consolidation and Current Account Balances.

**For more information about General Ledger Balance inquiries, please refer to the General Ledger Balance Inquiries User Guide.**

- After the batch process has been run, the general ledger pending entries are removed from this tab.
General Ledger Entry Lookup

After the GL batch process has run, the General Ledger Entry inquiry displays the individual transactions that have posted to an account.

To view general ledger entries for a specific Pre-encumbrance eDoc that posted during the GL batch process, in the search criteria enter the Fiscal Year, clear the Balance Type code, enter Fiscal Period (Default to current Fiscal Period), and enter PE eDoc number in the Document Number field.

To view the Debit or Credit Code associated with the transaction select Debit/Credit View Include.

The PE eDoc accounting line information and object code 9980 system generated offset entries are displayed with Balance and Document Types PE for Pre-Encumbrance.

For more information about the General Ledger Entry inquiry, please refer to the General Ledger Balance Inquiries User Guide.
Open Encumbrance Lookup

The Open Encumbrance inquiry displays the detail for encumbrance balances. It includes Balance Types EX-External (PO) Encumbrances or PE-Pre-Encumbrance balances. All other encumbrance balance types are currently not used.

To view a specific Pre-encumbrance document balance, in the search criteria enter the Fiscal Year, Balance Type PE (Pre-Encumbrance) and PE Document Number.

The Open Amount reflects the total amount of the encumbrance for this document number, Closed Amount reflects the amount of encumbrance decreased (disencumbered) to date and the Outstanding Amount is a system calculation of the Open Amount less the Closed Amount.

Pre-encumbrance balances are presented differently in the Open Encumbrance Lookup based on how it was disencumbered.

- A PE that was disencumbered using the Reversal Date feature shows zero in both the open and closed amount columns.
- A PE that was manually disencumbered by processing another PE eDoc and completing the Disencumbrance Section shows the original encumbrance in the Open Amount column and the disencumbered amount in the Closed Amount column.

For more information about the Open Encumbrance inquiry, please refer to the General Ledger Balance Inquiries User Guide.
Pre-Encumbrance Examples and Scenarios

Example 1 – Pre-Encumbrance for UH Bookstore Purchase

Pre-encumbrance eDoc number 3240842 was processed to encumber $126.00 for interdepartmental purchase of computer software from the UH Bookstore.

**Document Header**
- **Doc Nbr:** 3240842-KFS generated document number.
- **Status:** FINAL-eDoc is fully approved, no pending approval or acknowledgement requests.
- **Initiator:** echun-UH username of person initiating eDoc.
- **Created:** 02:21 PM 10/22/2018-Time and Date eDoc was initiated.

**Document Overview tab**
- **Description:** Starts with the 3 digit Fiscal Office Code of 052 followed by a brief description of the purchase.
- **Explanation:** Includes more detailed description of the purchase.
- **Total Amount:** $126.00 is the same as the total amount of the accounting lines.

**Pre-Encumbrance Details tab**
- **Reversal Date** was left blank because the department was not sure of when the computer software will be picked up and when the expense will be charged to the account.

**Accounting Lines tab**
- **The Encumbrance section** was completed with the required fields Chart, Account, Object and Amount. The optional fields including the Line Description were left blank.
- **The Accounting Lines Total** of $126.00 is the same as the Total Amount in the Document Overview tab.
• **Sequence #1** displays the accounting line Chart=MA, Account=2014000, Object Code=7216, Amount=$126.00 and additional fields:
  o Fiscal Year=2019-Current Fiscal Year
  o Doc Type=PE-Pre-Encumbrance
  o Balance Type=PE-Pre-Encumbrance
  o Object Type=EX-Expense Expenditure
  o Debit/Credit Code=D-Debit

• **Sequence #2** displays the system generated offset entry with the same information as Sequence #1 except for:
  o Object Code=9980 Reserve for Pre-encumbrance
  o Object Type=FB-Fund Balance
  o Debit/Credit Code=C-Credit.

**Route Log tab**

• **ID: 3240842** - KFS generated PE document number
  o **Route Status**: FINAL-Financial documents in Final status affect the General Ledger
  o **Finalized**: 02:37 PM 10/22/2018-Time and Date eDoc reached FINAL status.

For more information about the standard document header, tabs, and workflow action buttons, please refer to the Standard KFS eDoc Layout User Guide.
The **General Ledger Entry Lookup** for Document Number 3240842 returned 2 items for PE 3240842 finalized on 10/22/18. The 2 records returned are the entries displayed in the General Ledger Pending Entries tab.

