



SIERRA ACQUISITIONS

How to Resolve Negative Encumbrances

The following instructions will help you remove/correct negative encumbrances. A fund with negative encumbrances will typically show at the end of the fiscal year since it is no longer hidden by outstanding order encumbrances. You assume that all orders have been paid or canceled and yet you see an amount in the Encumbrance column. And that amount often is a negative number. Here is an example of what this will look like at the end of the year.

A library fund has 10 outstanding (status o) orders, each one is \$25.00. The encumbrance displays as \$200. This would be your first clue since the amount is less than expected.

Appropriation Expenditure Encumbrance

\$175,000	\$174,750	\$200
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Staff pay for the outstanding orders. Sierra removes the encumbrances of \$250 (10 x \$25) and the result is a negative \$-50.00. There was a negative amount hidden on this fund.

Appropriation Expenditure Encumbrance

\$175,000	\$175,000	\$-50.00
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Here are the most common reasons for negative encumbrances:

1. Accidentally clearing the encumbrances during Fiscal Close. Especially during a method one fiscal close. Encumbrances represent amounts reserved for a future purchase. This is the most common reason why libraries have negative encumbrances on their financial reports. When you zero out the column the open order remains in the system; when you invoice that order, Sierra will deduct the estimate from the order record Eprice fixed field by adding a negative number. If there is no positive number to offset the end result is a negative encumbrance.
 - a. Important to remember not to zero out the encumbrances during Method One Fiscal Close.
 - b. Method Two requires that the library zero encumbrances as part of the procedure. As long as the library completes all of the steps of Method Two, subsequent payments will disencumber properly. For more details, [review the section of the Sierra WebHelp.](#)
2. Entering an encumbrance amount with an X or Y record invoice payment. When making an X or Y payment on an invoice you will be prompted to enter an encumbrance to remove as well as entering the amount to be expended from a fund. It is fairly uncommon that you have estimated in advance encumbered amounts from a fund that will need to be

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offset by removing during this workflow. You would only enter an encumbrance to remove if you are sure that an encumbrance does exist on that fund. Otherwise, you will generate a negative encumbrance.

3. Paying for status 'g' orders against a fund without previously entering a lump encumbrance. The status 'g' workflow is based on making an estimate at the beginning of the fiscal year as to how much materials are going to cost. Often used for serials or standing orders. You need the fund to show that x amount is pre-committed via an encumbrance. Libraries using this method keep track of how they are doing with paying down this estimate. If the commitment is too low or doesn't exist, then you will end up with negative encumbrance.
4. Forcing a negative encumbrance with a fund adjustment. If library staff enter a negative encumbrance amount in the Fund Adjustment Table that leaves insufficient remaining encumbrance for outstanding orders, this can result in a negative encumbrance against this field.
5. Forgetting to enter the number of copies in the order record and leaving it at 0. Often this is a result of a bad order template. To avoid this problem, make sure your order templates are prefilled in with at least 1 in the copies fixed field.
6. A posting glitch after which funds were not correctly updated. For example, an invoice was double posted due to a software glitch. As a result, double expenditures were added to funds, but also double encumbrance was deducted from the funds. The funds were then adjusted to account for the extra expenditure but not for the extra encumbrance.

How do I clean up negative encumbrances?

The first option is making an estimate as to the amount to enter in the fund adjustment to offset the negative. It is not the most accurate however it might be the least time consuming to execute. You will need to create review files for all active orders (status 'o', 'q', 'c', 'e')

1. Create one review file for status 'o' and 'c'.
2. Create a second review file for status 'q' and 'e'.
3. Using Sierra Statistics to generate a report over the review files to estimate the amount of encumbrance that each fund should have. For partially paid orders, estimate how much encumbrance should remain to cover the remaining payments.
4. Manually adjust the fund encumbrances by going into Funds and the Adjustment tab. You would be entering a positive number in the encumbrance for each effected fund.
5. Post to finalize the fund adjustments.

The second option might be time consuming although if done at the end or beginning of the fiscal year there might not be that many open or partially paid orders. You are cancelling all open orders which will reveal the negative encumbrances in those funds.

1. Create separate review files for all active orders (status 'o', 'q', 'c', 'e'). You are creating separate files, so you know what the original statuses were.

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2. Manually edit those orders to change the status to 'z' for canceled. This is a temporary step. Unfortunately, you cannot use Rapid or Global Update.
3. Post which will disencumber the amounts from the funds.
4. Use the fund adjustment tool to add a positive number that exactly matches the negative amount, so the encumbrance is equal to zero.
5. Post
6. Change the order statuses back to the statuses they had before the cleanup. After posting the actual orders will re-encumber properly, even those with partial payments.
7. Post.

What about status 'g' orders?

If your library uses status 'g' orders and you believe the amount that was entered in as your pre-encumbrance was too small you can use Sierra Statistics to make an estimate of the correct amount to enter via Fund Adjustment. This would be instead of cancelling these orders as outlined previously.

To make use of Statistics reports, you will use Create Lists to gather up status 'g' orders that do not have a payment in the current or previous fiscal year (depending on when you are addressing this). Then use Sierra Statistics to generate a Budget Planning Report using a fixed percentage increase for the expected costs. Note like method 1 in the previous sequence this will not be 100% accurate.

1. Create a review file of status 'g' orders and use the Paid tab and the payment date field to find records without a corresponding payment.
2. Create a Sierra Statistics Field Statistics report on the review file of records. Limit the results by time range and select one year (specify last year). Tick the 'use fiscal year' radio button.
3. View the report and click 'Budget Planning'. The system defaults to 'Project (Input Field) b because you used a single field. Leave the input field set to 'Date Range 1'. Adjust the 'project by' percentage amount if necessary. Rename the column to something like 'projected cost'. Save the report.
4. Examine the newly added column and use the amounts to manually adjust the funds based on what you expect to pay for these orders in this fiscal year. The encumbrance remaining on funds for these titles should equal to the projected cost totals displaying in your Budget Planning report column.

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