How payroll encumbrances impact the general ledger

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Calculating encumbrances is a helpful tool for meeting the university’s ongoing financial commitments.

Payroll encumbrances are used to track future payroll financial commitments — such as payroll, taxes and deductions — for an employee across a fiscal year or funding period.

General fund payroll encumbrances reset for each new fiscal year. However, encumbrances for grants may continue across the fiscal year, based on project and funding end dates.

Encumbrances will not be reflected for job data rows that affect pay added after payroll processes. After monthly payroll processes, encumbrance amounts will update within HCM.

What impacts encumbrances?

- Adding or changing salary or recurring pay
- Adding or changing contracts
- Changes to benefit eligibility
- Job changes [3] such as Appointment end date, Short Work Break and Leave of Absence (reflected by these employee statuses):
  - A = Active
  - W = Short Work Break
  - P = Leave with Pay
  - L = Leave of Absence (unpaid)
- The budget end date for fiscal year funds
- The funding end date (and project end date) for grants/contracts

Encumbrances for Earnings and Benefits at UCD/AMC/SYS

HCM calculates encumbrances for anticipated earnings based on things like compensation and funding end dates or fiscal year-end in the same way for all campuses. Encumbrances for anticipated benefit costs at UCD/AMC/SYS are based on the actual benefit costs.
Both earnings and benefit encumbrances post to the same account codes as actual earnings and benefits.

**Encumbrances for Earnings and Benefits at UCB/UCCS**

At UCB and UCCS, the actual cost of benefits posts to a pooled SpeedType determined by campus rules (using job code, reg/temp status, and total standard hours) in the Department Budget Table (DBT).

To offset the cost of these benefits, FIN uses a preset fringe rate to calculate the fringe cost that will post to the earnings SpeedTypes with a fringe account code. During the FIN month-end close process, the FIN module matches the pay on the earnings account codes to the corresponding fringe rate. If there are no earnings, then no corresponding fringe cost can post.

HCM encumbrances for benefits at UCB/UCCS parallel the preset fringe rates that are used in FIN. Each new fiscal year, the FIN fringe rate for each account code is aligned in HCM for the fringe encumbrance calculation. Since the calculation uses earnings account codes, if there are no earnings, then no corresponding fringe encumbrances can post.

Check out the fringe rates listed on each campus controller’s website.

**Where can I find encumbrances?**

The encumbrance data is stored in HCM and reported on mFIN reports via CU-Data. Review the payroll encumbrance report, and encumbrance columns that are included in many of the other mFIN reports.

**Need extra help?**

You can find mFIN reports through the portal tile CU-DATA. Check out the office of the university controller [4] for additional information on accounting and finance information.

Additionally, you can find further information on the Department Budget Table [5], payroll expense transfers [6] and other HRGL resources through the HCM Community page [7].

As always, you can email hcm_community@cu.edu [8] or System.HRGL.Team@cu.edu [9] for additional help.

HRGL [10], encumbrances [11]

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