How to Properly Liquidate Encumbrances in CAPPS

Modules used for liquidation – Requisition – Purchasing – Accounts Payable

June 25, 2020

Agenda

We will review:

- ❑ The definition of an encumbrance.
- ❑ Why, When, and different methods on How to liquidate an encumbrance balance
    - ❑ (Finalize, close and cancel processes)
- ❑ FAQs

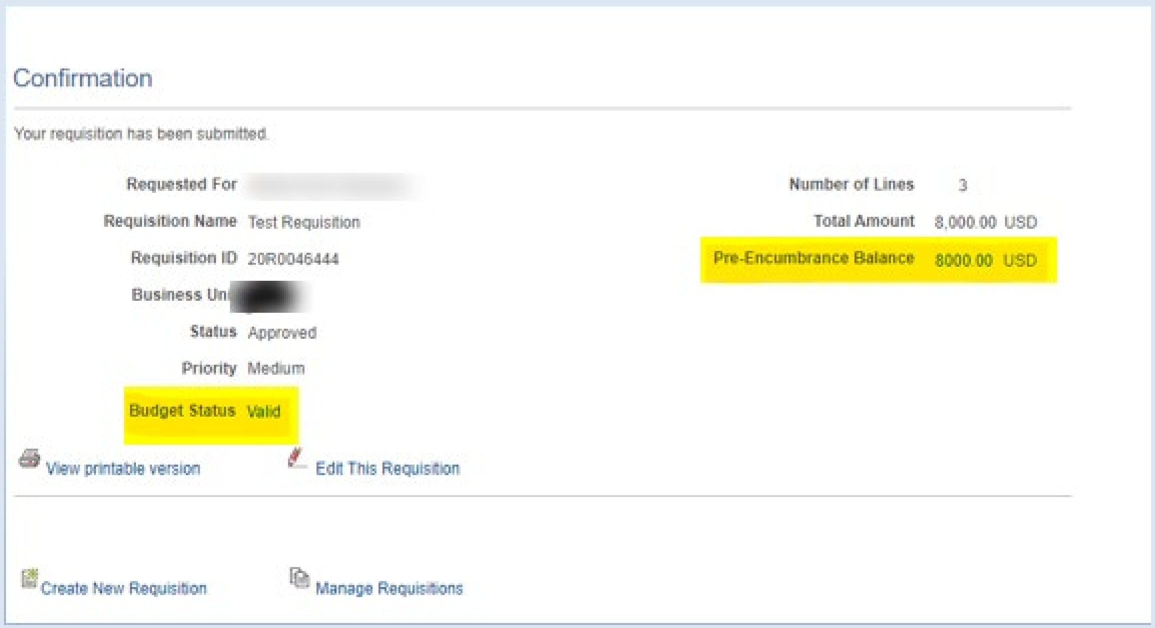
Definition of an Encumbrance

What is an Encumbrance?

- **Pre-encumbrance:** Amount expected to spend, but for which there is no legal obligation to spend. A **requisition** is a typical pre-encumbrance transaction.
- **Encumbrance:** Amount for which there is a legal obligation to spend in the future. A **purchase order** is a typical encumbrance transaction.
  - Encumbrances allow agencies to recognize future commitments of resources prior to an actual expenditure.

Example of a Pre-Encumbrance

❑ <u>**Example of a Pre-Encumbrance:**</u>



When a requisition is budget checked, it moves funds from the budget to the requisition **(pre-encumbrance).**

Example of an Encumbrance

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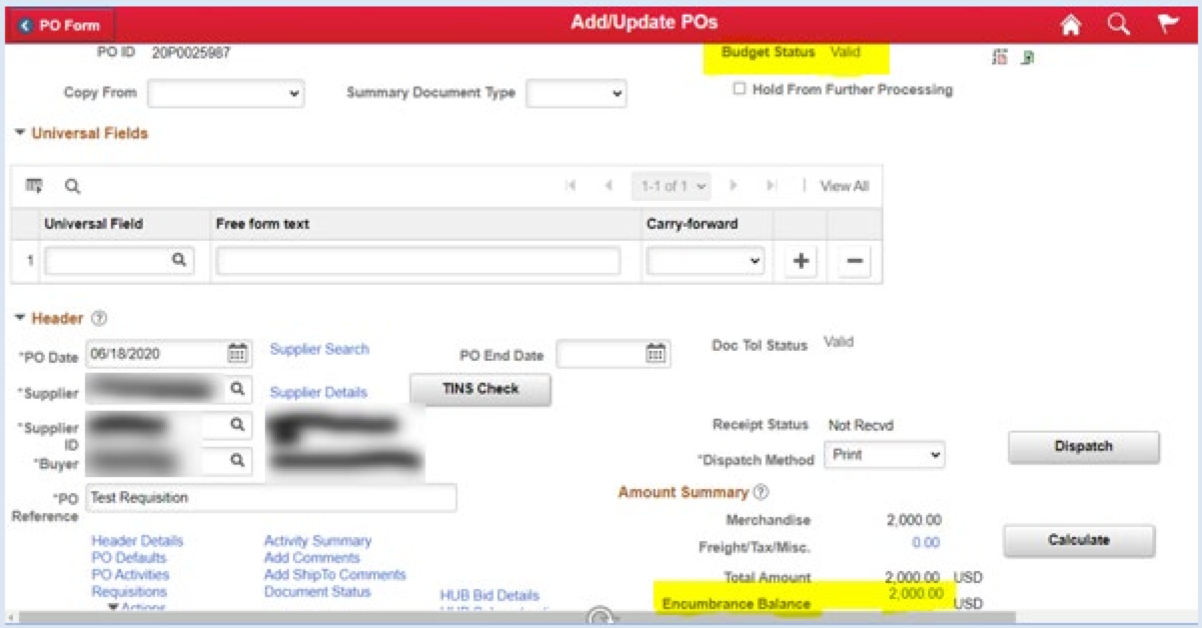


When a purchase order is budget checked, it moves funds from the requisition **(pre-encumbrance)** to the purchase order **(Encumbrance).**

Why Do I need to Liquidate My Encumbrance?

Why Do I Need to Liquidate My Encumbrance Balance?

- ❑ The funds on the procurement document are no longer needed.
- ❑ To restore any remaining encumbrance balance back into your budget for future use.
- ❑ To use those remaining funds for a different Requisition or Purchase Order.

What are the types of Liquidations?

The types of Liquidation are:

- **Document to Document:**
  - Requisition to the PO liquidates the requisition.
  - PO to Voucher liquidates the PO.
- **Finalize:**
  - Finalizing a PO will liquidate any remaining funds on the associated Requisition.
  - Finalizing a Voucher will liquidate any funds on the associated PO.
- **Cancel:**
  - The document is no longer needed and has not been used.
- **Close :**
  - There are remaining funds on a document that is already in a cancelled or closed status.

How Do I Liquidate an Encumbrance? (example)

Example 1: How do I Liquidate a remaining balance on a PO by finalizing a voucher?

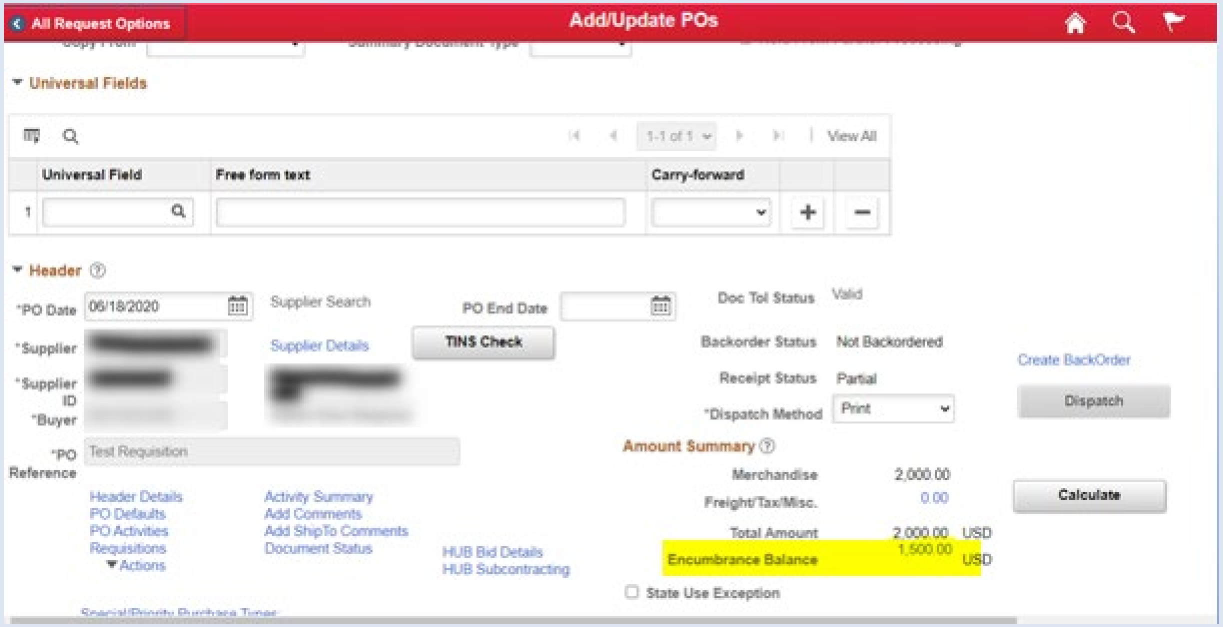
- Example 1: Purchase Order has been partially vouchered and now the PO has remaining encumbrance balance and we need to restore the funds back to the budget.
- Solution: Finalize the voucher that contains the PO's remaining balance for the line items.

