

November 6, 2006

## SPECIAL EDITION - SPO ENCUMBRANCES

This SPECIAL EDITION of the PSC Communicator focuses on SPO changes. It covers the following five topics:

1. what happened with SPOs and why
2. how the SPO changes will affect you
3. new SPO fields
4. how the new encumbrances fields are populated, both on new as well as on current SPOs
5. new processing instructions

In addition, don't forget to check out the SPO Initiatives Page, at [http://www.cusys.edu/controller/spo\\_updates.html](http://www.cusys.edu/controller/spo_updates.html) for more information. You'll also find links to updated SPO Step-by-Step Guides on this helpful site.

### 1. What happened – and why?

Effective November 4, 2006, all University of Colorado SPOs are encumbered. This action is necessary to comply with State of Colorado Fiscal Rules. In addition, SPOs now allow multiple accounting distributions. This helps ensure that their encumbrances will be accurate. *SPO Requisitions have been similarly modified to create pre-encumbrances and to allow split distributions.*

### 2. How does this affect you?

There are new fields on SPO Requisitions, SPOs, and SPO Vouchers (see below). Your month-end November financial reports will include additional encumbrance information.

### 3. New SPO Fields

You can look up SPOs in the Finance System by navigating to *Purchasing* → *Purchasing Inquiry*, → *SPO Inquiry*. Previously, this page showed you the SPO Dollar Limit and the Remaining Balance. Now the SPO page shows you the fields below:

- **SPO Total** is the total dollar amount of the standing order to the vendor. This is the maximum cost of the goods or services that the organizational unit is authorized to purchase from this vendor under this contract.
- **SPO Total Balance** is the remaining balance in the SPO. In other words, *SPO Total Balance = SPO Total - SPO Invoices*. This is the amount available for invoicing through the end of the SPO.
- **Encumbered Amt** is the dollar amount encumbered from the SPO Begin Date through the end of the current fiscal year (FY); funds are not encumbered in future FYs.
  - If the SPO End Date is within the current FY, Encumbered Amt will equal SPO Total.
  - If the SPO End Date is in the next FY, Encumbered Amt plus the Amount to be Added Next FY (see below) will equal SPO Total.
  - If the SPO End Date is in another future FY, Encumbered Amt plus the Amount to be Added Next FY will not equal SPO Total as there is an amount allocated to the other future FY.
  - If the SPO Begin Date is in the next FY, Encumbered Amt will be blank.
- **Remaining Enc Amt** is how much of the Encumbered Amt has not yet been spent. So *Remaining Enc Amt = Encumbered Amt - SPO Invoices*. This is the amount available for invoicing in the current FY.
- **Amount that will be added to Encumbrance Next FY** is only applicable for SPOs whose time period includes some or all of the next FY.
  - If the SPO End Date is in the current FY, this field will be blank (*Amount Next FY = 0*).
  - If the SPO End Date is in the next FY, this field will show the dollar amount to be added to Encumbered Amt on July 1 (*Amount Next FY = SPO Total - Encumbered Amt*).
  - If the SPO Begin and End Dates are both in the next FY, the amount in this field will equal the SPO Total.
  - If the SPO End Date is later than the end of the next FY, this field will only show the amount to be added in the next FY.

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## 4. Populating the New Encumbrance Fields New SPOs and *Current* SPOs

### ***Populating encumbrance fields on new SPOs:***

When you create an SPO Requisition for a new SPO, you identify the desired SPO Total.

- If the SPO End Date is in the current FY, the system will populate Encumbered Amt with the full SPO Total.
- If the SPO End Date is in the next FY, the system will prorate the total dollar amount over the total number of days in the SPO and populate both the Encumbered Amt and the Amount Next FY fields accordingly. In this case, Encumbered Amt plus Amount Next FY will equal SPO Total. *You can adjust the Encumbered Amt if you think you will be spending more (or less) than the prorated amount in the current FY.*
- If the SPO End Date is later than June 30 of the next FY, Encumbered Amt plus Amount Next FY will not equal SPO Total. The difference will be the amount that was prorated to the other future FY(s). You do not see that figure on the SPO Requisition or SPO pages.
- If the SPO Begin Date is in the next FY, the system will populate Encumbered Amt with 0.

### ***Populating encumbrance fields on current SPOs:***

For SPOs created prior to November 4, the new fields are either populated by default or populated with adjustment, or proration. (SPO Requisitions follow similar processing.)

For the following SPOs, the fields are populated by default. In other words, the full amount of the SPO is encumbered (*Encumbered Amt = SPO Total, Remaining Enc Amt = SPO Total Balance, Amount Next FY = 0*).

- The SPO was previously encumbered (e.g., fund 30 subcontracts);
- The SPO uses project funds (funds 30, 31, 71, 75, 76, 77, or 79);
- The SPO End Date is June 30, 2007 or earlier; or,
- The SPO Total Balance (amount that can still be invoiced) is \$10,000 or less.

