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How payroll encumbrances impact the general ledger [1]

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The HCM payroll encumbrance calculation process is an important way to track projected payroll obligations in the general ledger.

How payroll encumbrances impact the general ledger

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.

Encumbrances are based upon funding entries in HCM. General fund payroll encumbrances calculate across the fiscal year and reset each new fiscal year. However, encumbrances for grants may continue across fiscal years, based on project and funding end dates as well as budget periods.

Encumbrances update in HCM after the payroll process is completed. Late entries after payroll processes must wait for the next payroll process to fully update.

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 budget period and funding end date or project end date for grants/contracts

Encumbrances for earnings and benefits at CU Denver, CU Anschutz and CU System

HCM calculates encumbrances for anticipated earnings based on compensation and funding the same way for all campuses.

Encumbrances for anticipated benefit costs at the Denver campus (UCD), Anschutz (CU Anschutz) and the System office (SYS) are based on the actual benefit costs that post to a SpeedType. Both earnings and benefit encumbrances post to the same account codes as actual earnings and benefits.

Encumbrances for earnings and benefits at CU Boulder and UCCS

An additional process is in play at the CU Boulder and UCCS campuses. At CU Boulder and UCCS, the actual cost of benefits posts to a pooled SpeedType determined by campus rules in the Department Budget Table (DBT) using job code, regular/temporary status and total standard hours.

To offset the cost of these benefits, FIN uses a preset fringe rate to calculate the fringe cost that will be posted to the earnings specific SpeedTypes. The fringe costs use 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 costs can be posted.

HCM encumbrances for benefits at CU Boulder and UCCS parallel the preset fringe rates that are used in FIN. Each new fiscal year, the FIN fringe rate for each account code is updated. Since the calculation uses earnings account codes, if there are no earnings then no corresponding fringe encumbrances can be posted.

Check out the fringe rates listed on each campus controller website:

- CU Boulder [4]
- CU Denver and CU Anschutz [5]
- UCCS [6]

Where can I find encumbrances?

The encumbrance data is stored in HCM and reported on mFIN reports via CU-Data. The Encumbrances (CUES_HCM_ENCUMBRANCES) query within the CU HCM User WorkCenter can provide current data by various search criteria including employee ID (EID), SpeedType, or Project ID. Review the payroll encumbrance report and compare the encumbrance columns that are included in the mFIN OUTSTANDING ENCUMBRANCES report. If you encounter an unexpected encumbrance amount, review the items listed above that impact encumbrances. Remember that full encumbrance updates occur after payroll processes.

Need extra help?

- Use the HRGL page [7]. Under the “Configuration Resources” to find account code mapping: Earning Account Mapping [8], Deduction Account Mapping [9] and Tax Account Mapping [10].
- Use CU-Data to find mFIN reports.
- Office of the University Controller [11] has information on account codes.
- Find HR/GL training for Department Budget Table [12], Payroll Expense Transfers [13] and other related HRGL resources through the HCM Community website [14].
- Email System.HRGL.Team@cu.edu [15] for additional help.

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