Steps to Finalize a Voucher

- Steps to Finalize
    1. Navigate to PO page to verify remaining Encumbrance Balance.
    2. Search for Voucher tied to the remaining encumbrance balance
    3. Budget Check the Voucher
    4. Verify the Encumbrance Balance on PO

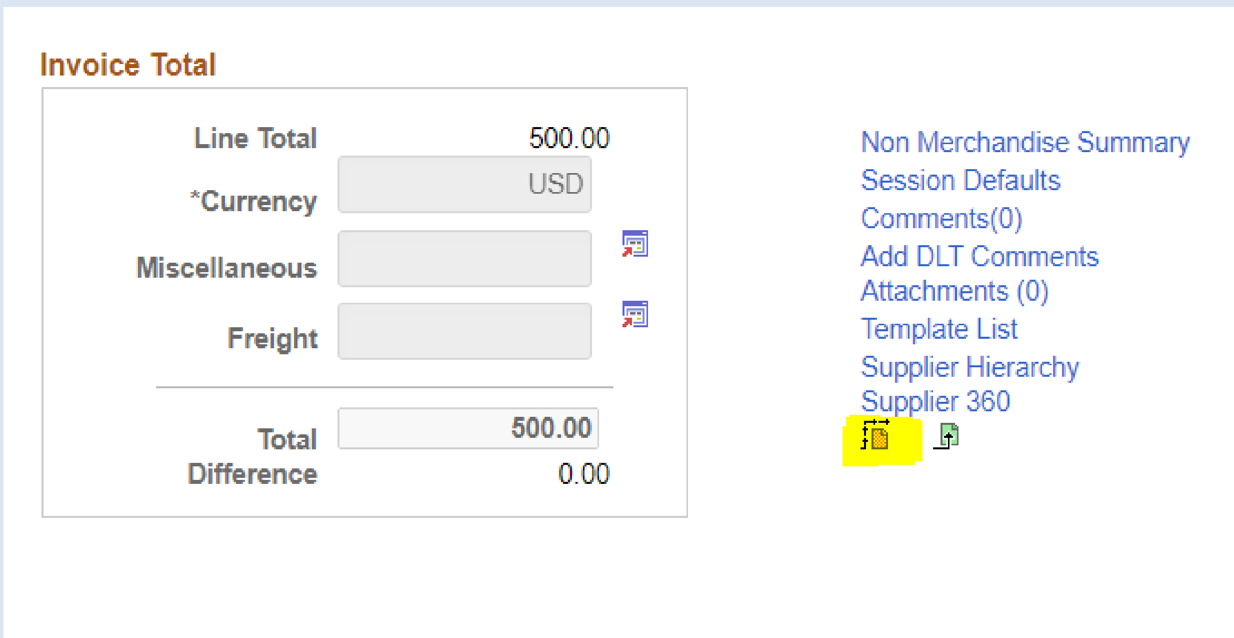
How Do I Liquidate an Encumbrance? (example)

- Step 1:
  - Navigate to PO page to verify remaining Encumbrance Balance.



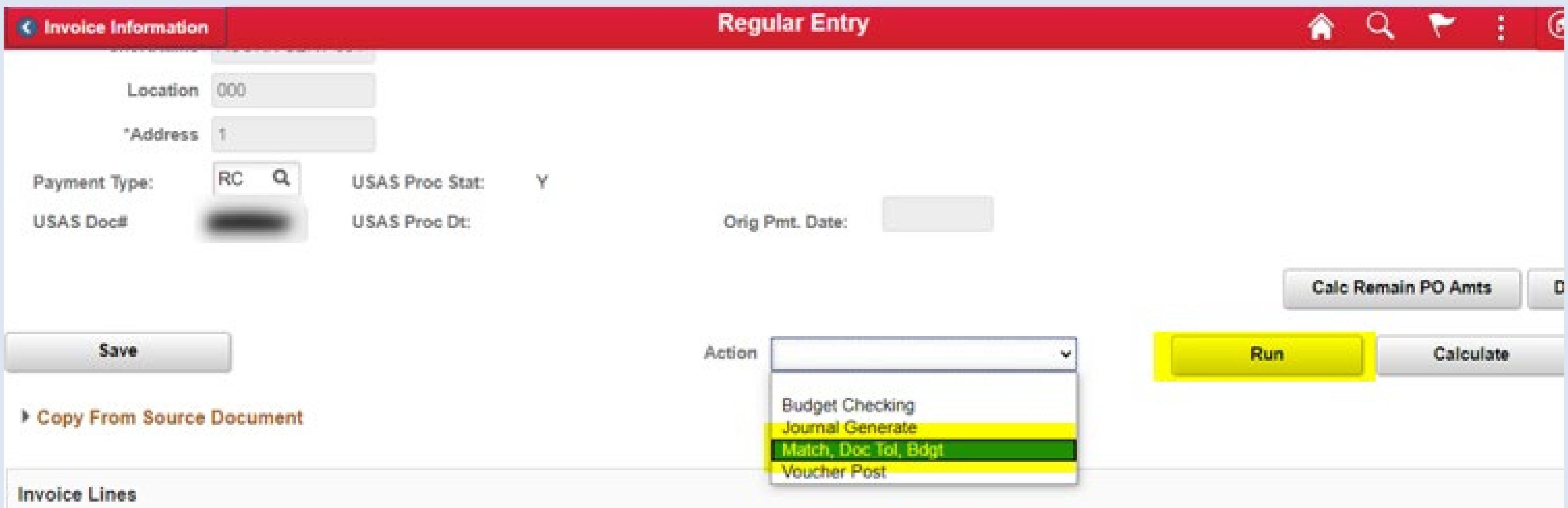
How Do I Liquidate an Encumbrance?

- Step 2:
  - Search for Voucher tied to the remaining encumbrance balance: Click Finalize and Save



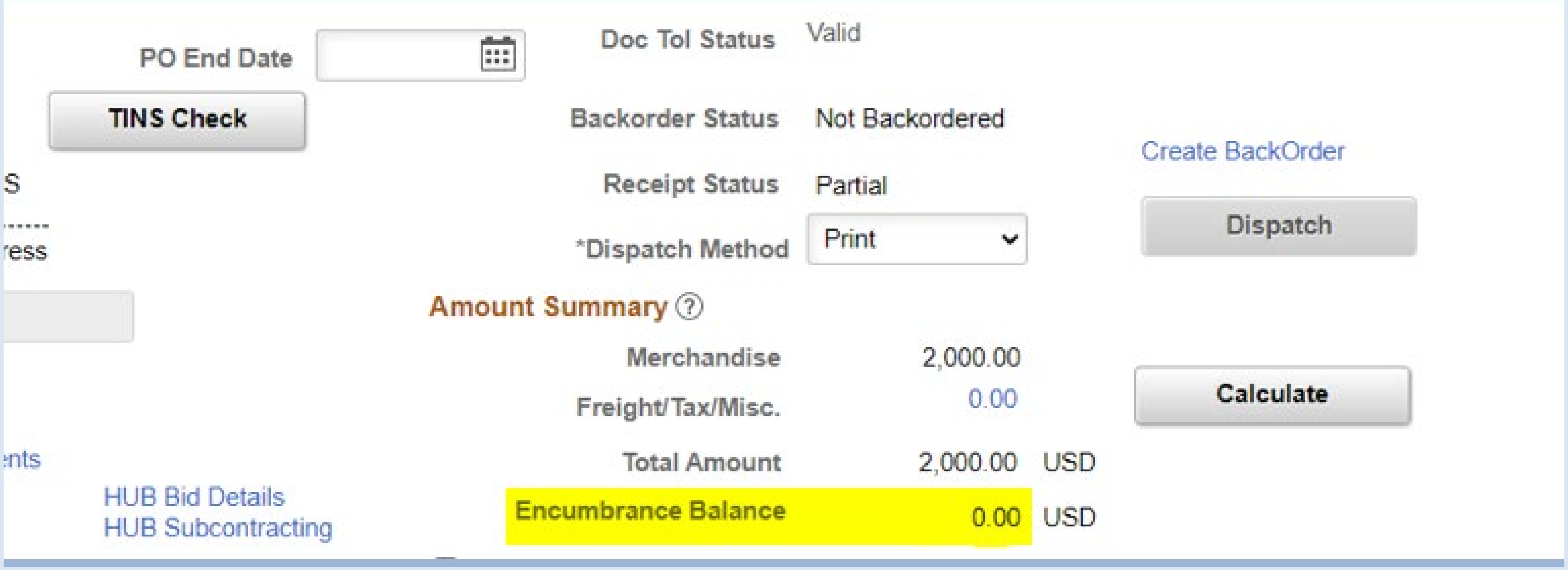
How Do I Liquidate an Encumbrance? (example)

- ❑Step 3:
  - ❑Budget Check the Voucher: Select Budget check and click Run to process budget check:



How Do I Liquidate an Encumbrance? (example)

- Step 4:
  - Verify the Encumbrance Balance on the PO



How Do I Liquidate an Encumbrance? (example 2)

Example 2: How do I Liquidate a remaining balance on a Req by finalizing the PO?

- Example 2: Requisition has been partially sourced to the PO and now the requisition has a remaining pre-encumbrance balance and we need to restore the funds back to the budget.

- Solution: Finalize the PO that contains the requisitions remaining balance for the line items.

