

# Funds Management – Expense and Encumbrance Tracking

FI-FM-005

October 1, 2008



# LaGOV

**Version 1.0**

Last updated: Sept 10, 2008



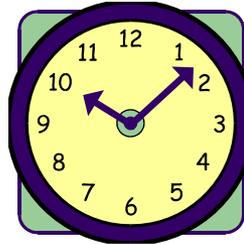


# Agenda

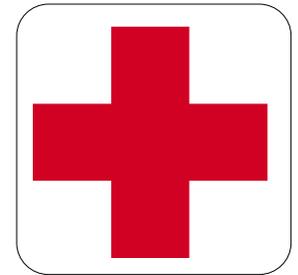
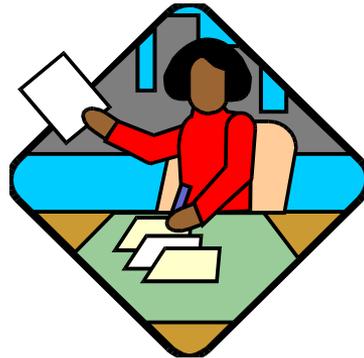
- Logistics, Ground Rules & Introduction
- Project Timeline
- Workshop Objectives
- Business Process Review
  - Process overview
  - AS-IS process flow
  - Current system alignment
  - Process improvement opportunities
  - SAP terms Glossary
  - SAP concepts & functionality
  - Business process flow
  - Leading practices
  - Enterprise readiness challenges
- Next Steps – Action items
- Questions



# Logistics



**Before we get started ...**





# Ground Rules

- Has everybody signed in?
- Everybody participates – Blueprint is not a spectator sport
- Silence means agreement
- Focus is key – please turn off cell phones and close laptops
- Challenge existing processes and mindsets
- Offer suggestions and ideas
- Think Enterprise & Integration
- Ask questions at any time
- One person at a time please
- Timeliness – returning from break
- Creativity, Cooperation and Compromise





# Introduction

## ■ Roles

- **Process Analyst and Functional Consultant** – lead and facilitate the discussions, and drive design decisions
- **Documenter** – take detailed notes to support formal meeting minutes to be sent by the Process Analyst to all participants for review and feedback
- **Team Members** – provide additional support for process discussions, address key integration touch points
- **Subject Matter Experts** – advise project team members on the detailed business processes and participate in the decisions required to design the future business process of the State

### **Round the Room Introductions**

***Name***

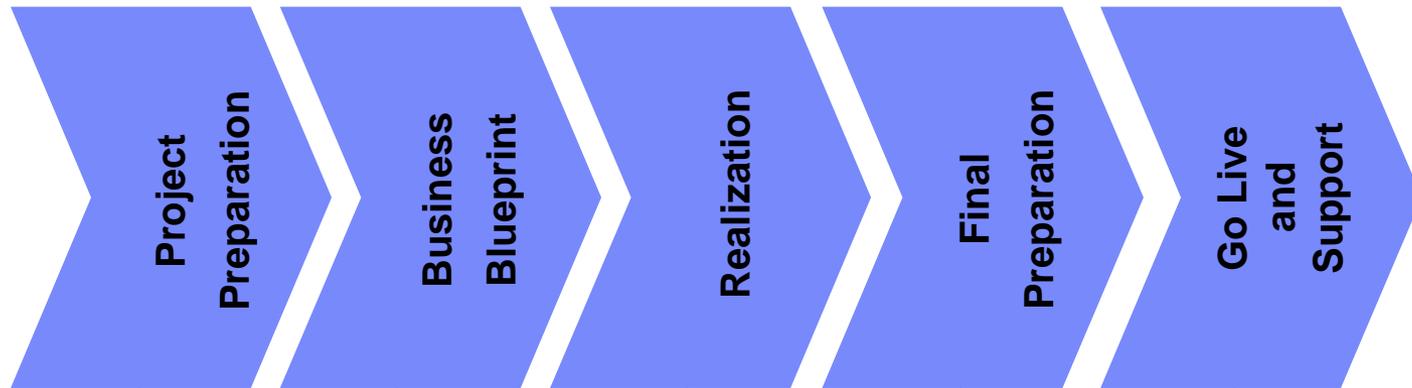
***Position***

***Agency***



# Project Phases

## ■ Five Key Phases



- Strategy & Approach Defined
- Project Team Training

- Business Process Definition
- Development Requirements

- Development & Unit Testing
- Integration Testing
- End-User Training Materials

- User Acceptance
- Technical Testing
- End-User Training
- Conversion

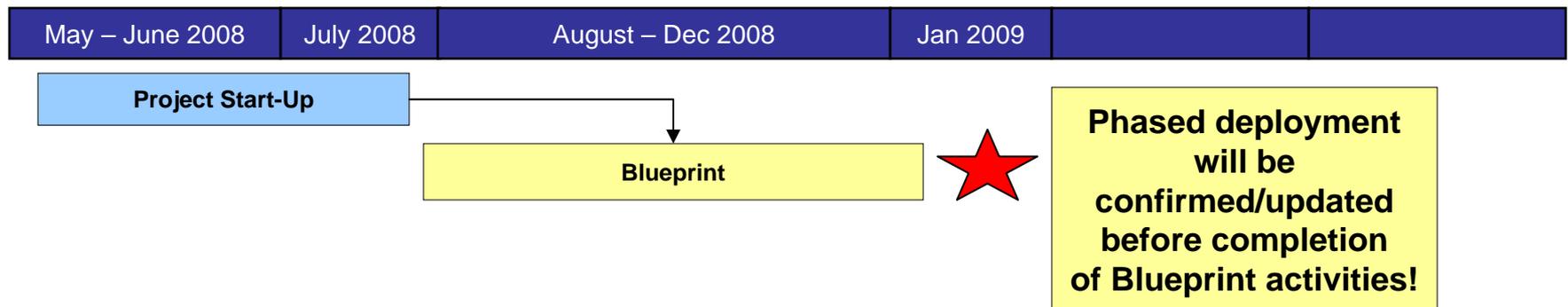
- Go-Live Support
- Performance Tuning



# Tentative Project Timeline

- Tentative implementation dates are planned as follows:

Functionality	Tentative Implementation Date
Budget Prep	October 2009
DOTD	February 2010
Core Modules All Agencies	July 2010
Additional Modules	January 2011





# Project Organization - Functional Teams

## Finance Leads

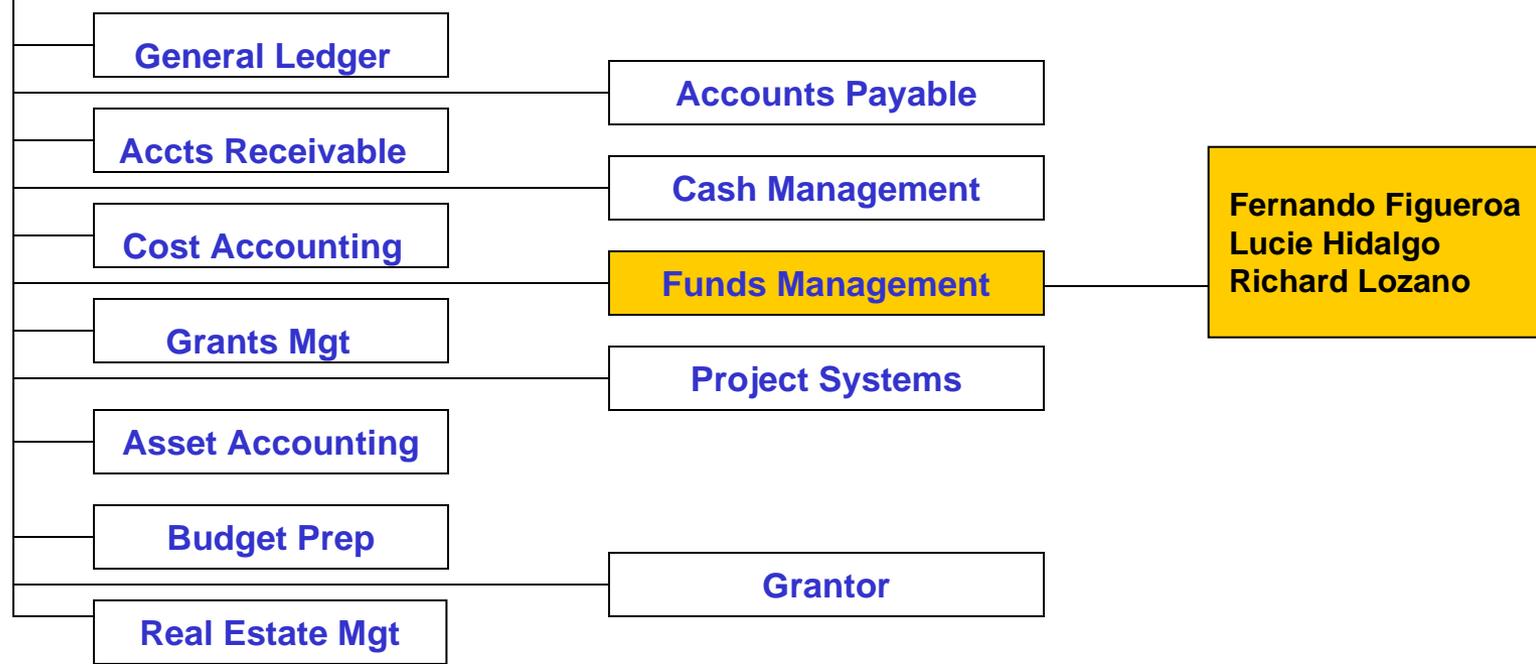
Beverly Hodges – Finance Lead  
Drew Thigpen – Finance Lead  
Mary Ramsrud – Consulting Lead

## Logistics Leads

Belinda Rogers – Logistics Lead  
Jack Ladhur – Logistics Lead  
Brad Denham – Consulting Lead

## Linear Assets Leads

Mark Suarez – Agile Assets Lead  
Charles Pilson – Consulting Lead





# Blueprint Objectives

- Review and discuss the Current or AS-IS business processes
  - Which helps to drive out the *Business requirements*
  - As well as the *integration points* with other processes
- Define Master Data
  - Address key integration points
  - Support organizational requirements
  - Consistent and appropriate use of data fields
- Define Future or TO-BE business processes based on:
  - Best Practices inherent in SAP
  - Intellectual capital from other SAP implementations
  - State business requirements
- Identify development requirements
  - Which could result in the need for a **F**orm, **R**eport, **I**nterface, **C**onversion, **E**nhancement, or **W**orkflow (FRICE-W)
- Understand and communicate any organizational impacts / Enterprise Readiness challenges
- Gather system security authorizations and district-wide training requirements



## Work Session Objectives

- Review the As Is process around budget restrictions, reservations and encumbrances, including integration with purchasing
- Provide an overview of SAP encumbrances and commitment tracking and reporting in FM
- Review commitment tracking and reporting integration with SAP's Materials Management (MM) module
- Discuss the update of FM for actual expenditures
- Determine the types of FM earmarked funds the State will use and for type of funds reservations; Determine who will be responsible for setting up and releasing FM earmarked funds