The **Open Encumbrance Lookup** for Document Number 3240842 returned one record.

The General Ledger entry information for PE 3240842 is displayed in addition to the following columns:
- **Open Amount**=$126.00-Original pre-encumbrance amount.
- **Closed Amount**=$0.00-Amount that has been disencumbered.
- **Outstanding Amount**=$126.00-Open Amount $126.00 less Closed Amount $0.00.
The **Available Balances Lookup** includes the Pre-encumbrance amount in the Encumbrance Amount column and reduces the Expense Budget Available balance (Variance). $74.00 Variance = Budget Amount $200.00 less Encumbrance Amount $126.00.

For more information about the General Ledger Entry, Open Encumbrance and Available Balances inquiries please refer to the General Ledger Balance Inquiries User Guide.
Example 2 – Pre-Encumbrance for Honolulu Community College Printing Services with Reversal Date and Manual Disencumbrance

Pre-encumbrance eDoc number 3240843 was processed to encumber $80.00 for printing of Waikiki Aquarium event flyers by the Honolulu Community College Design Center.

- A Reversal Date was entered in the Pre-Encumbrance Details tab because delivery of printed flyers and charge to account was expected on October 24, 2018.

The flyers were printed ahead of schedule and delivered on October 23, 2018. Internal Billing (IB) eDoc 3240845 was processed on 10/23/2018 to charge MA 2014000 3910 $80.00 for printing services.
Pre-encumbrance eDoc 3240848 was processed on 10/23/2018 to manually disencumber PE 3240843.

The **Disencumbrance** section of the Accounting Lines tab was completed with same required accounting line fields as the original PE 3240843, the IB eDoc number was entered in the Org Ref Id field and the original PE 3240843 document number entered in the Reference Number field.

The **General Ledger Entry Lookup** for PE 3240848 manual disencumbrance posted on 10/23/2018 displays additional Reference fields which are used to update the Open Encumbrance table.

- **Reference Document Type Code** = PE-Document Type for original pre-encumbrance.
- **Reference Origin Code** = 01-Origin code for original pre-encumbrance.
- **Reference Document Number** = 3240843-eDoc number for original pre-encumbrance.
The **Open Encumbrance Lookup** after PE 3240848 was processed to manually disencumber PE 3240843 displays $0.00 Outstanding Amount.

- **Open Amount**=$80.00-Original pre-encumbrance amount.
- **Closed Amount**=$80.00-Amount manually disencumbered by PE 3240848.
- **Outstanding Amount**=$0.00-Open Amount $80.00 less Closed Amount $80.00.

**Note**: To display an encumbrance record with Outstanding Amount=$0.00, select **Include** for Include Zeroed Out Encumbrances.

The **Available Balance Lookup** after IB and PE disencumbrance was recorded on 10/23/2018, Actuals Amount is $80.00 and Encumbrance Amount is $0.00.

- **Budget Amount**=$100.00-Current budget amount.
- **Actuals Amount**=$80.00-Expenditure recorded by IB 3240845.
- **Encumbrance Amount**=$0.00-Original encumbrance of $80.00 less $80.00 disencumbered by PE 3240848.
- **Variance**=$20.00-Budget Amount $100.00 less Actuals Amount $80.00 less Encumbrance Amount $0.00.
Because a reversal date of October 24, 2018 was specified in the original PE 3240843 Pre-Encumbrance Details tab, KFS automatically processed the reversal entry during the October 24, 2018 nightly batch processing.

The **General Ledger Entry Lookup** displays 2 entries for PE 3240843 with Transaction Date 10/22/2018.

- The original pre-encumbrance entry is posted with Debit/Credit Code=D-Debit.
- The automatic reversal that posted on 10/24/2018 is posted with Debit/Credit Code=C-Credit and Transaction Ledger Entry Description is prefixed with **AUTO REVERSAL**.