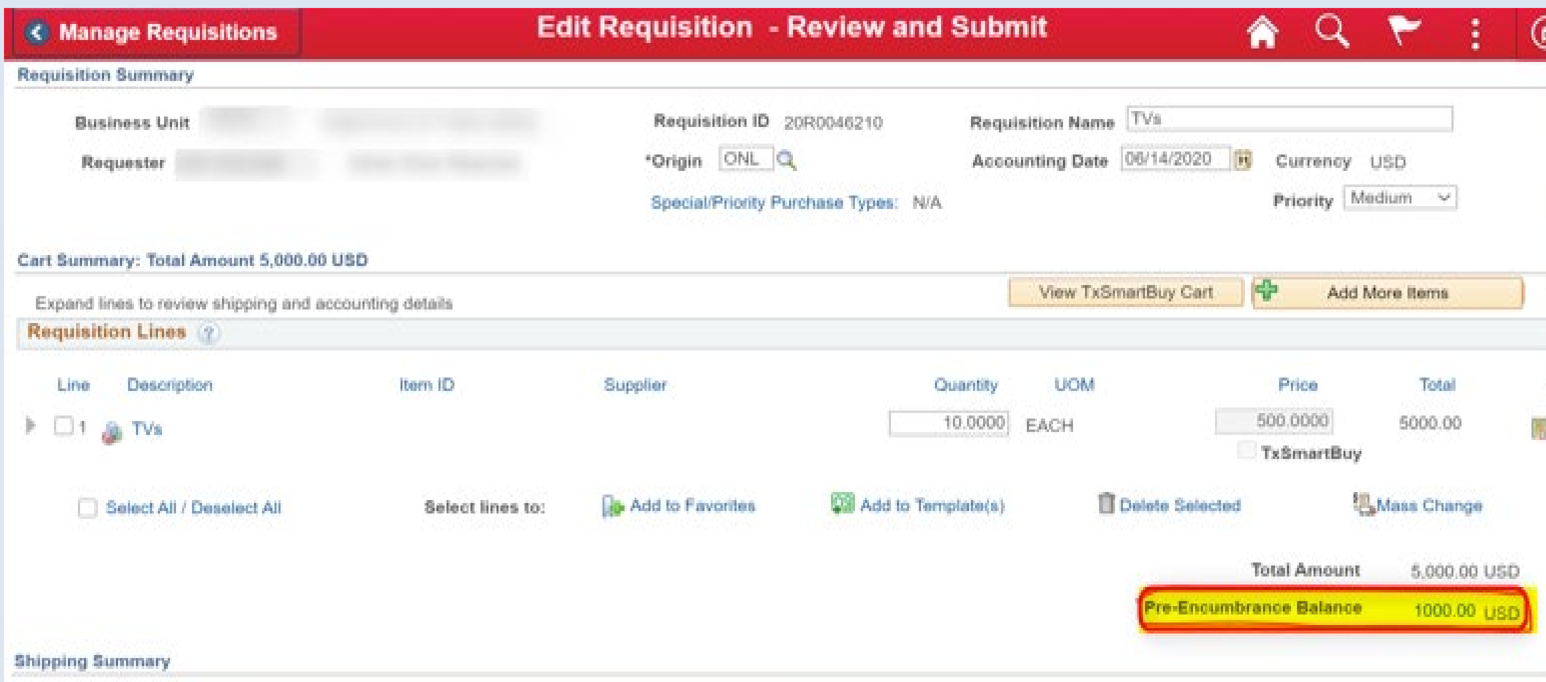
Steps to Finalize a PO

- Steps to Finalize a PO

1. Navigate to Req to verify remaining Encumbrance Balance.
2. Click on the Finalize Button on the PO
3. Budget check the PO
4. Verify the Pre-Encumbrance Balance on Requisition

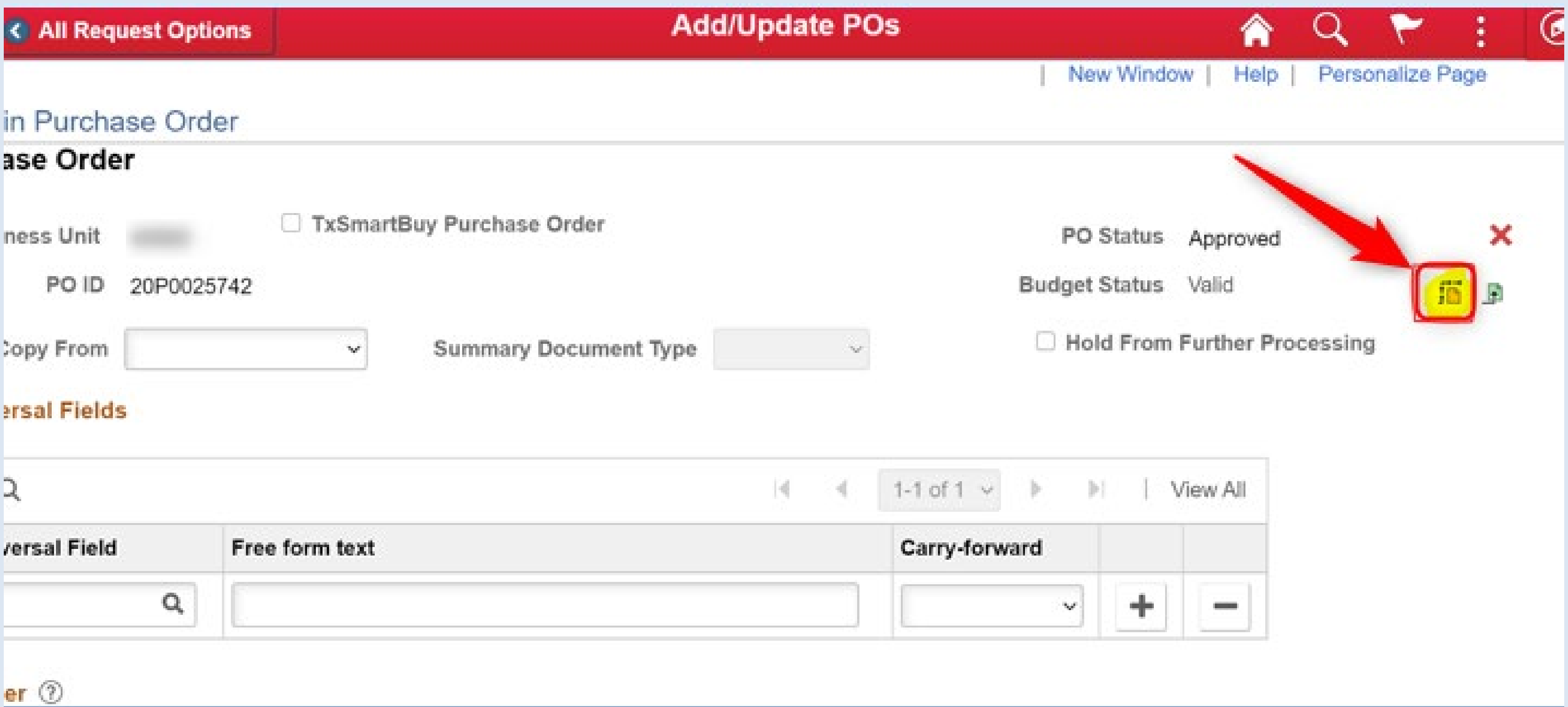
How Do I Liquidate an Encumbrance?

- ❑ Step 1:
  - ❑ Navigate to Req to verify remaining Pre-Encumbrance Balance.



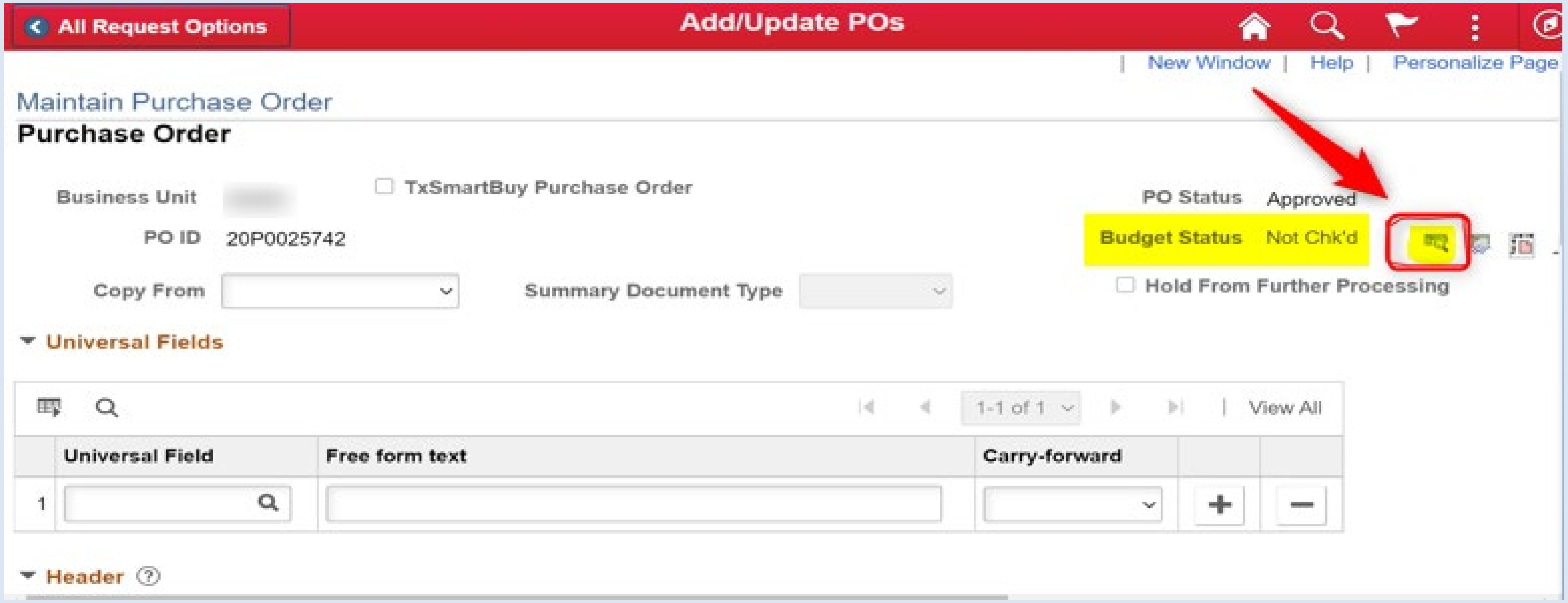
How Do I Liquidate an Encumbrance?