# FM Sessions

Session #	No of days	Schedule	Session Description/Major Business Process Group	Overview of major Session Topics
FI-FM-001	1 days	7-Aug	<b>FM Master Data</b>	FM master data fields will be introduced. The use, mapping to legacy, naming convention and maintenance process will be determined.
FI-FM-002	2 days	17-18 Sep	<b>Budget Preparation, Amendments and Integration</b>	Need to coordinate Budget Prep design with FM, GM, GTR and PS in ECC 6.0 for budget preparation and budget amendments. Define FM budgeting characteristics including Budget Versions, Budget Types/processes (Original, Carry Forward, Supplementary, Transfers & Returns), Budget & Posting address (Budget Structures), Budget Doc types. Discuss options for Budget Amendments/Adjustments (AS-IS & TO-BE). Determine the frequency of "Plan" Retraction to SAP R3 (FM, GM, PS, HR-PBC) and update frequency of "Actual" data into BW cubes, from ECC and other systems
FI-FM-003	2 days	22-23 Oct	<b>Budget Availability and Control - General</b>	Define budget control level (AVC addresses) in FM for departments/agencies, capital projects and grant budgets (by FM Master Data) by fund and expense type. Define exceptions for budget control. Define the FM standard and budget tolerance profiles used by SBBC. Review other FM functionality which may be useful in budget control
FI-FM-004	1 day	13-Nov	<b>Budget Availability and Control - Work Orders</b>	Define budget control address for work orders from PM and Agile Assets. Determine use of automatic reservations at time of order creation. Determine the process for creating related FM master data and coordination with PM/Agile assets master data.
FI-FM-005	1 day	1-Oct	<b>FM Budget Consumption - Expenses and Encumbrances</b>	Process by which FM gets updated for actual expenditures (posting address) Pre-encumbrances and encumbrances from MM FM Earmarked funds – type, use and liquidation process Use of non-consumable budget types for reservations
FI-FM-006	1.0 days	8-Oct	<b>FM Period End Processing</b>	Review FM Month End Activities including Opening / Closing FM Periods and Transferring Commitments to FI-GL. Review Additional FM Year End Activities including Commitment and associated budget balance carry-forwards, Residual Budget Carry-Forwards and Fund Balance Carry-Forwards.
FI-FM-007	1 day	12-Nov	<b>Budgetary Basis Reporting</b>	Review requirements for budget basis reporting Review current reports Determine To Be reports framework





# SAP Glossary

## **BUDGET OFFICE RESERVATIONS**

**(RESERVES)** - Approved budget which is controlled by the Budget Office. FM budget types can be defined as consumable or non-consumable budget. Documents entered using non-consumable budget types can be used by Budget Office to restrict spending authority of part of the adopted budget.

## **MANAGERIAL RESERVATIONS –**

**Non-PO** budget encumbrances of unrestricted / consumable budget typically for a specific purpose or as a general funds block.

## **MATERIAL MANAGEMENT**

**ENCUMBRANCES** - Automatic budget encumbrances generated in FM from creation of Online Agreements (contracts), Purchase Requisitions (pre-encumbrances) and Purchase Orders (encumbrances)





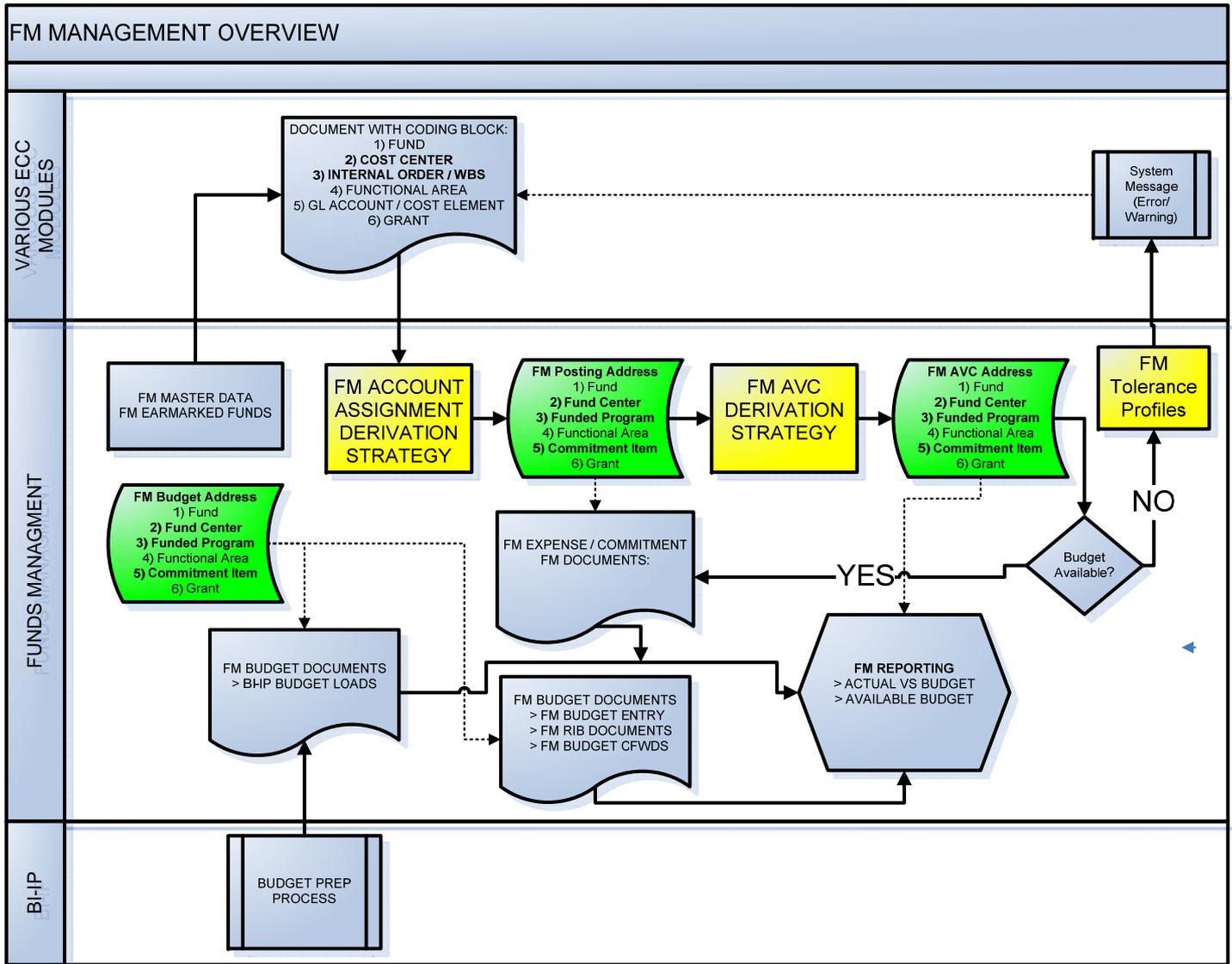
# Funds Management



- **Fund Accounting**
- **Budgetary Controls**
- **Budget Execution**
- **Budgetary Basis Reporting**
- **Commitment Accounting**



