

How payroll encumbrances impact the general ledger ^[1]



September 22, 2023 by [Employee Services](#) ^[2]

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. 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 are based upon compensation and funding entries in HCM. Encumbrances update in HCM after payroll processes. Late entries after payroll processes for the pay period must wait for the next payroll processing 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 Denver, Anschutz and 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 Medical Campus (AMC) and the System office (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 Boulder and Colorado Springs

An additional process is in play at the Boulder (UCB) and Colorado Springs (UCCS) campuses. At UCB 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, reg/temp 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 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 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 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. 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?

A full listing of the UCB and UCCS fringe rates can be found on HCM Community's [HRGL page](#) [4]. Under the "Configuration Resources" find the following link: [Fringe Rates](#) [5] (UCB and UCCS only)

You can find mFIN reports through the portal tile CU-DATA. Check out the [Office of the University Controller](#) [6] for additional information on accounting and finance information.

Additionally, you can find further information on the [Department Budget Table](#) [7], [payroll expense transfers](#) [8] and other HRGL resources through the [HCM Community website](#) [9].

As always, you can email hcm_community@cu.edu [10] or System.HRGL.Team@cu.edu [11] for additional help.

[HRGL](#) [12], [encumbrances](#) [13]

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[2] <https://www.cu.edu/blog/hcm-community/author/34887> [3] <https://www.cu.edu/blog/hcm-community/understand-how-job-changes-impact-benefits-and-hcm-encumbrances>

[4] <https://www.cu.edu/hcm-community/hrgl> [5] <https://www.cu.edu/docs/fringe-rates>

[6] <https://www.cu.edu/controller/accounting-services-finance-system/chartfields-attributes>

[7] <https://www.cu.edu/hcm-community/enter-funding-changes-department-budget-tables>

[8] <https://www.cu.edu/hcm-community/pay-transactions/create-payroll-expense-transfers>

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