- Step 2:
  - Click on the Finalize Button on the PO



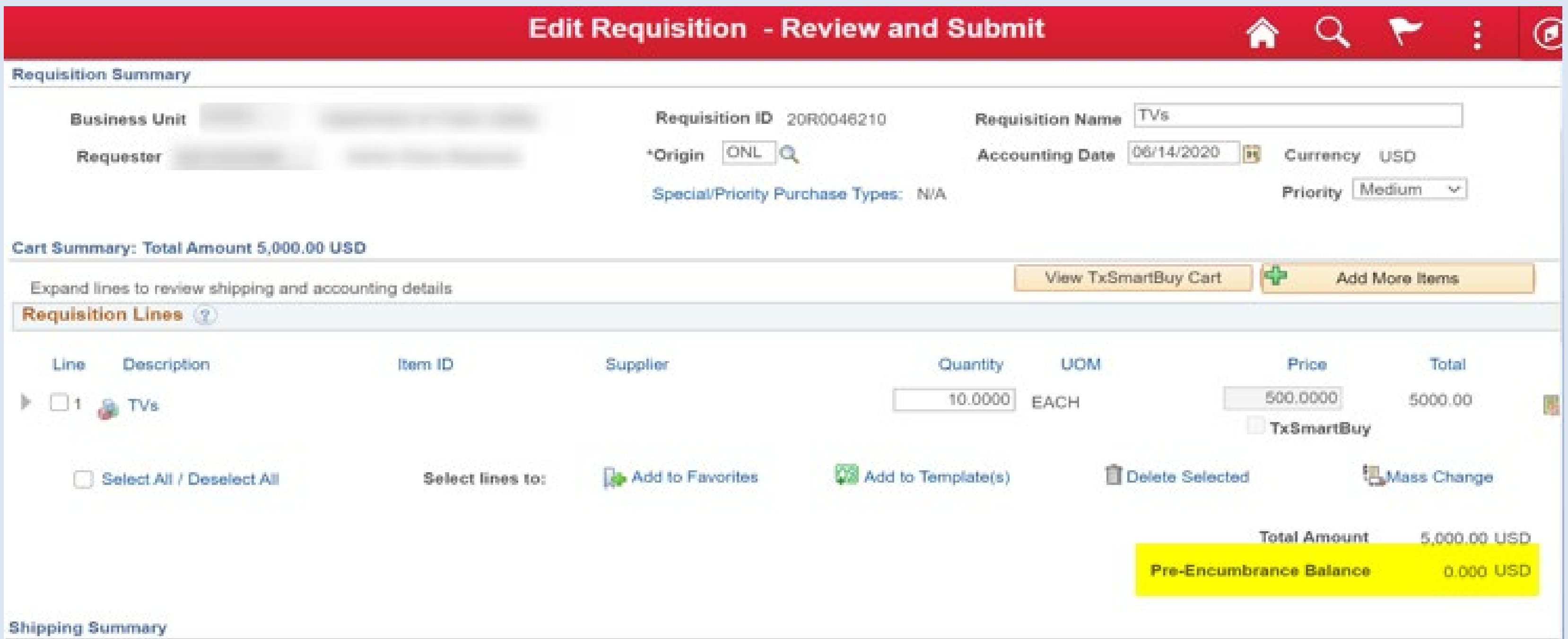
How Do I Liquidate an Encumbrance?

- Step 3:
  - Budget check the PO



How Do I Liquidate an Encumbrance?

- Step 4:
  - Verify the Pre-Encumbrance Balance on Requisition



How to Cancel a Requisition Not Sourced to a PO

Example 3: How to cancel a Requisition that is not sourced to a Purchase Order?

- Example 3: Requisition has been created and no longer needed to source to a PO.

- Solution: Cancel the requisition

Steps to Cancel a Requisition not sourced to a PO

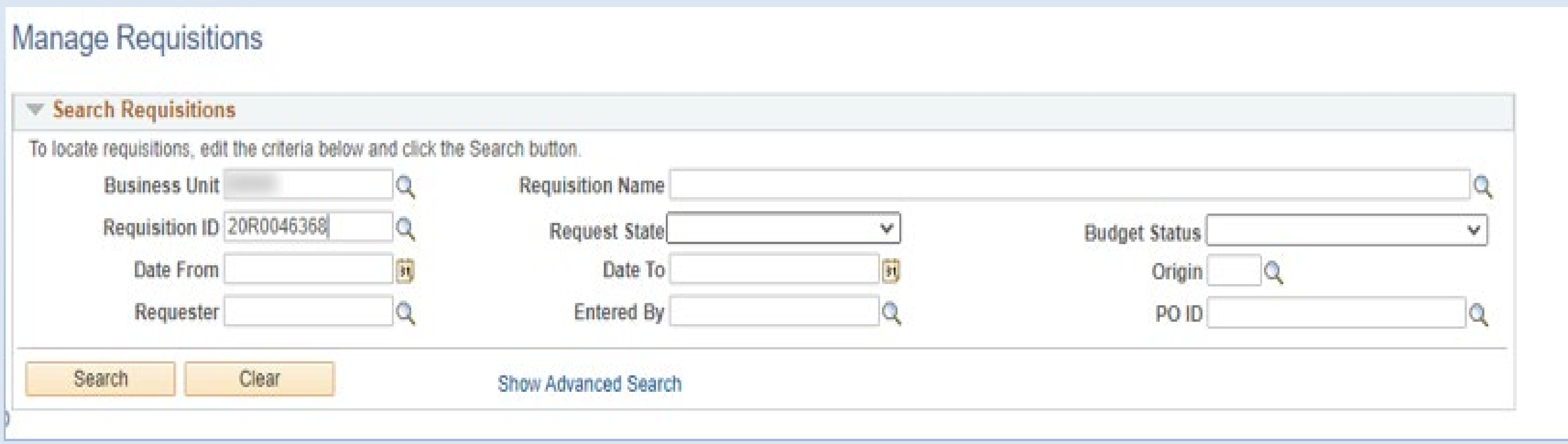
Steps to Cancel Requisition not sourced

- Steps
  1. Navigate to Eprocurement Manage Reqs Screen and search for the Req to be cancelled.
  2. Choose Cancel in the Action Drop Down and click Go
  3. Click on Cancel Requisition
  4. Click Budget Check from Action Drop Down and click Go
  5. Verify the Pre-Encumbrance Balance on Requisition

How to Cancel Requisition Not Sourced

- ❑ Step 1:

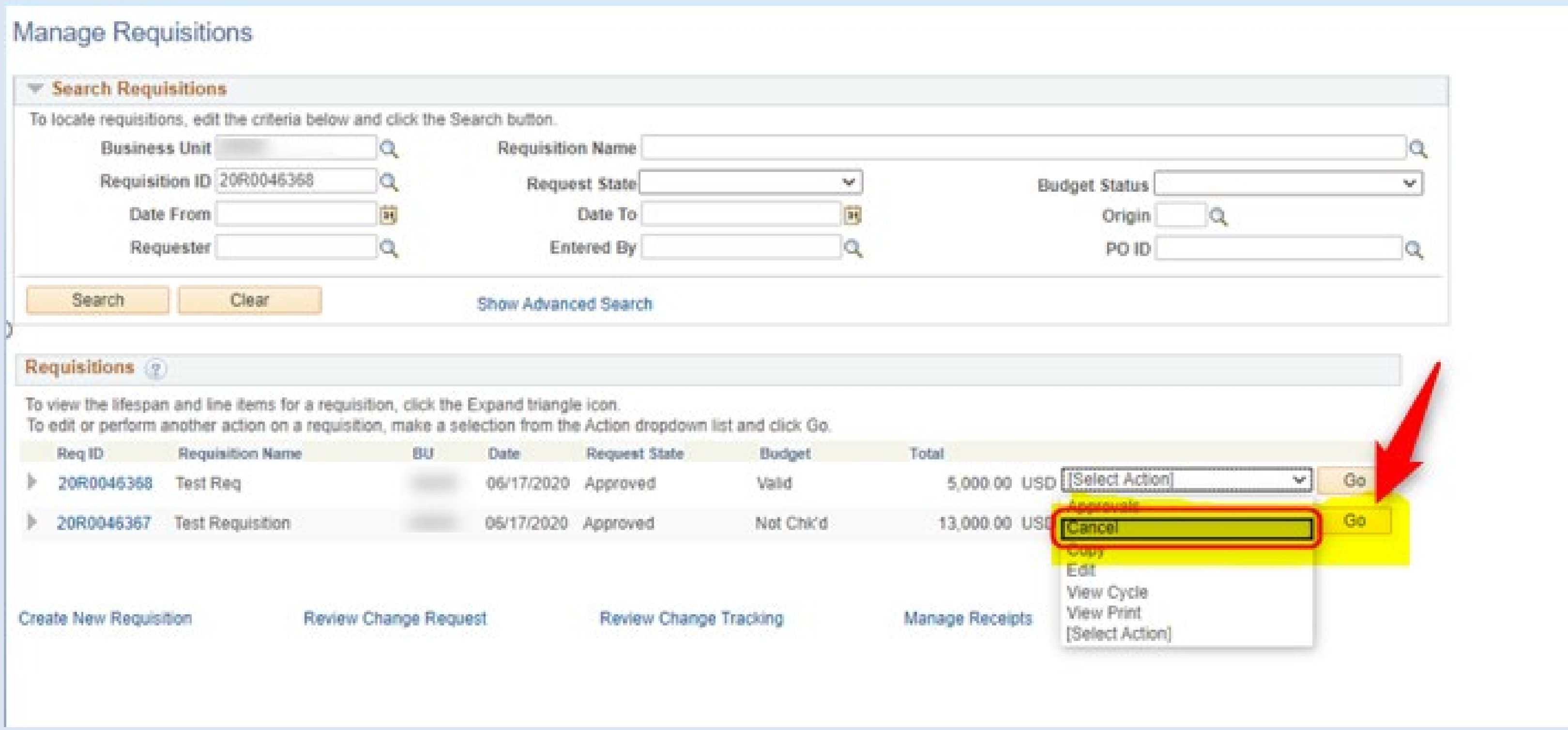
  Navigate to Eprocurement Manage Reqs Screen and search for the Req to be cancelled.