# FM Overview





## MASTER DATA INTEGRATION

FI Financial Accounting (external accounting: ex: bal sheet & P/L by Fund open item mgmt ex: A/R and A/P)	CO Controlling (managerial/cost accounting)	FM Funds Management (budgetary accounting)	GM Grantee Management (sponsor's view/reporting requirements)
General Ledger	Cost Element	Commitment Item	Sponsor Class
Fund	Fund	Fund	Fund
Business Area	Cost Center (org structure: ex: admin dept)	Fund Center	
	Internal Order Work Breakdown Structure (project: ex: tradeshow, capital project)	Funded Program	Sponsored Program
Functional Area	Functional Area (program; ex: public safety, education)	Functional Area	
Grant	Grant	Grant	Grant
Fiscal Year	Fiscal Year	Fiscal Year	Budget Validity Period (ex: sponsor/grant FY)





# FM Account Assignment Derivation Tool

- The FM Account Assignment Derivation tool is a flexible tool used to link the master data used in actual postings in other modules in ECC (MM, HR, FI/CO) to FM master data in order to update the FM ledger
- It will be used to derive the following FM objects:
  - Fund Center (from Cost center)
  - Commitment Item (from GL account or cost element)
  - Funded Program from WBS element, CO or PM Internal Order (if necessary)
- The derivation tool can also be used to infer or default FM master data to the transaction level during entry
  - In cases where **Fund and Functional Area** can be derived, it will be set up to do so; otherwise these will be entered manually
  - Derivation values can be binding (the value cannot be over written by user at time of data entry) or non-binding (the value can be over written by user at time of data entry)
- Derivation rules are sequential and build on one another.
- New rules or values can be added at any time.



# FM Addresses: Operating Funds Proposal

For all operating and CAFR funds, including DOTD operating activities (non-capital):

- **Budget Address:** Similar to the current practice, Budget will be entered at and adjusted at the individual / lowest level FM dimensions\*
  - Are there any exceptions to this in legacy, i.e. budget is entered at a higher level than the individual specific master data (e.g. at the object category level)?
  - Discussion Point: Enter budget at the current 4 digit object or at the object category level in SAP?

- **Posting Address:** Like the budget, actual expenses and commitments will be updated in FM from other modules (MM, HR, FI, CO) at the individual / lowest level FM dimensions\*

- **Control (AVC) Address:** Combination of FM dimensions / level at which budget control will take place. Will be covered in future FM Blueprinting session

\* FM dimensions include Fund, Fund Center, Functional Area, Funded Programs, Commitment Item and Grant



## AS-IS Encumbrance Recording – ISIS Purchasing

CFMS – Used for service contracts (sub-system of AGPS)

AGPS - All other contracts and POs for commodities and non-services

AFS – Pre-encumbrances (if applicable) and encumbrances from CFMS / AGPS plus a few POs may be created here (water bill, hydro) are budget checked here

Note: Not all PO / Contracts will encumber funds:

- Free (No Cost) Item
- Contracts and POs where agency budget is in another system (non-accounting / ISIS agencies) but purchase order in AGPS



# AS-IS Encumbrance Recording – ISIS Purchasing

## Non-contracted Purchases

### **1) Purchase Requisitions**

- Requisition may/may not be required in all cases
- Agency user decides whether Req will pre-encumber funds at the time of entry
  - E.g. no pre-encumbrance if req is created for creation of Statewide Contract
- May or may not be subject to approval process
  - Pre-encumbrance may happen before or after approval (varies by agencies)

### **2) Purchase Orders**

- PReq will be referenced to reduce the pre-encumbrance and create the encumbrance
- PO can be created directly to establish the encumbrance if no Req exists
- Subject to approval process
  - Encumbrance may be established only after approval of the purchase order

### **3) Goods Receipt**

- Goods receipt against PO in AGPS/CFMS only
- No update to AFS – no change to encumbrance status

### **4) Invoice Receipt**

- Encumbrance is replaced by actual expense at this time



# AS-IS Encumbrance Recording – ISIS Purchasing

## **Contracted Purchases – Services (Both Operating and Capital)**

1) RFP (if applicable)

2) Contract Established

- Pre-Encumbrance/Encumbrance established at the time of contract only if assign account coding to contract
- May be encumbered prior to or after approval
- For capital outlay, contract amount is set up only up to the amount of cash funding available;

3) Invoice

- Encumbrance is reduced by payment voucher in AGPS/CFMS system when invoice is received and expense established

\*\* Only current year portion of multi-year contracts are encumbered in the current year unless funds are capital outlay (up to cash funding available)

\*\* No Reqs or POrders referenced against the service contracts



# AS-IS Encumbrance Recording – ISIS Purchasing

## Contracted Purchases – Commodities

### 1) Bid Process

- Req may be established without pre-encumbrance

### 2) Contract Established

- No encumbrance since this is a statewide contract
- No Accounting Code established

### 3) Purchase Order

- Use Contract Release PO to reference the contract and create the encumbrance (if required – i.e. not a free item, non-isis agency, etc)
- Alternatively, may create purchase order directly with a vendor if cheaper or if commodity is not on a statewide contract

