



University of Colorado Payroll Encumbrances How It Works as of May 14, 2005

Overview

In general, the payroll encumbrance process involves two steps: one to calculate the encumbrances in the Human Resources Management System (HRMS) and the other to post the encumbrance in the Finance System (FIN).

The calculation process pulls in all pertinent HR data for an employee to determine what the salary and benefit-related expenses will be for an employee through the end of the funding, project budget or fiscal year. The program uses current and future dated rows to perform the calculations. The data used includes job information including job code, regular or temporary status, percent of time and salary; benefit information including what health, life, disability and retirement the employee is enrolled in; tax information whether they are eligible for FICA and/or Medicare taxes; and funding distribution information.

With the upgrade of the Finance System, payroll encumbrances are posted to the commitment control ledger through journal entries. With each payroll, Reversing Payroll Encumbrance Journals are created to relieve the encumbrance of the amount that is being paid. Then, Payroll Encumbrance Journals adjust the encumbrance to reflect job, funding, benefit or tax changes. In addition, Payroll Encumbrance Journals are also made at the end of each week.

The following documents the payroll encumbrance calculation process.

I. Acquire Dates for Processing

The program reads the payroll calendar table for the next unconfirmed (not processed) monthly payroll. This could be the current month, if the date the program is run is prior to the payroll processing for the month. Otherwise, it would be the beginning of the next month.

The accounting period to be used is determined based on the date the process is being run. The encumbrances are always entered into the current accounting period. No encumbrances are created in future accounting periods.

II. Selection of Employee Jobs and Benefits:

Jobs are selected from the job table based on the following criteria:

- ✓ Current approved job row based on the date the process is being run
- ✓ Employee Status is Active, Leave of Absence, Paid Leave or Short Work Break
- ✓ Employee type is Salaried -- this includes contract employees
- ✓ Pay Group is MON (Monthly) or RET, RNA (Retirees) or BW (the comp frequency must be Biweekly Salaried and not hourly)

Next, future-dated jobs are selected to see if there are any upcoming changes that would impact the encumbrance calculation. The same basic selection is used to find job rows, only this time the program is looking for rows with an effective date greater than or equal to the current date. This routine also looks for a contract with an effective date less than or equal to the effective date of the future dated job.

If the future row is a new job (or rehire) or if the appointment end date is different, the future job is loaded into the table with the current jobs. (Appointment end date for the previous job row is updated so length of jobs will not overlap and be twice encumbered.)

Benefit Enrollment Information is selected for each employee that has a non-taxable (employer-paid) deduction. This includes medical, dental, basic life, short-term disability (Classified Staff only), long-term disability (Faculty and Exempt Professionals only) and retirement (PERA or the University Retirement Plan).

Tax information is also collected for employees who are subject to FICA and/or MEDITAX. Employees with job codes beginning with 32xx (Stipend and Fellowship employees) or who have job code 3110 are not processed for tax encumbrances.

III. Create Encumbrances

A. Get Funding Information for Each Position

The speedtype, distribution percentages, and funding begin/end dates for each position are retrieved from the Department Budget Table (created by bud013cu). If no funding is found on this table, the encumbrances will be made to the suspense account. Routines are used to determine the account and suspense chartfields, as they do in the actual payroll distribution process.

If the fund type is general and if the benefits are pooled, then the encumbrances are booked to the pooled accounts, instead of to the departmental accounts.

B. Determine Length of Calculation

If the fund is not equal to 30 or 31, then the encumbrance will be calculated to the earliest of the following dates:

- ✓ through the end of the fiscal year,
- ✓ through the funding end date, or
- ✓ through the end of the appointment.

If the fund is equal to 30 or 31, then the encumbrance will be calculated to the earliest of the following dates:

- ✓ through the end of five years,
- ✓ through the end of the project budget period,
- ✓ through the funding end date, or
- ✓ through the appointment end date.

C. Salary Encumbrances

Each job selected where the employee is not on Leave of Absence or Short Work Break and where the compensation rate is not equal to zero is processed.

The encumbrance amount is calculated based on the monthly amount times the number of remaining months or for a biweekly salaried employee, the biweekly amount times pays periods remaining in the period.

D. Benefit and Tax Encumbrances

Flat dollar benefits (medical, dental, basic life, and long term disability) are calculated using the amount of the benefit listed in the system table multiplied by the number of remaining months.

Percentage benefits (short term disability and retirement) and taxes (FICA and Medicare) are calculated using the percentage listed in the system table multiplied by the amount encumbered for earnings.

Fringe rate encumbrances are calculated based on the pool factor from the allocation table (in the Finance system) and multiplied by the earnings encumbrance amount. (for Boulder employees only)

IV. Outstanding Issues

The payroll encumbrance process does not currently consider the following types of limits and future activity. If you have significant types of these transactions, you should adjust your encumbrance accordingly. We are looking at mechanisms to see if the process can accommodate these types of transactions.

- FICA and 401(a) limits are not included in the calculations so that even if an employee meets the max on either FICA or 401(a), an encumbrance will still be calculated.
- For contracts, the current contract amount is being divided by the length of the contract to get the monthly amount to be encumbered. This amount is multiplied by the months remaining to be paid in the contract to determine the encumbrance. This doesn't work correctly if the contract pay amount is changed during the contract.
- Future-dated hires and terminations are not included in the current encumbrance process.

Any questions about the payroll encumbrance process should be directed to the appropriate campus controller, who will consult with Employee Services and the University Controller as necessary.