How to Cancel Requisition Not Sourced

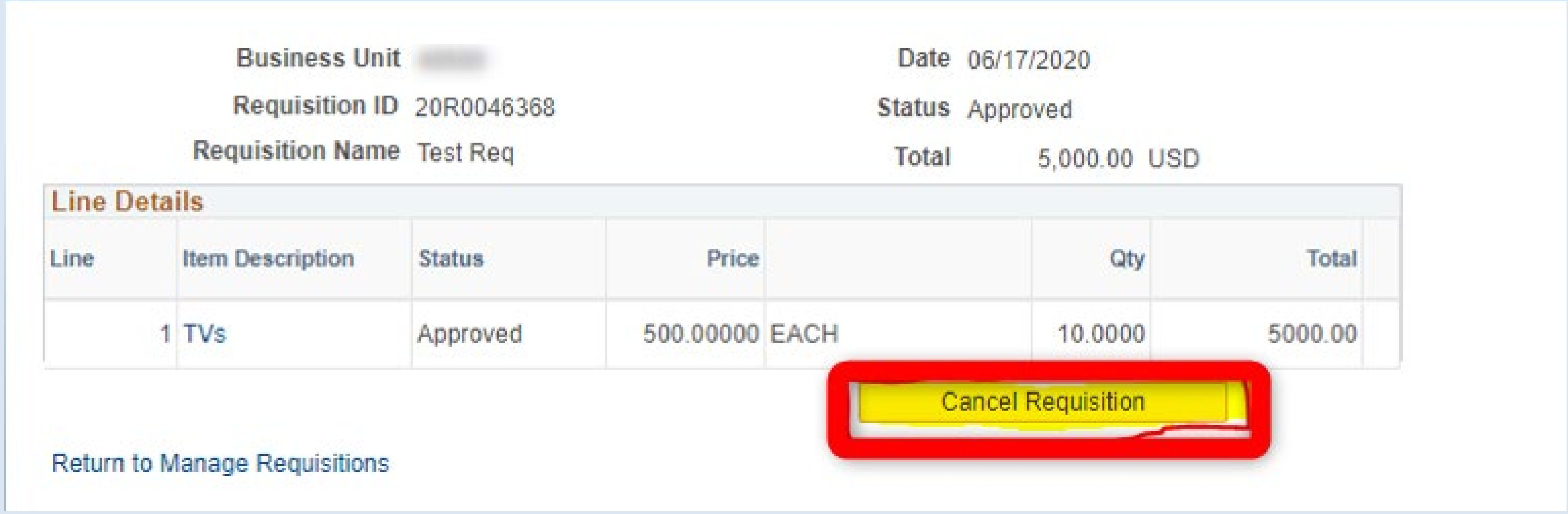
- Step 2:

  Choose Cancel in the Action Drop Down and click Go.



How to Cancel Requisition Not Sourced

- ❑ Step 3:
  - ❑ Click on Cancel Requisition



Business Unit

Requisition ID 20R0046368

Requisition Name Test Req

Date 06/17/2020

Status Approved

Total 5,000.00 USD

Line Details

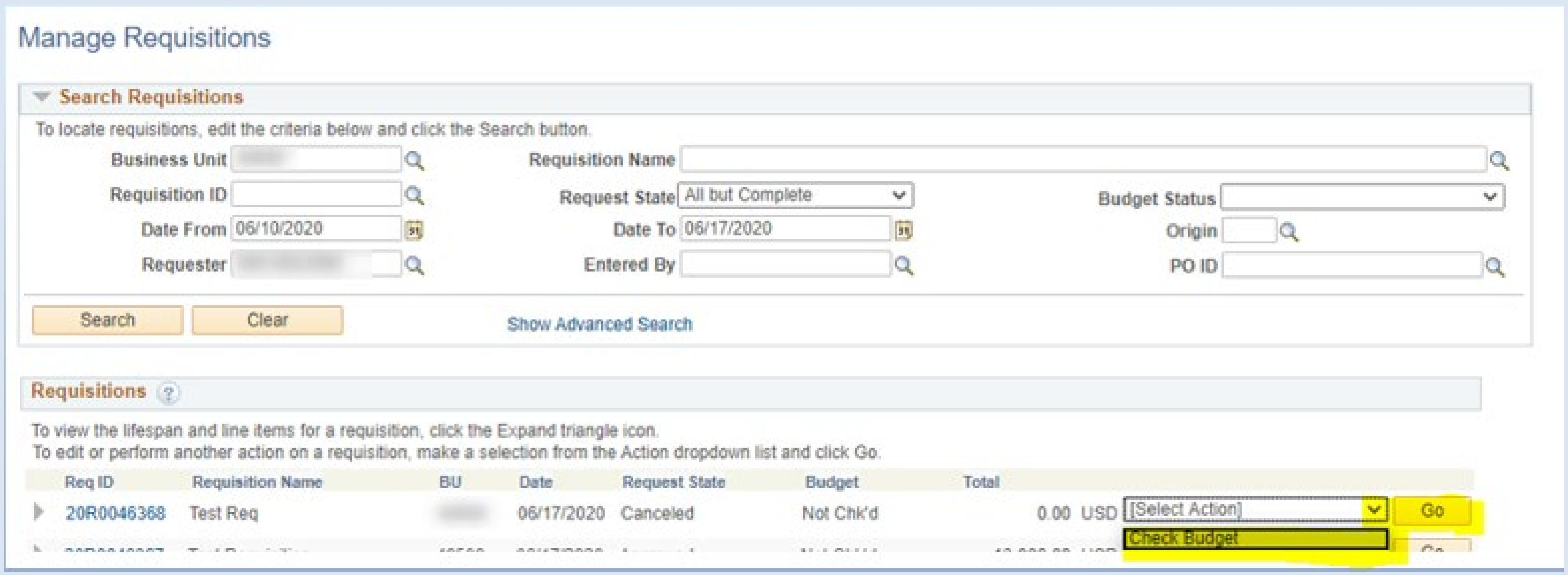
Line	Item Description	Status	Price		Qty	Total
1	TVs	Approved	500.00000	EACH	10.0000	5000.00

Cancel Requisition

Return to Manage Requisitions

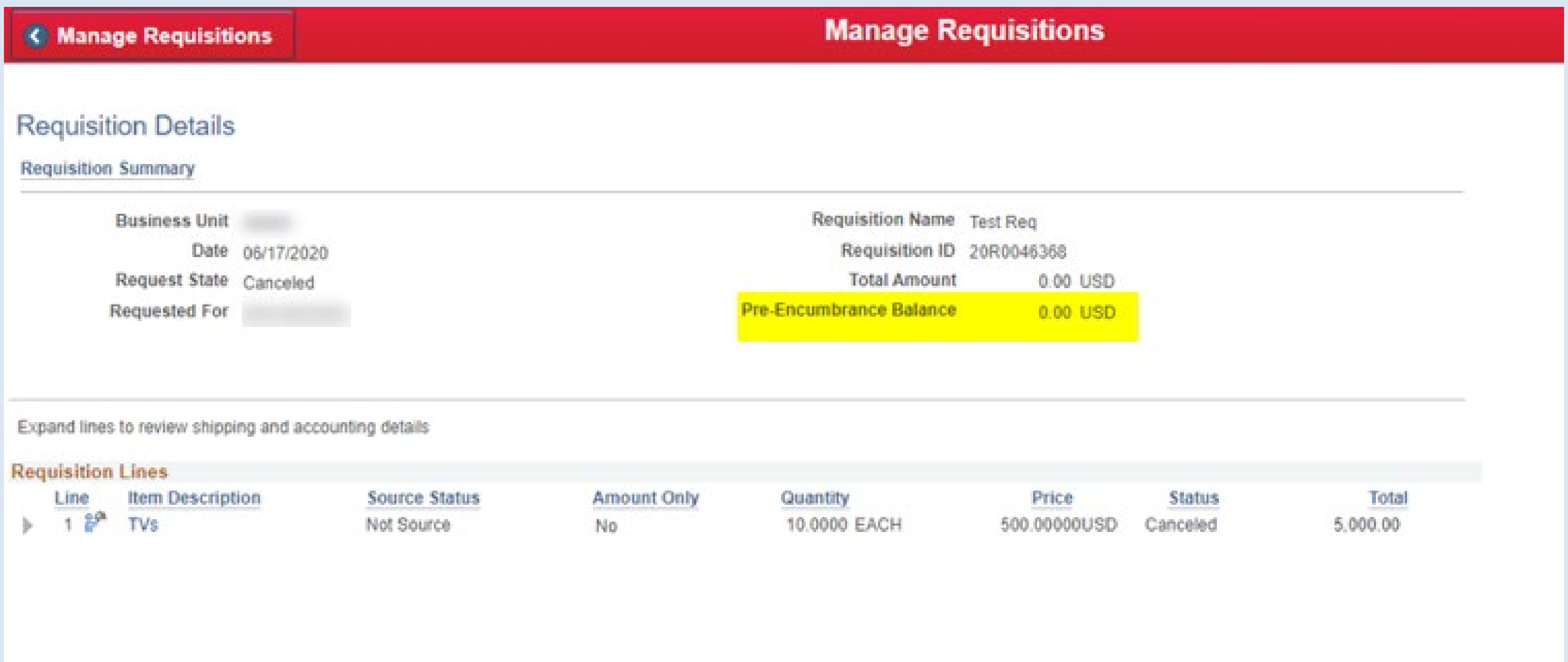
How Do I Liquidate an Encumbrance?