#### Example of SPO fields populated by default:

As of 11/4/06, a \$100,000 SPO has been invoiced for \$80,000. This SPO expires in the current FY (one of the above conditions). The full amount of the SPO is encumbered.

<b>SPO Total</b>	\$100,000	<b>SPO Total Balance</b>	\$20,000
<b>Encumbered Amt</b>	\$100,000	<b>Remaining Enc Bal</b>	\$20,000
<b>Amount that will be added to Encumbrance Next FY</b>	\$0.00		

For SPOs that do not meet any of the above four conditions, the encumbered amount is adjusted. The amount of the SPO Total Balance is prorated over the remaining days of the SPO to arrive at a daily average; the daily average is applied to the number of days left in the current FY, and this amount is then added to the amount invoiced to date. The result is the amount encumbered. *Encumbered Amt = (SPO Total Balance / # of days left in SPO) \* (# of days from 11/4/06 to 6/30/07) + (SPO invoiced amount)*. If the SPO Begin Date is in the future, the system uses the true begin date instead of using 11/4/06 in its calculations.

#### Example of SPO fields populated by adjustment (proration):

As of 11/4/06, a \$100,000 SPO has been invoiced for \$80,000. This SPO expires in the next FY. The amount to be encumbered has been adjusted to include the amount already invoiced (\$80k) plus a prorated portion of the SPO Total Balance (here, \$8k).

<b>SPO Total</b>	\$100,000	<b>SPO Total Balance</b>	\$20,000
<b>Encumbered Amt</b>	\$ 88,000	<b>Remaining Enc Bal</b>	\$ 8,000
<b>Amount that will be added to Encumbrance Next FY</b>	\$12,000		

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## 5. New SPO Processing Instructions

### *For your new SPO Requisitions (for new or renewed SPOs) using any funds:*

- Your requested SPO Total should be a realistic total dollar amount based either on past usage (renewal request) or on true anticipated usage (new request) *during the full time period of the SPO*. For renewal requests, the purchasing agent will compare how much was spent on the current SPO with the estimated total for the new SPO.
- Your requested SPO Total must be greater than \$4,500 unless: (1) the Procurement Card is not an option, or, (2) the request is for a maintenance agreement.
- You should consider your organizational unit's full needs to purchase from a specific vendor. In other words, you would not create multiple SPO Requisitions, using different accounting distributions, to a single vendor.
- If the SPO will span fiscal years (SPO Begin Date is in the current FY and SPO End Date is later than June 30 of the current FY), consider how much of the SPO Total should be encumbered. The system will prorate the total for you, dividing it between this year's encumbrance and next year's amount to be encumbered. You can adjust the Encumbered Amt according to your anticipated purchases during the current FY. *See the Step-by-Step Guides to SPO Requisitions.*
- Remember that, if appropriate, you can specify more than one default accounting distribution (SpeedType/Account) in your SPO Requisition. *See the Step-by-Step Guides to SPO Requisitions.*

### *For your current SPOs using any of the Phase I Expenditure Control funds (26, 72, 78, 80) you can, if appropriate:*

- Email the purchasing agent to close the SPO if you do not plan to use it any more;
- Email the purchasing agent to reduce the dollar amount of the SPO (to the SPO standard minimum of \$4,500); or,
- Email the purchasing agent to create multiple distributions on the SPO.

*For more information on Expenditure Control, see [www.cu.edu/controller](http://www.cu.edu/controller) - Major Project Initiatives.*

### *For your current SPOs using any other funds (e.g., Fund 10, 20, 30, and so on) you can, if appropriate:*

- Email the purchasing agent to close the SPO if you do not plan to use it any more. *Note that a closed SPO cannot be reopened.*

### *For SPO Voucher Approvals (if the SPO has multiple accounting distributions) you can, if appropriate:*

- Continue to reallocate a voucher to different accounting distributions.
- Modify the default encumbrance clearing process for a voucher (e.g., clearing the encumbrance from only one of two default SPO distributions). *See the Step-by-Step Guide to SPO Voucher Approvals.*

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## Additional Resources

In addition to this special edition of the PSC Communicator, the following resources are available to assist you with SPO Encumbrances:

1. SPO Encumbrance web page  
The address for this page is [http://www.cusys.edu/controller/spo\\_updates.html](http://www.cusys.edu/controller/spo_updates.html).
2. SPO Step by Step Guides  
These have been updated to reflect the new processes. They can be accessed from the Step by Step Guides - Finance System Procurement Applications page of PSC web site at <http://www.cu.edu/psc/CUonly/sbs/>. They can also be accessed from the SPO Encumbrance web page noted above.
3. Finance and Procurement Help Desk  
Mary and Heather are prepared and ready to offer front line assistance with departmental SPO questions. You can reach them via email at [FinProHelp@cusys.edu](mailto:FinProHelp@cusys.edu) or by telephone at 303-315-2846.

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