### 4) Invoice

- Encumbrance is replaced by actual expense at this time



## As Is Encumbrance Recording – DOTD

PIMS (Purchasing Inventory Management Systems) -  
Operation Budget Contracts

PMFS (Project Management Finance System) - Capital  
Outlay Contracts



# As Is Encumbrance Recording – DOTD

## Non-contracted Purchases

### **1) Purchase Requisitions**

- Requisitions are required in all cases

### **2) Purchase Orders**

- Req will be referenced to reduce the committed and create the encumbrance

### **3) Goods Receipt**

- Goods receipt against PO in PIMS

### **4) Invoice Receipt**

- Encumbrance is replaced by actual expense at this time



## As Is Encumbrance Recording – DOTD

### **Contracted Purchases – Services (Both Operating and Capital)**

1) RFP (not applicable)

2) Contract Established

- For operating contracts that are being established for the next fiscal year, PIMS does not allow account coding, therefore the Purchasing Section must establish an amount to pre-encumber.
- For capital outlay, contract amount is encumbered in full, no purchase order is required. Direct payments goes against contract amount.

3) Invoice

- Encumbrance is reduced by payment voucher in PIMS system when invoice is received and expense established

\*\* Only current year portion of 3<sup>rd</sup> party contracts are encumbered in the current year

\*\* Purchase Requisitions and Purchase Orders are referenced against service contracts



# As Is Encumbrance Recording – DOTD

## Contracted Purchases – Commodities

### 1) Bid Process

- Requisitions are established with funding for commitments

### 2) Contract Established

- May have or not an encumbrance since this is a statewide contract

### 3) Purchase Order

- For all PO issued, must begin with creation of a purchase requisition.
- Purchase Requisitions will create a PO after awards or contracts are granted.

### 4) Invoice

- Encumbrance is replaced by actual expense at this time



# Types of Budget Controls

- **Passive controls** are those that are affected by the use of manual budget reservations, release/approval strategies during document entry, or by budget comparison reports. For example:
  - Control of spending authority by budget office between consumable and non-consumable budget types
  - Managerial reservations to “block” budget for a specific future purpose
  - Reporting and analysis of budget versus actual
  
- **Active controls** are those that systematically disallow any postings once available budget (or budget defined as available i.e. Consumable) is exhausted. Exceptions are also defined in configuration – E.g. Salaries.
  - Active controls may be triggered or affected by some passive controls such as manual reservations



## TO BE: Types of Budget Encumbrances

### Examples of SAP budget encumbrances include:

#### ➤ **Active Control**

➤ Automatic encumbrances / commitments through Materials Management (MM) module for purchases

#### ➤ **Passive Control** (may cause active control)

➤ FM Budgets using non-consumable budget types

➤ FM “earmarked” funds



## To Be – Purchase Encumbrances: Major Changes

- One SAP system: Purchasing (MM) and Financial / Budget are Integrated
  - Users cannot determine timing of purchasing pre-encumbrances/encumbrances since this is automatically set up at the time of creation (subject to account coding) – REAL TIME
    - Unlike AGPS/CFMS, no choice in deciding when to pre-encumber/encumber budget
  - Goods Receipt performed in MM will update budget status in the financial system in real time
    - Encumbrance becomes an expense at this time
  - Budget check occurs real time; sufficient budget must exist to cover purchasing document
  - Cannot enter into Contracts and POs for the next fiscal year unless budget has been loaded since we now have one system – Ongoing discussion
- Only one available budget balance for budget control regardless of type of usage (pre-encumbrance, encumbrance, expense)
  - Currently in AFS, pre-encumbrances checked against Uncommitted Balance while encumbrances / expenses checked against Unobligated Balance (but consumes both)
  - Can lead to negative balance in Uncommitted Balance which must be cleaned up at year end
- Goals of standardization of purchasing processes across State
  - All purchasing documents will pre-encumber or encumber funds
  - Timing of encumbrance, i.e. before or after approval (subject to account coding)
  - Decision no longer at the transaction level
- For Contracts, follow-on PR/PO creation will be required
  - Detailed process to be defined in MM sessions



# Draft To Be Encumbrance Recording – Purchasing

## Non-contracted Purchases

### 1) Purchase Requisitions (PR)

- MM team to propose a PR will be required in all cases
- Do we want to pre-encumber funds at the PR stage (subject to budget control)?
- At what point (entry or approval)?

### 2) Purchase Orders (PO)

- Will reference requisition
- Creates a budget encumbrance when posted and reduces the PR pre-encumbrance
- Subject to budget control if PO amount > PReq amount (subject tolerances defined)
- May be subject to approval process (to be determined in MM). If so, at what point should encumbrance be created (and pre-encumbrance reduced) - Entry or approval?

### 3) Goods Receipt (GR)

- If good receipt is required for PO, encumbrance is reduced and actual expenditure created
- Subject to budget control if GR amount > PO amount (subject tolerances defined)

### 4) Invoice Receipt (IR)

- No change at time of invoice if GR performed (FM status updated for invoice transaction) – already classified as an expense
- If PO does not require a GR, encumbrance is reduced at this time and replaced by actual expense
- Subject to budget control if Invoice amount > GR amount (subject tolerances defined)



# Draft TO-BE Encumbrance Recording – Purchasing

## Contracted Purchases – Services and Commodities (Both Operating and Capital)

### 1) RFP (if applicable)

### 2) Contract Established

- Pre-Encumbrance established at the time of contract (SAP Outline Agreement) only if assign account coding to contract when contract is saved (e.g. capital outlay services contract)
  - E.g. No Pre-encumbrance for Statewide Contracts
- For capital outlay, contract amount is set up only up to the amount of current year budget appropriation (not full project amount)
- Subject to budget control at this point if pre-encumbrance established

### 3) Purchase Requisition (PR)

- Release against contract will updated FM Value Type update pre-encumbrance status in FM or establish pre-encumbrance if contract was not assigned account coding
- Subject to budget control only if amount of PR > Contract