- Step 4:
  - Click Budget Check from Action Drop Down and click Go



How Do I Liquidate an Encumbrance?

- Step 5:
  - Verify the Pre-Encumbrance Balance on Requisition



How to Close a PO and Requisition

Example 4: How do I close my PO and Requisition with multiple lines?

Example 3: If the buyer uses only one line of the requisition, the pre-encumbrance balance needs to be liquidated.

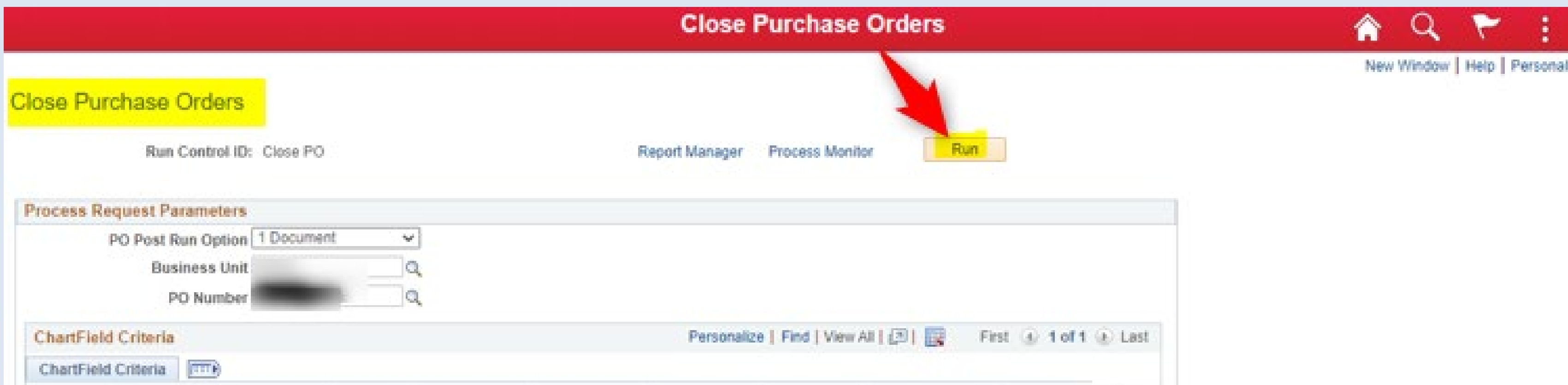
- Solution: Close the PO and Requisition and then cancel other open req lines.

Steps to Close a PO and Requisition

- Steps
  1. Run the Close Process for the PO
  2. Verify Pre-Encumbrance balance
  3. Run the Close Process for the Req line 1
  4. Cancel other req lines (1 and 2)
  5. Budget Check the Req
  6. Verify Pre-Encumbrance balance and Req status

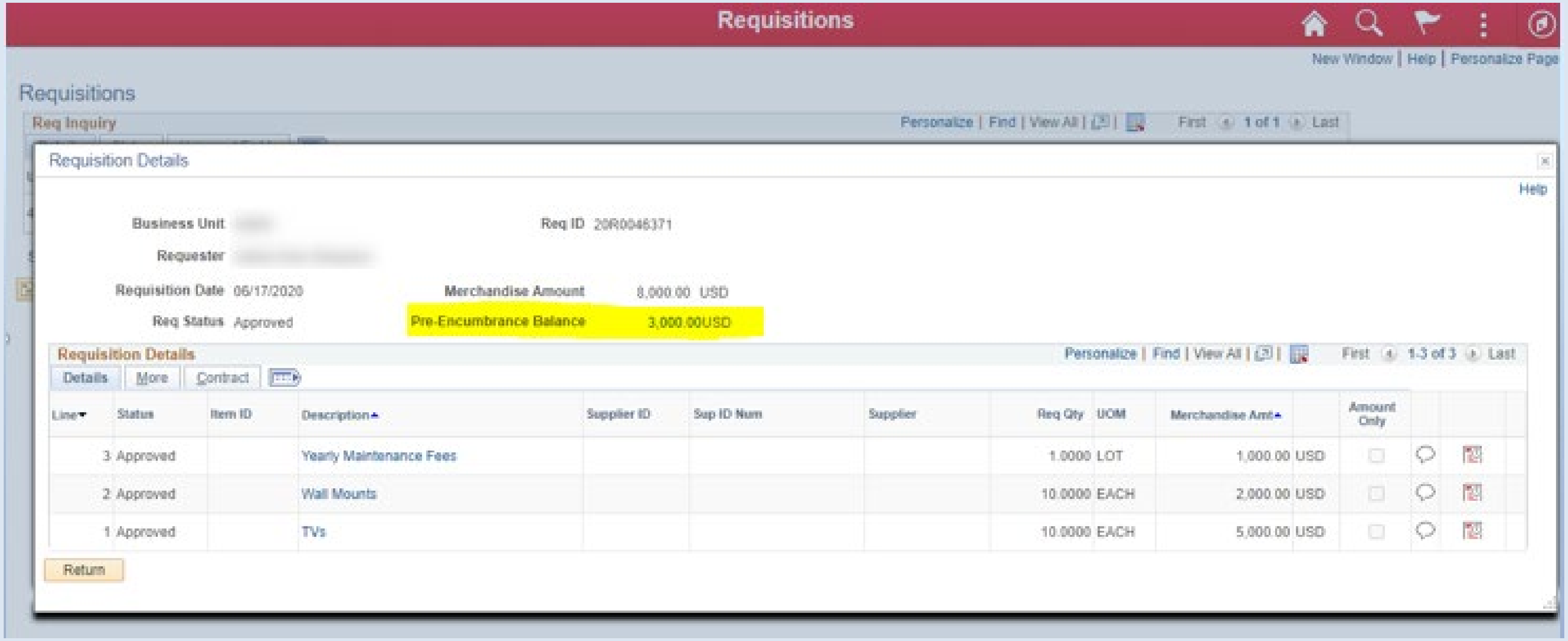
How to Close a PO and Requisition

- Step 1:
  1. Run the Close Process



How to Close a PO and Requisition

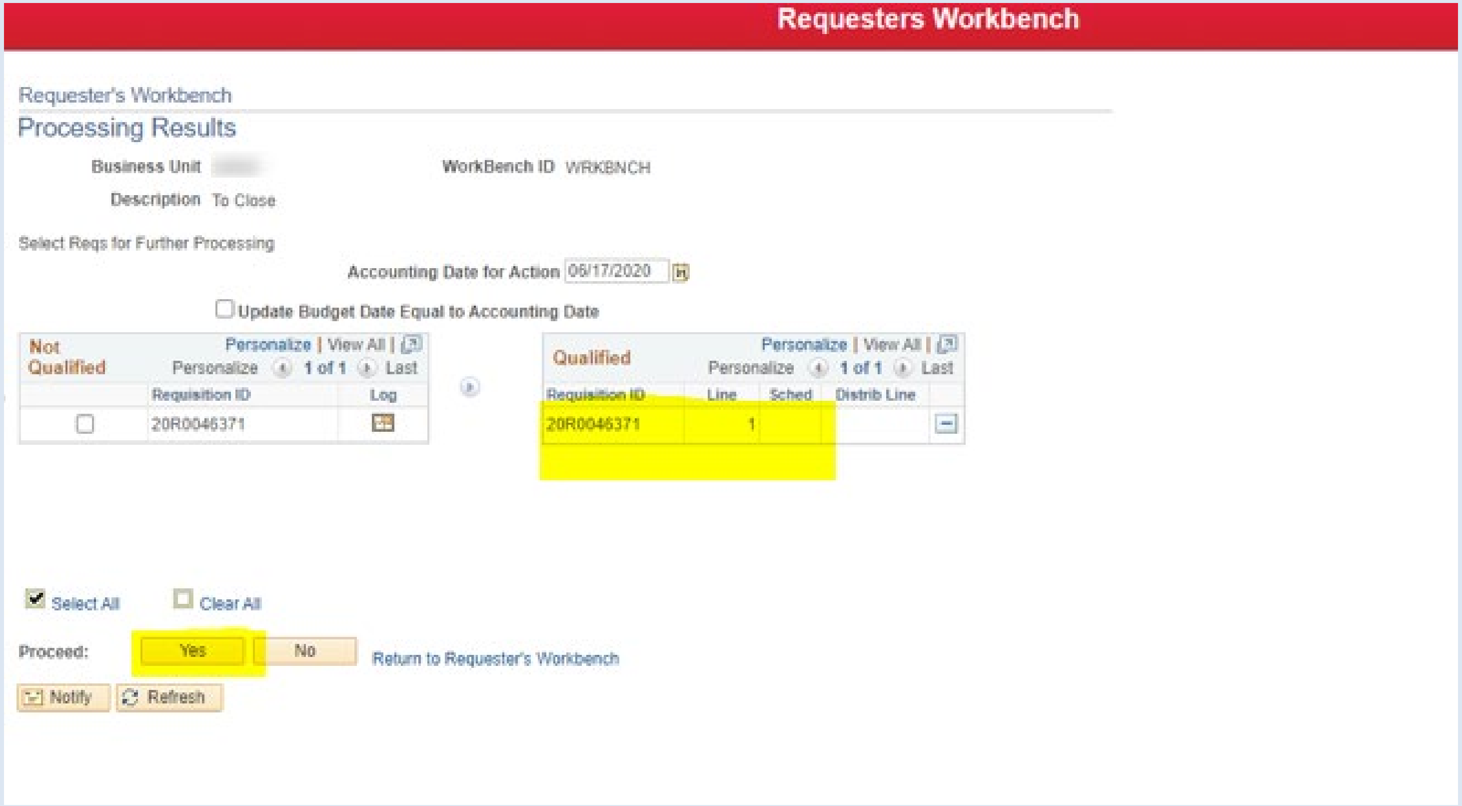
- ❑ Step 2:
  - ❑ Verify Pre-encumbrance Balance:



How to Close a PO and Requisition

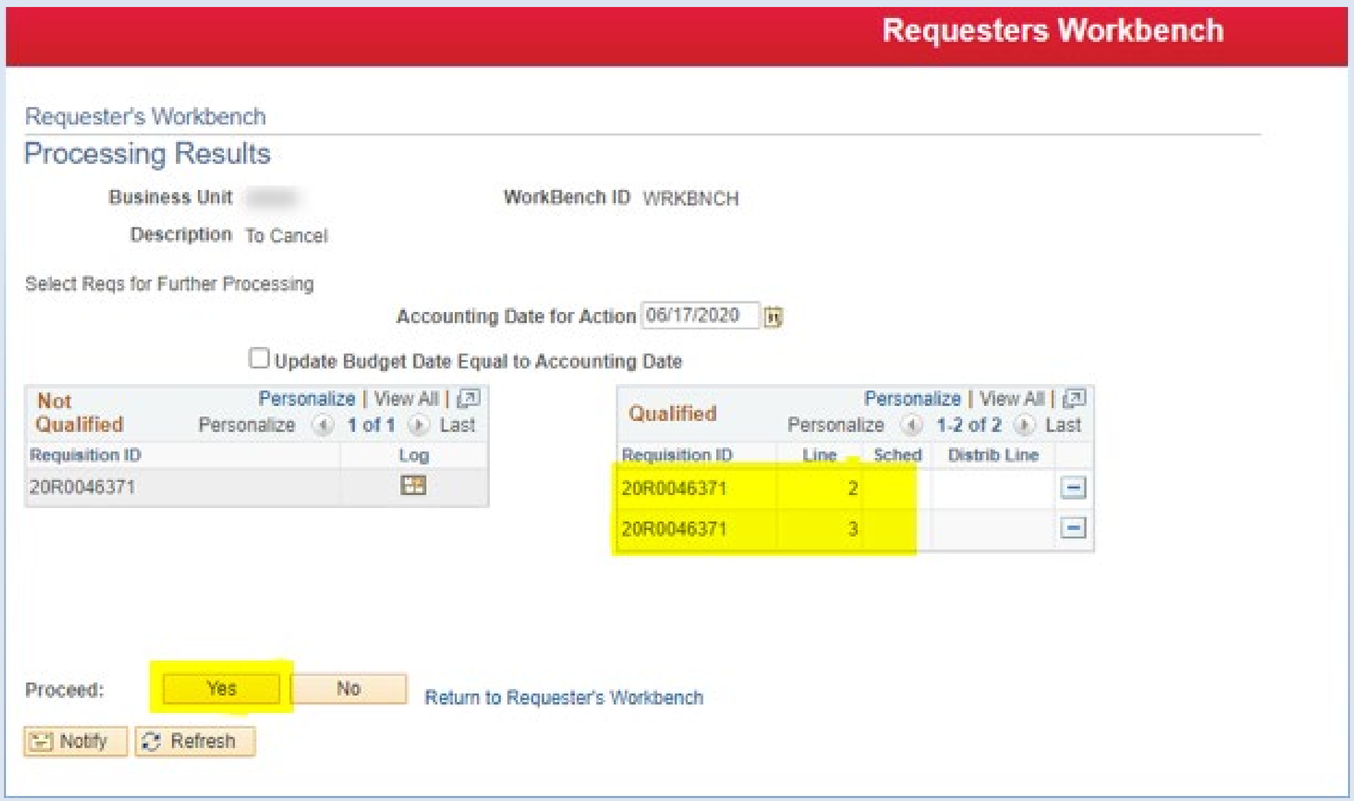
- ❑ Step 3:

  Run the Close Process for line 1.



