

## **JOURNAL ENTRY PROCEDURES & GUIDELINES**

**June 17, 2004**

Background: The MEMFIS Users Group (MUG) requested that a Journal Entry (JE) *ad hoc* committee be created to investigate improving the journal entry process at the University.

In the University's audit for the year ended June 30, 2003, the Auditor of State noted "Numerous journal entries posted to the system did not contain adequate descriptions or supporting documentation." Their recommendation follows: "The purpose of the journal entry should be clearly described. In addition, documentation should be prepared and maintained to support the journal entry."

JE Definition: A journal entry is used to document a business transaction that increases funds in one account and decreases funds in another account without cash being received or a check being written. A journal entry is used in the following situations:

1. Chargebacks: Journal entries are used by internal service departments such as Physical Plant, Department of Residence, GBPAC, Car Pool, Print Services, Mail Services, Telecommunications, and ITS to record the sale of goods and services to user departments.
2. Adjustments: Journal entries are used to correct an error made in recording a cash receipt or disbursement transaction.
3. Accruals or Year-End Adjustments: Journal entries are used by Financial Accounting to record certain transactions on the accrual basis of accounting at year-end. These entries are normally reversed in September of the following fiscal year.

When to use Budget Transfers versus When to use Journal Entries.

- Use a JE to correct the recording of a receipt or disbursement transaction.
- Use a JE to charge(debit) the recipient of goods or services and credit the provider.
- Use a JE when it is important to keep track of historical costs in the area that benefited from the receipt or disbursement.
- Use a BT to add or subtract funds from an account when no payment is expected.
- BTs are primarily used in the General Educational Fund (Fund 0011) and must balance to zero.
- BTs are used within a fund group but not between fund groups (i.e. within Athletics or within Residence, but not between Athletics and Residence).
- One sided BTs are used to increase or decrease income and expense budgets outside the General Educational Fund.

## Journal Entry Standards

Requirements: Effective July 1, 2004, all journal entries should adhere to the following standard:

### **ADJUSTMENT Journal Entries:**

1. Journal entries must be prepared using the Excel JE template.
2. The journal entry shall be printed and supporting documentation attached and submitted to Financial Accounting for filing and retention for seven years.
3. The electronic version of the journal entry shall be submitted via email with a copy to the department head to [journal-entry@uni.edu](mailto:journal-entry@uni.edu) for uploading into Oracle. Financial Accounting will process the journal entry provided the department head has been copied on the email.
4. If a department head disagrees with the journal entry it can be reversed by sending an email to [journal-entry@uni.edu](mailto:journal-entry@uni.edu) with a request to reverse the entry.
5. All journal entries involving Grants & Contract and/or UNI Foundation accounts shall be submitted to those offices first for review. These offices will be responsible for approvals, documentation, and retention of records.

**CHARGEBACK Journal Entries:** Journal entries submitted by departments providing goods and services to other departments on campus will not require approval by the individual department/unit as long as:

1. The charging department required an interdepartmental requisition requesting the goods and services signed by a department head.
2. The charging department provides an itemized receipt/invoice to the other department showing the amount being charged.
3. The charging department/unit supplies an adequate **Journal Description** and **Line Description** so the charged department/unit understands what it is being charged.

### Completing the Journal Entry Form

**Journal Name** must include: Preparer's Organization Number, Preparer's Initials, and the Date. If a person prepares more than one journal entry per day, he or she may add A, B, C, etcetera after the date. Brief information may also be included to describe the purpose of the JE. The maximum length of the field is 25 characters.

*Example:* 41001tlg061604CS

**Journal Description** must describe the purpose of the journal entry and include the preparer's first and last name.

*Example:* Corr acct charged in May 04 for Campus Supply inv #123 – Tonya Gerbracht

Note: Journal Descriptions may be up to 256 characters long. A PAR has been submitted to display this information in MEMFIS financial reports.

**Line Descriptions** must describe the entry. The explanation may be the same as the Journal Description or it may be different.

*Examples of Line Descriptions:*

Line 1 – Corr acct chrgd Campus Supply inv #123 to 0011 41001

Line 2 – Campus Supply inv#123 paper from 0011 42001

### Retention of Journal Entries:

- Adjusting journal entries and supporting documentation will be retained by Financial Accounting for seven years.
- Chargeback journal entries and supporting documentation need to be retained by either the providing department or by Financial Accounting for seven years.
- Journal entries and supporting documentation that include grant accounts will be retained in Grants & Contracts.
- Journal entries and supporting documentation that include foundation accounts will be retained in Foundation.

### Always Keep a Copy:

Always keep a copy of budget transfers, cash receipts, pro cards, requests for payment, and journal entries (including attachments) until the documents have been posted to the appropriate accounts.

### MEMFIS Financial Reports:

A Programming Authorization Request (PAR) has been submitted to add a hot link to the Statement of Account for journal entries. When a person clicks on the **Journal Name** hot link, the complete Journal Entry, including the **Journal Description**, will be displayed. This will reveal the reason the journal entry was prepared and the name of the preparer. Due to limited resources, this modification will not be made until after the next phase of MEMFIS has been implemented.