### 4) Purchase Order (PO) > Goods Receipt (GR) > Invoice Receipt (IR)

- Same process as Non-Contracted Purchases

**Note:** If subsequent document value if lower than previous document, budget is released by difference



# To Be Encumbrance Recording – Purchasing

## Notes on Encumbrances:

- If subsequent document value is lower than previous document, budget is released by difference
- If a document is reversed, it will reduce the expense/encumbrance and reset the previous budget consumption status (expense / encumbrance or pre-encumbrance)
- Generally, purchasing pre-encumbrances and pre-encumbrances affect the current year. In cases where purchasing activities (contracts/Pos) are to consume next fiscal year budget, they must be coded to next fiscal year in the current year
  - **Issue:** One Integrated system in SAP. Purchasing encumbrances for next year cannot be created independently of the encumbrance in the Financial System (e.g. AGPS / CFMS vs AFS).
    - To encumber funds in the next year, budget must be loaded in the following year on a timely basis to avoid budget errors
    - Timing of budget load (or slice of next years budget) will be discussed in future BI-IP session



## TO BE: Budget Encumbrances – Integration with Materials Management

- FM integration with Purchasing – Budget control (FM AVC) will be enforced and checked for all stages:
  - Contracts
  - Purchase requisitions (PR)
  - Purchase orders (PO)
  - Goods receipts (GR)
  - Invoice receipts (IR)
  
- Budget consumption will be tracked and reported on by stage of the purchasing process
  
- AVC checking will be triggered in subsequent changes when amount is greater than previous stage; if amount is less, budget is released for the difference



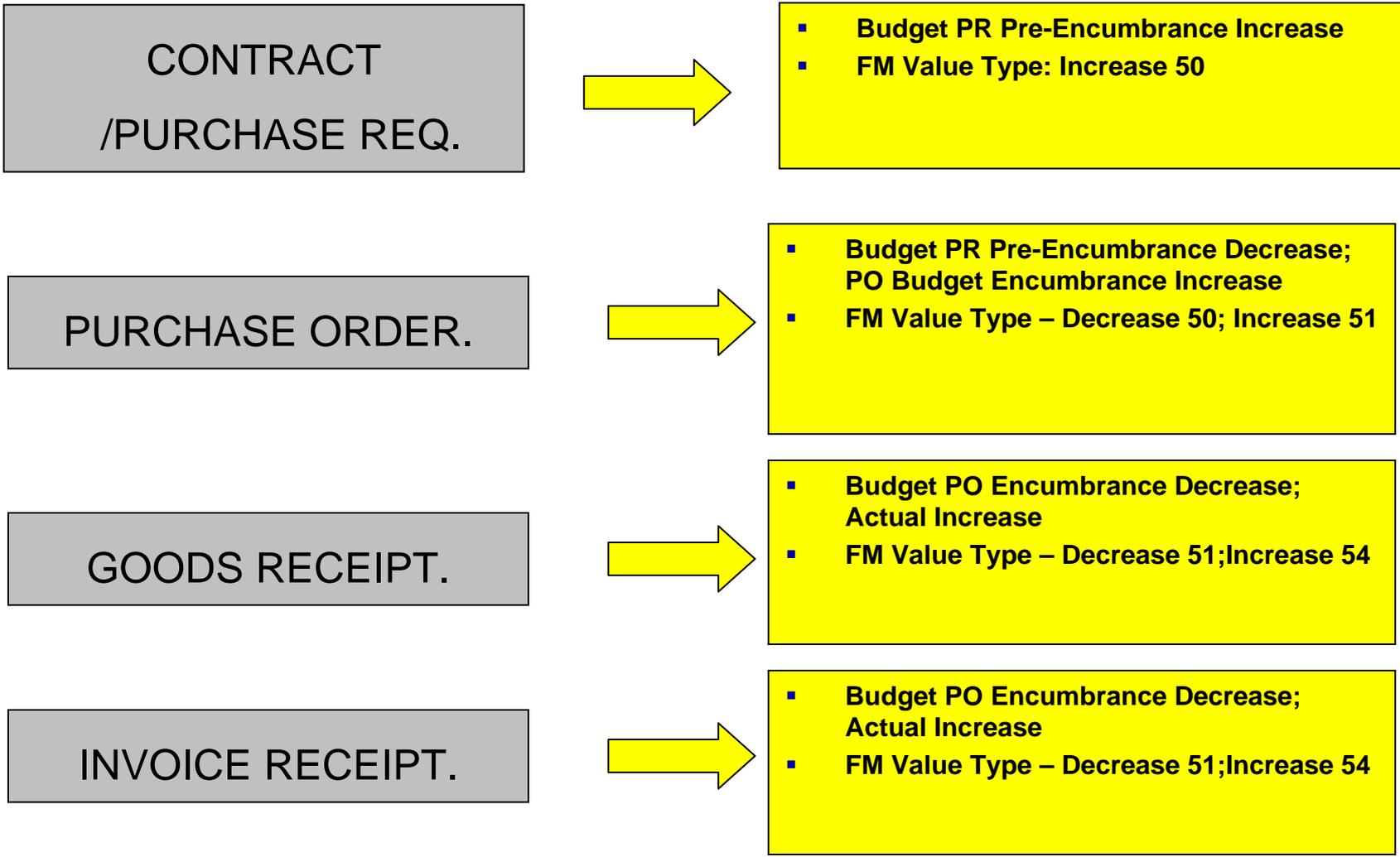
# Budget Encumbrance and Tracking

Value type

VT	Short text
50	Purchase Requisitions
51	Purchase Orders
52	Business Trip Commitments
54	Invoices
57	Payments
58	Down Payment Requests
60	Parked Documents
68	Clarification Worklist FI-CA
61	Down Payments
64	Funds Transfers
65	Funds Commitment
66	Transfer Postings
80	Funds Blocking
81	Funds Reservation
82	Funds Precommitment
83	Forecast of Revenue
84	Payment Reservation (Not for General Use)
95	Secondary Cost Postings (CO)



