

What is a Payroll encumbrance?



Are you one of those users out there who knows encumbrances are important but doesn't really know why or how the process works? Well you're in luck because in this month's IN FOCUS we take an in-depth look at Payroll Encumbrances.

The payroll encumbrance process is a method to identify for managers all committed funds whether expended or unexpended, against their budget. Encumbering the funds needed for future payments to current employees provides a true picture of the funding still available in an account that can be used for future hires or reallocated for other purchases.

Payroll encumbrances for hourly & contract employees are calculated based on the two formulas below and then charged against the appropriate budget based on the account code appearing in the Department Budget Table (DBT). This information is then used to give departments a real-time status projection of their financial accounts. The process provides information to departments on the amount disbursed for payroll as of the date of the last payroll run, as well as the amount encumbered for the remaining pay periods of the current fiscal year. Encumbrances are calculated in the HR e-Campus system and then posted in Financials.

Hourly

$$\frac{\text{Annual Salary on Job Data}}{\text{\# of work days per year}} \times \text{\# of days worked by the employee}$$

Contract

$$\frac{\text{Contract Salary on Job Data}}{\text{\# of work days in the contract}} \times \text{\# of days the employee is employed during the contract}$$

Note: The Schedule of workdays in each month for FY's 2000-2021 is located in PDF format on e-Campus HR website. http://www.uri.edu/ecampus/tutorials/work_days_per_year.pdf

The e-Campus HR system provides several useful tools for tracking encumbrances:

- 1) Home>Define Business Rules>Define Commit Accounting(US)>Inquire> **URI Actual/Redist/Encumbrance**
- 2) Home>Define Business Rules>Define Commit Accounting(US)>Report>**URI Encumbrance Report**
- 3) Home>Define Business Rules>Define Commit Accounting(US)>Report> **URI Employee Salary Distribution**