

4 Why do my balances go up and down throughout the month?

ConnectCarolina Financial Concepts

A series of documents to help you understand the financial information in ConnectCarolina and InfoPorte

March 2015

Your available budget balances in InfoPorte fluctuate a lot more throughout the month than they did in FRS. This document explains the reason for this and some key related concepts.

Note: If you see a word in italics, it means the word is defined on the last page.

Key Concept

1

Commitment Control Ledgers

It is helpful to understand the *Commitment Control* (KK) ledgers when looking at your Available Budget Balances.

Every time you enter a transaction, it gets budget checked in one of the Commitment Control ledgers. There are multiple *Commitment Control ledgers* for both revenues and expenses that represent a certain stage of the commitment (our intention or obligation to pay). The Commitment Control ledgers for expenses are:

- *Budget* – this shows your budgeted expense amount
- *Pre-encumbrance* – this is for purchase requisitions, including ePro vendor catalog orders
- *Encumbrance* – this is for purchase orders and payroll encumbrances
- *Expense* – this is for vouchers, and General Ledger (GL) journals, payroll distribution, and fringe benefits

Key Concept

2

How Expenses Move Through the Commitment Control Ledgers

When you enter an expense transaction and it passes budget checking, it hits one of your expense Commitment Control (KK) ledgers and shows in your available budget balance.

A transaction is only in one KK ledger at any given point in time. For example, a purchase requisition moves through the KK ledgers as follows:

- When a purchase requisition passes budget checking, it hits the pre-encumbrance ledger and reduces the available budget balance.
- When a purchase order (PO) is generated from that requisition and passes budget checking, the amount hits the encumbrance ledger and is taken out of the pre-encumbrance ledger.
- When a voucher is generated from the PO and passes budget checking, the amount hits the expense ledger and is taken out of the encumbrance ledger.

See Illustration A for a graphic of this concept.

Not all transactions go through all the KK ledgers. Campus vouchers go to the Expense ledger directly, and never hit the pre-encumbrance or encumbrance ledger.

Why do my balances go up and down during the month?

The Ledger Rollup screen in InfoPorte is the place you go to view your available budget balances. You can search for your available budget balance for any Trust, F&A, or State fund. The OSR Ledger Rollup screen shows OSR balances.

Although the Ledger Rollup screen shows your available budget balance, the balance you see represents quite a different picture than it did in FRS, the financial system used prior to 10/1/2014. You need to understand the difference so you know what you are looking at.

The reason for this difference is that ConnectCarolina is based on a completely different accounting method from FRS. For an explanation of this accounting method, see the *Why Do My Unposted Vouchers Disappear at the End of the Month?* document.

How to Read Your Balances on the Ledger Rollup screen

The numbers on the Ledger Rollup screen are **completely driven by the budgeting process in ConnectCarolina**. Every time a transaction is budget checked, it affects one of your Commitment Control expense ledgers and your available budget balance.

For example, when you enter a purchase requisition, and that purchase requisition passes budget checking, the transaction immediately hits your pre-encumbrance ledger in ConnectCarolina. After overnight processing, that transaction is reflected in your available budget balance in InfoPorte.

The key difference between this and FRS is that, in FRS, your balance wasn't affected until you made a payment to a vendor. In ConnectCarolina, your balance is based on when the transaction passes budget checking.

What This Means

The key implication of this is that your available budget balances on the Ledger Rollup screen fluctuate a lot more on a daily and weekly basis than they did in FRS.

As you may have read in other documents, all transactions go through the following steps:

1. Create a transaction
2. Budget check a transaction
3. Approve a transaction
4. Post a transaction

Not only do your available budget balances change instantly upon budget checking, a lot may happen between budget checking and posting or payment. You might change an amount, a chartfield, or delete the transaction altogether. Any of these changes is reflected in your daily budget balance.

Let's look at an example.

Example

Imagine you have \$500 in your budget. Your budget looks like this:

Budget	\$500
— Pre-Encumbrance	0
— Encumbrance	0
— Expense	0
Budget Available ("FMS Balance" in InfoPorte)	\$500

Now you ask Jason in your department to order \$50 worth of office supplies. Jason creates a purchase requisition, and the purchase requisition passes budget checking. It has not been approved or posted, and it has not been paid.

Your available budget balance now looks like this. **At the moment the purchase requisition passed budget checking**, the pre-encumbrance ledger balance was increased by \$50, and the available budget went from \$500 to \$450.

Budget	\$500
— Pre-Encumbrance	\$50
— Encumbrance	0
— Expense	0
Budget Available ("FMS Balance" in InfoPorte)	\$450

Now suppose you decide you don't need the office supplies and ask Jason to cancel the order. Your budget would then look like this:

Budget	\$500
— Pre-Encumbrance	0
— Encumbrance	0
— Expense	0
Budget Available ("FMS Balance" in InfoPorte)	\$500

STARTING BALANCES

KK Ledgers	Budget	\$500
	— Pre-Encumbrance	0
	— Encumbrance	0
	— Expense	0
	Budget Available (“FMS Balance” in InfoPorte)	\$500

Note: Campus vouchers don’t go to the pre-encumbrance or encumbrance ledgers. They go directly to the expense ledger.

PURCHASE REQ for \$50 is budget checked

KK Ledgers	Budget	\$500
	— Pre-Encumbrance	\$50
	— Encumbrance	0
	— Expense	0
	Budget Available	\$450

Purchase req shows in InfoPorte

PURCHASE ORDER for \$50 is budget checked

KK Ledgers	Budget	\$500
	— Pre-Encumbrance	0
	— Encumbrance	\$50
	— Expense	0
	Budget Available	\$450

Purchase order shows in InfoPorte

VOUCHER for \$50 is budget checked

KK Ledgers	Budget	\$500
	— Pre-Encumbrance	0
	— Encumbrance	0
	— Expense	\$50
	Budget Available	\$450

Voucher shows in InfoPorte (no check number yet)

VOUCHER for \$50 is posted

KK Ledgers	Budget	\$500
	— Pre-Encumbrance	0
	— Encumbrance	0
	— Expense	\$50
	Budget Available	\$450

Voucher shows Y in Recon Ready column & can’t be moved to the next month. No check number yet—check number will come when the voucher is paid (could be 30 days later)

Commitment Control (“KK”)	<i>Commitment Control</i> is the part of ConnectCarolina that lets the University control what we spend against predefined budgets. KK lets us set budgets, define rules for how we want those budgets to behave, and then check transactions (such as purchases) against those budgets. We can also budget for the revenue we expect to receive.
KK Ledger	The <i>KK Ledgers</i> are a set of seven ledgers that track budget-related balances. Four KK ledgers track budget balances related to expenses (money going out), and three track budget balances related to revenue (money coming in). You can think of the KK Ledgers as tracking how we plan to use our funds, as opposed to the Actuals Ledger, which tracks how we actually use them.
Budget	The total original amount available to spend. Budgets are set up by major fund type according to specific rules of that fund type.
Pre-encumbrance	A <i>pre-encumbrance</i> is an amount you expect to spend but do not have a legal obligation to spend. For example, a purchase requisition creates a pre-encumbrance because a purchase requisition does not commit us with the vendor to complete the purchase.
Encumbrance	An <i>encumbrance</i> is an amount you have a legal obligation to spend in the future. For example, a purchase order creates a commitment with the vendor to complete the purchase, so purchase orders create encumbrances.
Expense	Money spent or costs incurred.
Available Budget Balance	Budget – Pre-Encumbered – Encumbered - Actuals