# TO BE: Budget Encumbrances – Integration with Materials Management





## AS IS – Budget Office, Agency or Managerial Reserves

- **AFS** - No known methods of reserving funds for manually reserving budget for future spending in AFS
  
- **DOTD** – Commitment vouchers are used to reserve budget for specific purposes
  - Use of commitment voucher vary among Districts and Sections depending how closely they monitor their budgets
  - Some examples of reserving budget through a commitment voucher are:
    - Utility Bills
    - City Maintenance Agreements
    - Doctor Pre-employment Physicals and Drug Testing



## To Be Funds Reservations

There are two methods of reserving the authorized budget for future spending:

- 1) Transfer existing, available Budget to a non-consumable status
- 2) FM Earmarked Funds documents



## To Be: Non-Consumable Budget

- The FM Budgeting Workbench (BWB) is the transaction screen used to affect budget in ECC-FM, such as budget creation, transfers, supplements and returns.
- When creating a budget document in the BWB (or transferring budget from BI-IP), the following must be specified:
  - Budget Process
  - Document Type
  - Budget Type
  - Period/Fiscal Year
  - Budget Version (always active or '0' version)



# FM Budget Processes

- FM Budget Processes are used to distinguish between different ways of affecting the budget
  
- SAP system delivered processes include:
  - **ENTER (ENTR)**- Original budget created as part of normal budget cycle
  - **RETURN (RETN)** – Used to Return budget not used / required. Reduces overall budget amount
  - **TRANSFER (SEND/RECV)** – Used to transfer budget from one budget address to another. Specify a Sender and Receiver budget address. Overall budget amount not changed
  - **SUPPLEMENT (SUPL)**– Used to record increases to the overall, original budget. Includes mid-year budget increases such as Self-Generated, new Grants, etc
  - **CARRYOVER (COSD/CORV)** - Used to carryover commitment and residual budget from one year to the next
  - **RIB - REVENUE INCREASING BUDGET (RBBS/RBBT)** - Used to automatically create additional budget as a result of collecting additional revenues. Similar to a supplement, but an automatic budget entry is created.
  
- Together with a process, you must specify a budget type



# FM Budget Types

- Budget Types are used to classify the budget according to the needs of organization (e.g. meet Reporting needs)
- Budget Types can be used to:
  - Sub-divide the budget process. Example: different types of Supplements, Transfers, Returns, etc.
  - Classification of Budget independent of Process. Example: Contingency vs. Operational Budget.
- Budget Types can be defined:
  - Consumable – Available budget for spending and budget control – e.g. Budget Amendment (supplement)
  - Non-Consumable – Budget amount has been assigned but is not available for spending or budget control
- Budget Types must be assigned to one or more Budget Processes.
  - Valid combination of Processes and Budget Types must be configured
  - Budget Types can only be used in combination with assigned processes during budget entry
  - Authorization can be maintained according to combination of Budget Process and Budget Types



# FM Budget Types

Proposal: The following Budget Types will be configured:

## Consumable Budget Types:

- **OREC** – Used for original, recurring budget as part of the annual budgeting cycle
- **ONRC** - Used for original, one-time budget as part of the annual budgeting cycle
- **MNRC** – Used for mid-year BA7 and non-BA7 budget adjustments (supplements and transfers)
- **MREC** – Used to record budget supplements that are recurring in nature (will become OREC in next annual budget cycle). Supplements that are non-recurring will use **MNRC**
- **YECB** – Used for Year-end carryforward of commitment budget?
- **YERB** – Used for Year-end carryforward of residual budget?
- **LAPS** – Used to lapse (return) current year budget?
- **LAPP** – Used to lapse (return) prior year carryforward budget?



# FM Budget Types

## Non-Consumable Budget Types:

- **ONCB** – Used for recording non-consumable budget as part of the of the annual budgeting cycle. ORGN will typically be transferred to a consumable budget type in ECC when ready to be assigned
  - Example: Capital Outlay budget until specific budget is set-up and ready in ECC
- **RESV** – Used to manually reserve budget. Involves transferring budget from a consumable budget type (and vice versa, to a consumable budget type when ready to use the budget)



# Draft TO-BE: Budget Types, Document Types and Processes – Non-Grantee Budget

BUSINESS PROCESS	DOCUMENT TYPE	PROCESS-BDGT TYPE: RECEIVER	PROCESS-BDGT TYPE: SENDER	AUTHORITY GROUP
Retract Annual Budget from BI-IP	OPER / CAPL	ENTR-OREC ENTR-ONRC ENTR-ONCB	N/A N/A N/A	OPB
Mid-Year Budget <b>Supplements</b>	OPER / CAPL	SUPL-MNRC SUPL-MREC	N/A N/A	ALL (With Budget Authority)
Mid-Year Budget <b>Transfers (Consumable)</b>	OPER / CAPL	RECV-MNRC	SEND-MNRC	ALL (With Budget Authority)
Mid-Year Budget <b>Transfers (Non-Consumable to Consumable and Vice Versa)</b>	OPER / CAPL	RECV-ONCB RECV-RESV RECV-MNRC RECV-MNRC	SEND-MNRC SEND-MNRC SEND-ONCB SEND-RESV	ALL (With Budget Authority)
Budget <b>Returns/Reductions (current year)</b>	OPER / CAPL	RETN-MREC RETN-MNRC RETN-LAPP RETN-LAPS	N/A	ALL (With Budget Authority)
Revenues Increasing Budget *	OPER	RBBT-RIBU	RBBS-RIBU	NONE (Automatic Posting)
Y/End Commitment Budget Cfw *	CFWD	CORV-YECB	CORS-YECB	OPB
Y/End Residual Budget Cfw *	CFWD	CORV-YERB	CORS-YERB	OPB