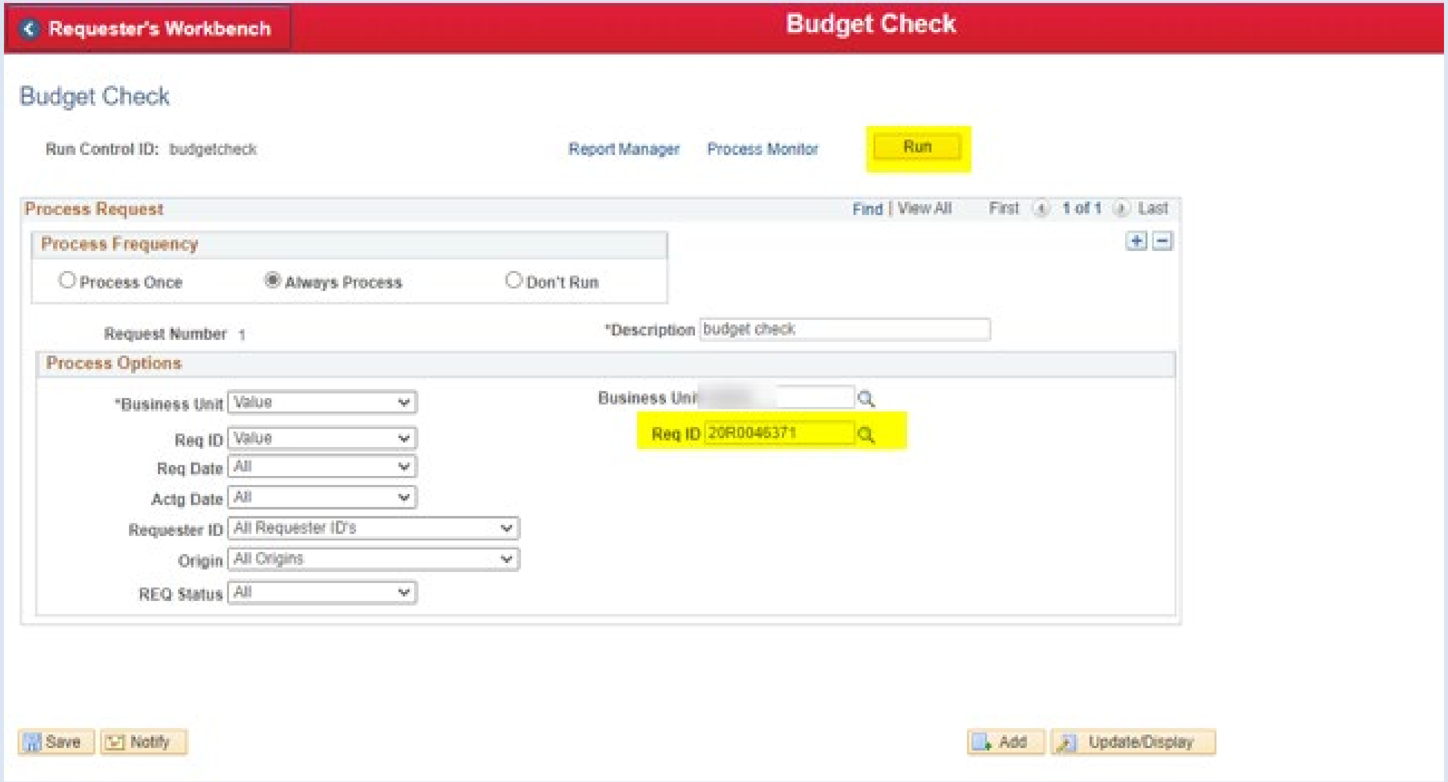
How to Close a PO and Requisition

- Step 4:
  - Cancel Lines 2 and 3



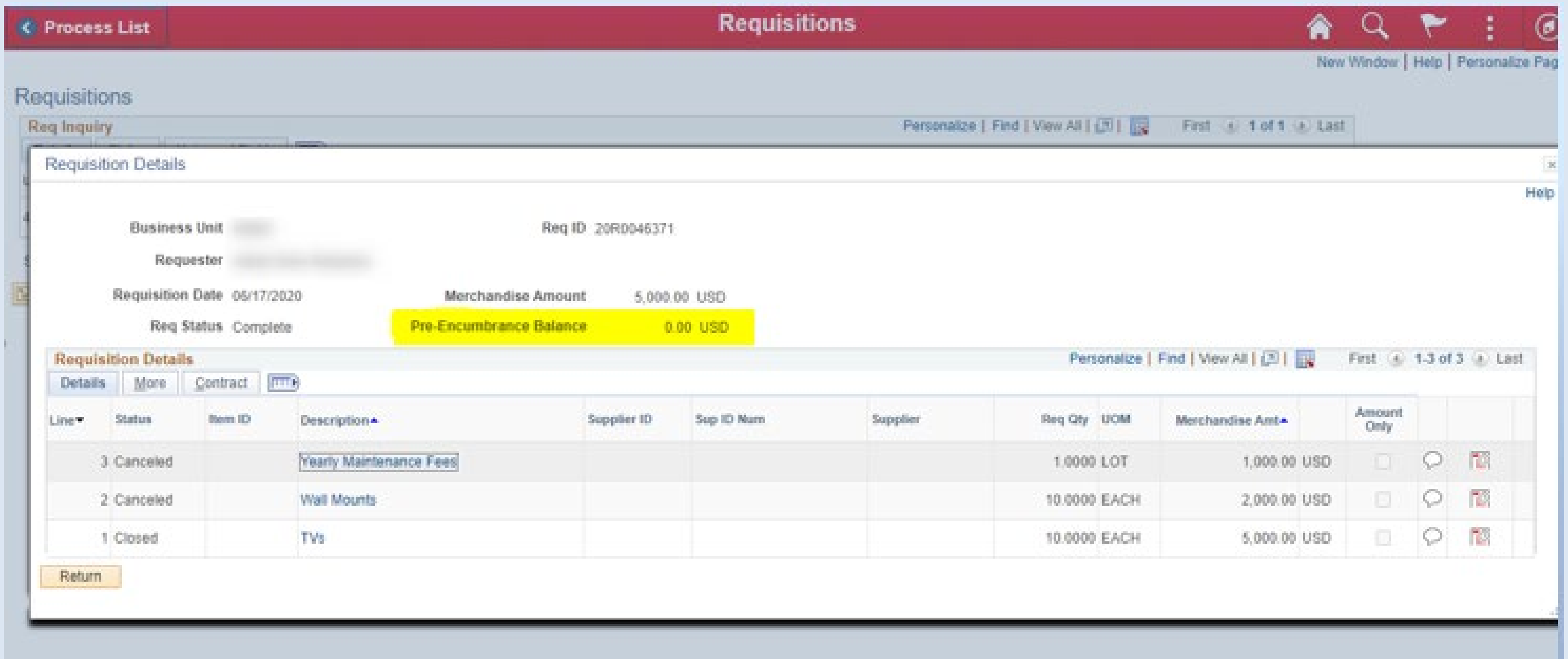
How to Close a PO and Requisition

- Step 5:
  - Budget Check the Req



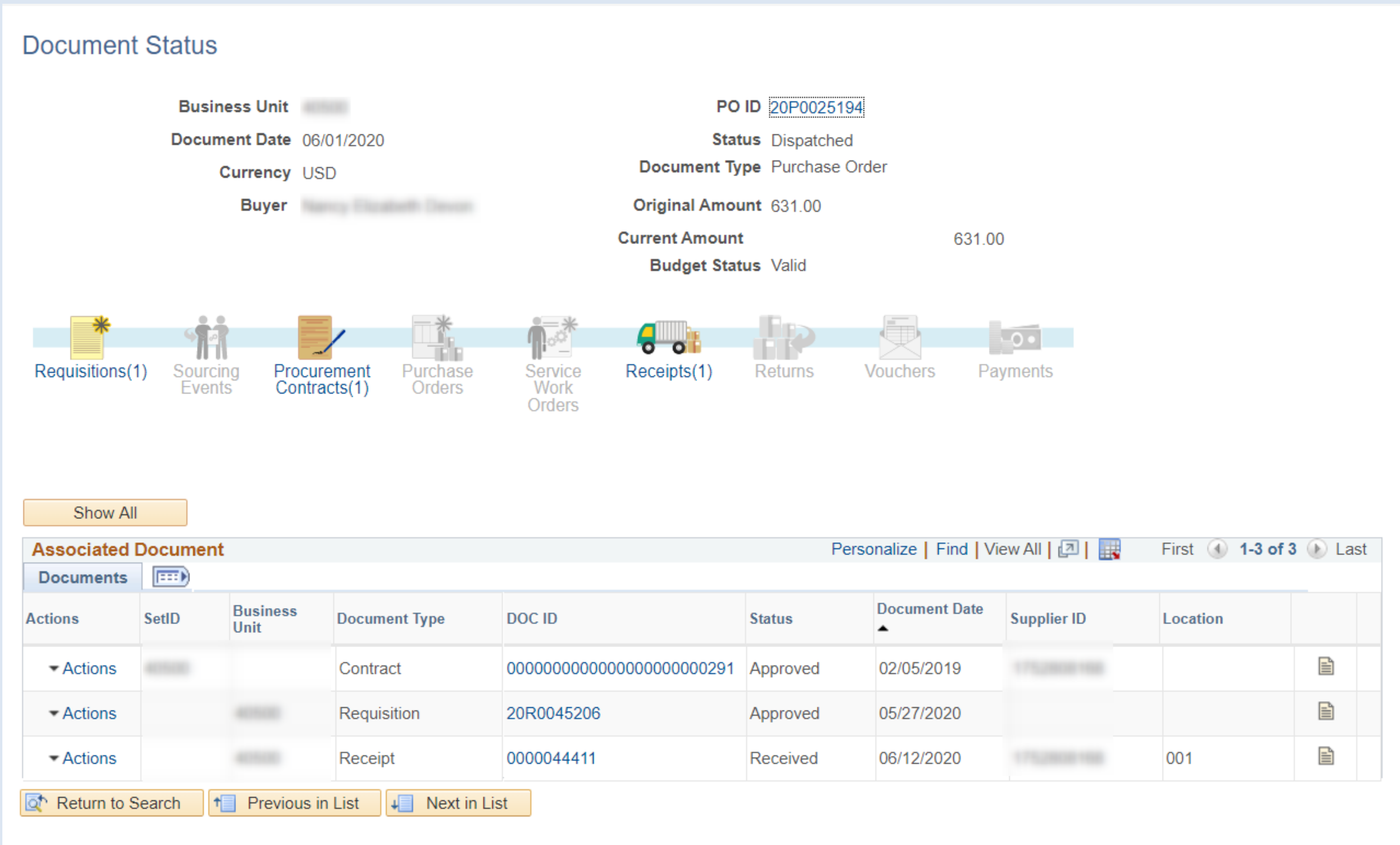
How to Close a PO and Requisition

- Step 6:
  - Verify Pre-encumbrance Balance:



Document Status

To view other documents for PO:

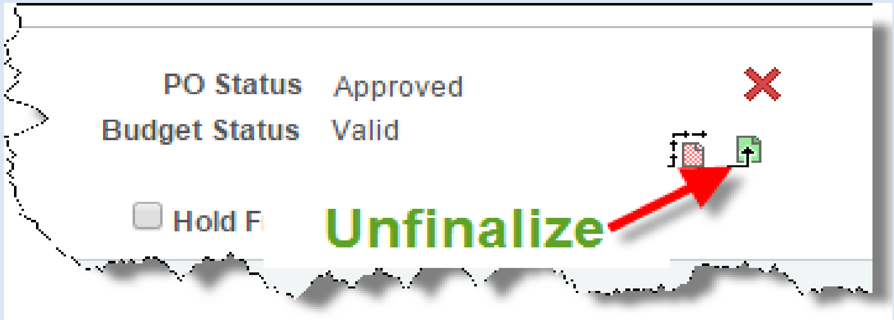


FAQ's

❑ What if you

- reduce a $20 Req Line to $18 on the PO
- finalize, which sends the unneeded $2 back to the budget
- then later realize you need the full $20 on the PO Afterall?

Answer…click the Unfinalized button on the PO and re-budget check. This restores the released funds back to the requisition, making them available again to the PO.

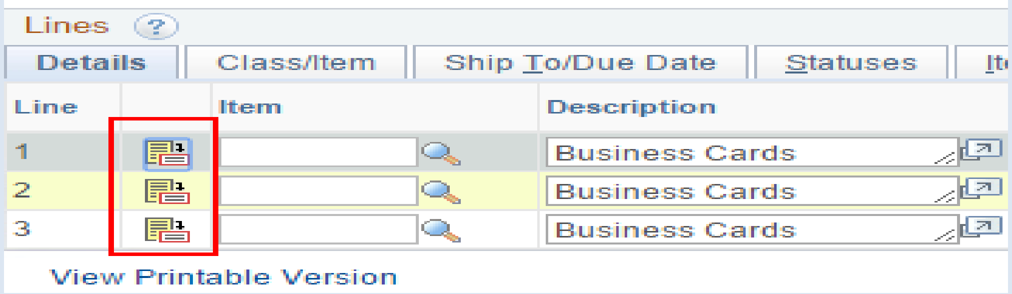


FAQ's

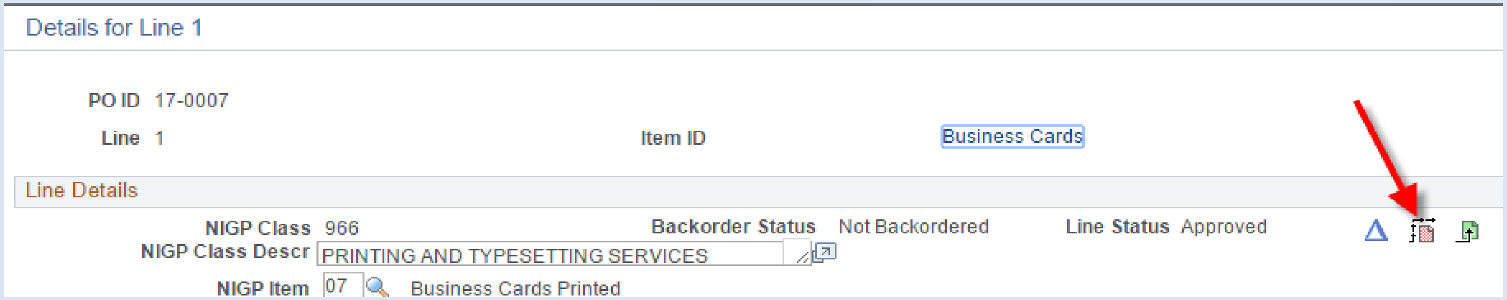
What if the buyer only reduces one line on the PO below the Req amount?

Then you only need to finalize that one line, not the entire PO.

To finalize one line, go to the Line Details page using the button to the left of the line.



Finalize button for an individual line:



Questions?

Questions?

Centralized Accounting and Payroll/Personnel System

Thank you!

CAPPS Production Support

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https://fmx.cpa.texas.gov/fmx/capps/