

**Bowling Green State University**  
**BG@100 Action Item**  
**ESC Submission: February 14, 2005**

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**Identification Information:**

<i>Reference Number</i>	HCM-A010
<i>Functional Area</i>	Payroll
<i>Title</i>	Encumbrance Processing for Finance / Budgeting
<i>ESC Submission</i>	February 10, 2005
<i>ESC Decision Requested By</i>	February 28, 2005

**Issue Description:**

The PeopleSoft process calculates encumbrances for all employees, but only for regular earnings and based on the standard hours on an employee's job data. All earning types that have been paid during the payroll run get relieved against the encumbrance balance. The Encumbrance General Ledger interface does not send the correct account (expense object code) to the Finance system. There is a checkbox to turn off the encumbrance process for an employee, but it is only available when the person is hired. This switch cannot be changed once that record is saved in the system as delivered.

**Background Information:**

BGSU only calculates encumbrances on contract employees and full-time classified employees. In addition to regular or base pay, stipends and overloads are encumbered at an object code level. Only earnings that are encumbered are relieved after every payroll run. Encumbrances can be manually adjusted at any time as pay or funding changes occur.

**Alternatives:**

Alternative #1: Utilize the encumbrance process as delivered by PeopleSoft. An accurate estimate of standard hours (or a minimum of one hour) will need to be entered for all hourly employees. Budgets will show encumbrances for regular pay for all employees calculated to the end of the fiscal year. Since all earnings paid will relieve encumbrance balances, balances will reach zero before fiscal year end and not reflect an accurate budget picture.

Alternative #2: Allow the system to encumber only regular earnings and modify the encumbrance process to select employee groups on which to calculate encumbrances. Turn off the total actuals paid encumbrance relief process and re-run the annual encumbrance calculation process every month end before monthly reports are generated. Customize the encumbrance calculation process to run separately for monthly and biweekly employees to obtain a more accurate number due to different pay cycles for the groups. Modify the Encumbrance GL interface to send accounting lines with the correct account (object code) to the general ledger. Develop a query to provide Budgeting and Managers detail lines when encumbrances are run.

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*The following table shows the pros and cons for the alternatives identified above.*

#	Alternative	Pros	Cons	Notes
1	Utilize Encumbrance processing as delivered.	<ul style="list-style-type: none"> <li>• No development costs for modifications of SQR.</li> <li>• Overloads and out-of-base stipends can be loaded as additional pay and reported easily.</li> <li>• System is capable of encumbering all multiple jobs.</li> <li>• No manual entry is required for encumbrances as in legacy system.</li> </ul>	<ul style="list-style-type: none"> <li>• System under-encumbers employees with overloads and stipends since additional pay is not encumbered.</li> <li>• System over-relieves encumbrances since it uses payroll actuals for all earnings when it only encumbered regular or base pay initially.</li> <li>• Earnings paid from a different funding source are still relieved against the budget originally encumbered.</li> <li>• Extensive manual data entry needed to maintain the department budget table. This negates the benefits of mapping the account codes and precludes using a default department funding level.</li> <li>• Since part-time hourly employees are encumbered, accurate standard hours must be maintained in the system or the encumbrance will be off.</li> </ul>	

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*The following table shows the pros and cons for the alternatives identified above.*

#	Alternative	Pros	Cons	Notes
2	Modify Encumbrance processing SQR's and run Annual Encumbrance process monthly.	<ul style="list-style-type: none"> <li>• An accurate encumbrance will calculate each month end for the remainder of the fiscal year.</li> <li>• System backs out the existing encumbrances each month and re-encumbers from that date. There is no need to do encumbrance relief.</li> <li>• Account mapping processes and account (object code) level detail can be maintained for encumbrances.</li> <li>• Ability to select employee classes on who should be encumbered.</li> <li>• SQR determination on who to encumber not as subject to clerical error as setting the override encumbrance switch when hiring employee.</li> <li>• Employee job record can switch from encumber to not encumber over their employment.</li> <li>• Encumbrance process can run for both biweekly and monthly based on pay period start dates.</li> </ul>	<ul style="list-style-type: none"> <li>• Resources and costs needed to develop modifications.</li> <li>• Encumbrance process will not include overloads and out-of-base stipends set up as additional pay.</li> <li>• Annual encumbrance process is very resource intensive and will run a long time if system is not properly tuned as database grows.</li> <li>• Process sends many reversal lines to General Ledger, but is still fewer than the number of encumbrance relief lines that would be sent with the normal process.</li> <li>• Custom secondary process to clean up work records after encumbrances run.</li> <li>• Develop a query to provide Budgeting and Managers detail lines when encumbrances are run.</li> </ul>	

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**Costs - Alternative #1:** None

**Costs - Alternative #2:**

Estimated Hours for Original Implementation	100 Hours	
Estimated Cost for Original Implementation	\$15,000	
Estimated Hours per Each Upgrade	20 Hours	
Estimated Cost per Each Upgrade	\$1,000	

**Schedule Considerations:**

Alternative #1 - No impact on the project go-live date.

Alternative #2 – There are three encumbrance interfaces that are built into the project plan that in PeopleSoft are now part of a single encumbrance process:

- HCM-I-014 - Encumbrance GL – 88 Hour Estimate
- HCM-I-015 - Nightly Encumbrances – 88 Hour Estimate
- HCM-I-025 – Encumbrance Liquidations – 88 Hour Estimate

Time from these items will be used to accomplish this Action Item, allowing it to be completed prior to the HCM Phase I go-live.

**Recommendation:**

**Alternative # 2:** The SQR modifications are minor compared to the customization necessary to align the delivered PeopleSoft system to the current BGSU encumbrance process. The delivered encumbrance relief process over-relieves balances and creates an inaccurate budget picture as the fiscal year progresses. The modifications will provide accurate encumbrances each month end for monthly reporting and budgeting purposes.

**Recommendation Supported By:**

<b>Name</b>	<b>Project Role</b>
Larry Smith	Payroll Functional Lead
Donna Wittwer	Benefits Functional Lead
Karen Woods	HR Functional Lead
Charlotte Petryshak	Project Director
Gaylyn Finn	Treasurer
Jim Stainbrook	Director of Financial Accounting
Linda Hamilton	Director of Budgeting
Trish Jenkins	Financial System Liaison

**ESC Decision:**

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Vote for Alternative #2.  
Chris Dalton – For  
Linda Dobb - For  
Bahram Hatefi - For  
Ron Lancaster - For  
Bruce Petryshak - For

**ESC Decision Date: 02-14-2005**