

Year-End Payroll Encumbrances

Handout 4

This overview covers a method of handling wages earned in one accounting year that are deferred for payment into the next accounting year.

Step 1. Indicate that you want to use the Payroll Encumbrance option.

In the Financial System, go to F14-12 "System Control Screen," then press F7 three times. Near the middle of the screen, you will see a question "Use Payroll Encumbrances?". Enter a response of Y here.

Step 2. Determine the amount of deferred wages to be encumbered by account.

In the Contract System, run F8-9 "Print Installments by Date Range". Enter a date range that includes only the first calendar year of the contract and optionally select certain pay classes. The goal is to include 26-pay employees only. Next, respond Y to create the excel file, and enter a sort code of A, then press ENTER to generate the report and excel file. Use the iSeries transfer function to transfer XLINSTALL in CONDATA to your pc, and open the file in Excel.

For each account, you will see each employee's total year 1 installments with the individual pay period installment amounts to the right of the total. Using Excel functions, create a new column that calculates a percentage of each of the year 1 total amounts. The percentage will be the difference between a year 1 20-pay installment amount and a 26-pay installment amount. Then create a subtotal by account. Now you have a worksheet of deferred wages to encumber by account.

Step 3. Enter Purchase Orders

In the Financial System, enter one or more Purchase Orders based on the worksheet created in Step 2.

Step 4. Transfer Purchase Orders Forward

Transfer purchase orders individually if liquidation will begin with the first payday of the next year. Otherwise they can be transferred at any time. Note: Vendor totals must be transferred before the purchase orders can be transferred.

Step 5. Liquidate Payroll Encumbrances

With the "Use Payroll Encumbrances" parameter set to a Y, a new screen will be displayed during F3-14 "Update Budget Files with Payroll". Initially, this screen will ask for a list of the purchase order numbers entered in Step 3 above. In subsequent runs, the purchase order numbers will default to what was last entered.

Based upon accounts from which wages were paid (including manuals and voids), the software will match against the accounts listed on the purchase orders and will liquidate the wages paid for the pay, but no more than was originally encumbered. Liquidations are not based on individual employees. They are solely based on account numbers.

Once all accounts on any one of the P.O.s is fully liquidated, the P.O. is closed with the date of the payroll.