**Note:** To provide an audit trail back to the original document, KFS displays the transaction date of the original encumbrance instead of the actual reversal date for the AUTO REVERSAL entry. Therefore in the above example, although the automatic reversal date posted on 10/24/2018 as indicated in the Pre-Encumbrance Details tab of PE 3240843, the AUTO REVERSAL Transaction Date displayed is 10/22/2018, the date of the original encumbrance.
The **Open Encumbrance Lookup** displays negative ($80.00) Outstanding Amount after the auto reversal was posted on 10/24/2018.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Chart Code</th>
<th>Account Number</th>
<th>Sub-Account Code</th>
<th>Object Code</th>
<th>Sub-Object Code</th>
<th>Balance Type</th>
<th>Document Type</th>
<th>Origin Code</th>
<th>Document Number</th>
<th>Description</th>
<th>Open Amount</th>
<th>Closed Amount</th>
<th>Outstanding Amount</th>
<th>Transaction Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>MA</td>
<td>2214000</td>
<td>-----</td>
<td>2510</td>
<td>PE</td>
<td>PE</td>
<td>PE</td>
<td>3240843</td>
<td>OSU-HCC Design Center Event Flyers</td>
<td>0.00</td>
<td>80.00</td>
<td>(-80.00)</td>
<td>10/22/2018</td>
<td></td>
</tr>
</tbody>
</table>

- **Open Amount** = $0.00-Original pre-encumbrance amount of $80.00 less $80.00 reversed due to Oct 24, 2018 Reversal Date.
- **Closed Amount** = $80.00-Amount manually disencumbered by PE 3240848.
- **Outstanding Amount** = ($80.00)-Open Amount $0.00 less Closed Amount $80.00.

To correct a **negative** Outstanding Amount in the Open Encumbrance Lookup, please submit a trouble ticket to request a Journal Voucher (JV) correction by clicking on the following link.

![Submit a Trouble Ticket](https://www.hawaii.edu/kualifinancial/feedbackForm.php)

JV corrections can only be processed by the Office of Research Services for extramural accounts (CG accounts) or by General Accounting for non-extramural accounts.
Example 3 – Pre-Encumbrance for UH Chemistry Stockroom Purchase Disencumbered Using Incorrect Reference Number

Pre-encumbrance eDoc number 3240844 was processed to encumber funds to purchase Laboratory chemicals & supplies from the UH Chemistry Stockroom.

The laboratory chemicals and supplies were delivered and IB 3240850 was processed on 10/23/2018 to charge the Waikiki Aquarium.
The **Available Balance Lookup** after Internal Billing (IB) eDoc 3240850 was processed displays an Expense Budget Available (Variance) deficit of $50.00 due to $50.00 expense recorded by the IB eDoc and $50.00 pre-encumbrance not disencumbered.

- **Budget Amount** = $50.00 - Current budget amount.
- **Actuals Amount** = $50.00 - Expenditure recorded by IB 3240845.
- **Encumbrance Amount** = $50.00 - Original encumbrance of $50.00 not disencumbered.
- **Variance** = ($50.00) ‘Expense Budget Deficit’ - Budget Amount $50.00 less Actuals Amount $50.00 less Encumbrance Amount $50.00.

The user noticed the Internal Billing charge posted in the GL and consequently processed PE 3240858 to disencumber the encumbrance using the IB eDoc number 3240850 in the Reference Number field in error.
The **General Ledger Entry Lookup** for PE 3240858 manual disencumbrance posted on 10/24/2018 displays additional Reference fields which are used to update the Open Encumbrance file:

- **Reference Document Type Code**=PE-Document Type for original pre-encumbrance.
- **Reference Origin Code**=01-Origin code for original pre-encumbrance.
- **Reference Document Number**=3240850-eDoc number for Internal Billing eDoc processed to charge the lab expense—should be the original PE eDoc number.
The **Open Encumbrance Lookup** displays two pre-encumbrance entries for object code 3015, Document Number 3240844 with positive Outstanding Amount of $50.00 and Document Number 3240850 with negative Outstanding amount of ($50.00).

Because the incorrect Reference Number of 3240850 was used for PE 3240858 manual disencumbrance, another pre-encumbrance record was recorded in the Open Encumbrance Lookup for Document Number 3240850.

- **Open Amount**=$0.00-No original pre-encumbrance amount was recorded.
- **Closed Amount**=$50.00-Amount manually disencumbered using incorrect Reference Number 3240850.
- **Outstanding Amount**=($50.00)-Open Amount $0.00 less Closed Amount $50.00.

To correct the **positive** Outstanding Amount for Document Number 3240844, process a new PE and complete the Disencumbrance section using the correct Reference Number 3240844.

To correct the **negative** Outstanding Amount for Document Number 3240850, submit a trouble ticket to request a JV correction by clicking on the following link.

[Submit a Trouble Ticket](https://www.hawaii.edu/kualifinancial/feedbackForm.php)

JV corrections can only be processed by the Office of Research Services for extramural accounts (CG accounts) or by General Accounting for non-extramural accounts.