\* Separate Transaction outside of FM Budgeting Workbench



# FM Budgeting Workbench – Sample 2: Transfer

Document  Status

**Header Data** **Additional Data**

Process  **Total Sender**   
**Total Receiver**

Budget Category  Version

Document type  Document Date

**Sender**

Fiscal Year  Period

Budget Type  Budget Amendments

Grant  NOT RELEVANT

**Receiver**

Fiscal Year  Period

Budget Type  Budget Amendments

Grant  NOT RELEVANT

Lines

Line	+/+	Fund	Funds Center	Funded Program	Functional Area	Commitment Item	Amount
000001	+	1020	1000095010	NOT RELEVANT	NOT_RELEVANT	53010000	1,000.00
000002	-	1020	1000095010	NOT RELEVANT	NOT_RELEVANT	55110000	1,000.00



# FM Earmarked Funds

- **Financial Accounting “earmarked” funds**
  - **Allotment of authorized spending using Earmarked Funds**
  - Users can “earmark” funds in advance of actual encumbrances or block funds as needed. Example:
    - Ensure have enough budget for a large, future commitment
    - Prevent overspending in early part of year for seasonal spending patterns
    - Budget supplements for a specific purpose
  - FM commitments documents can be used for reserving budget for future use reservations; these documents create encumbrances without involving purchasing documents



# FM Earmarked Funds

- There are several types of “earmarked” funds in FM:
  - Funds Pre-commitments – simulate PR’s / Contracts
  - Funds Commitments – simulate PO’s
  - Funds Reservations – Reservation of funds for specific purposes
  - Funds Blocking – Block funds for no specific purpose; General Block
  
- Generally, Funds Reservations are used to reserve funds for specific purposes. They can be referenced and reduced by:
  - Purchase requisitions or purchase orders
  - FI invoices
  - Reduced manually
  
- Referencing the Funds Reservation in follow-on documents will reduce the funds reservation automatically and set up the pre-encumbrance (PR), encumbrance (PO) or expense (FI invoices)
  
- Funds Reservations field must be made available in the PR, PO and AP and GL Journal Entry Screens (Integration point)



# FM Funds Reservations: Overview Screen

Document Edit Goto Extras Environment System Help

**Funds reservation: Create Overview scrn**

Park Document Entry

Document number  New Document Date 04/09/2007

Document type Z1 SBBC Funds Reserv -School Posting Date 04/09/2007

Company Code SBBC USD School Board Broward Cnty Currency/rate USD

Doc.text

Currency USD

Grand total  250.00

D	Original amou	Fund	Cost Center	WBS Element	Order	G/L Account	Func	Commitm	Grant	Funded Program	Funds Center	Text
1	100.00	4110	1320097250			53710000	7601000000000000	53710000	NOT RELEVANT	NOT RELEVANT	1320097250	
2	50.00	4110	1320097250			55110000	7601000000000000	55110000	NOT RELEVANT	NOT RELEVANT	1320097250	
3	100.00	4110	1320097250			53360000	7601000000000000	53360000	NOT RELEVANT	NOT RELEVANT	1320097250	

Position  Document item 1 / 3

Checks completed successfully

FMX1 SAPXEDA OVR



# FM Funds Reservations: Consumption Screen

SAP

List Edit Goto Views Settings System Help

Earmarked Funds: Display Consumption History

Doc. No.	Item	Business Transaction	Trigger document	Consumptn	Crcy	Consumptn	LCurr	Not relev.	Not relev.	Delete Date	Doc. Date	Reduction text	Revaluatns	Sta
3000000005	1	Receipt amt		1,000.00	USD	1,000.00	USD	0.00	0.00					
		Purchase Requisition	<u>0010000323 00010</u>	120.45	USD	120.45	USD	0.00	0.00	03/26/2007	03/26/2007	Bookcase Oak		
		Purchase Requisition	<u>0010000322 00010</u>	0.00	USD	0.00	USD	0.00	0.00	03/26/2007	03/26/2007	Bookcase Oak		
		Total Purchase reqs		120.45	USD	120.45	USD	0.00	0.00					
		Consumpt.		120.45	USD	120.45	USD	0.00	0.00					
		Set "complete"		879.55	USD	879.55	USD	0.00	0.00	03/28/2007				
		Open amount		0.00	USD	0.00	USD	0.00	0.00					



# TO BE: FM Fund Reservations

## ➤ State Design Decisions:

- Review examples of reservations which may be captured using earmarked funds in FM
- Who will have access to set up and release funds reservations in FM (transaction control)?
- How many users will require training by type?
- Discussion:
  - Funds Reservations Document Types?
  - Should changes be captured on original reservation (with history) or new change document?
  - Should users be able to subsequently increase amount when referencing the reservation? Any tolerances?
  - Should users be able to subsequently change the coding block when referencing the reservation?
  - Should unused funds reservation (with/without associated budget) be allowed to be carried forward at year end? Any time limits for usage?



# Process Improvement Opportunities

- Ability to easily track and report on encumbrances by stage and value type for purchasing and manual budget reservations
- In SAP, FM Earmarked funds and/or non-consumable budget types can be used to set aside funds for future spending
  - AFS does not provide an opportunity for departments or projects to temporarily block budget or reserve budget for specific purpose.



## Organizational Impacts

- Users with access to SAP FM earmarked funds will need to be trained on the functionality and its use (setting up and releasing the reserves)
- OPB and Agencies will need to be trained on usage of consumable / non-consumable budget types for budget creation in BI-IP and how to perform transfers between the two in ECC-FM



# Next Steps

- Prepare and send out Minutes of this Meeting to all Invitees
- Commence incorporation of details into draft Design document (PDD)
- Follow-up on Action Items identified during this Workshop
- Schedule off-line meeting(s) to discuss areas of special concern, if any
- Plan follow on Workshops, as required
- Review overall design in the Validation Workshop
- Ensure all To-Do's are appropriately documented



# Questions?

