UNIVERSITY OF MASSACHUSETTS AMHERST

Journal Entry Guide

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I. Purpose

This guide has been created to assist and provide standards for users with access to journal entry workflow. Journal entry workflow is a PeopleSoft function designed to give access to departmental users to make ledger corrections and various adjustments to non-payroll ledger accounts utilizing the finance system security. The Journal Workflow Guide makes reference to this document. Please use the both guides together when processing journals using journal workflow.

II. Gather Support

Once a journal entry is deemed necessary, appropriate support must be gathered and available for necessary approvals and reviews. The support is required so that an approver or report user will be able to understand the purpose and necessity of the journal. When completing the journal header description field, if the journal entry cannot stand alone with a sufficient description on the screens, electronic journal support must be attached to the journal. Journal entry support must be attached for all journal entries where either the debit or the credit is to a sponsored project.

III. Department Approvals

Many departments have specific procedures and internal controls for preparing and authorizing journal activity. For purposes of this guide, all journal entries must have electronic approval from the chart string manager or their approved delegate.

A. Sponsored Project Approvals

All departmental users who create a journal entry affecting a sponsored project must complete the electronic journal entry version of the non-payroll cost transfer form. The departmental user must obtain signatures from authorized PIs or their approved delegates for the debit and credit side of the journal entry just as they do when submitting a non-payroll cost transfer to research accounting for processing.

The departmental user should attach the electronic version of the non-payroll cost transfer form and a transaction page from either PS or Summit showing the source of the amount to be transferred. Refer to job aid in Part B for non-sponsored approvals.

B. Non Sponsored Approvals

If a departmental user does not have authorization to open a journal to process a transaction resulting in a decrease in a chart string budget, the user must obtain evidence that the proposed entry was approved by the authorized chart string manager or their approved delegate. This can be in the form of a signature from the chart string manager or their approved delegate on journal support, a memo describing the entry or a printed journal report. The support must be attached electronically to the journal support. See job aid for attachments.

IV. *Appropriateness*

The University receives funding from many sources: tuition, state appropriations, the federal government, private organizations, and gifts from donors to name a few. Fund codes are used to group receipts from similar sources that are used for a specific purpose. This structure allows the Controller's Office to assist departments in ensuring that the activity is recorded in the appropriate manner. As we determine the appropriateness of transactions, it is important to recognize that we are always subject to external review.

Each Fund has specific rules regarding what type of charges are allowable. It is important to understand these rules before processing a journal entry into the GL. For example, money restricted for scholarship funds by a donor cannot be used to pay for a new computer. In addition, expenses should never be moved to a chart string with a restriction on that specific expense.

Restrictions on non sponsored chart strings can be found on the Account Create form used to set up the chart string.

V. *Supporting a Journal*

Providing appropriate support for a financial transaction is an essential element of internal control. There are two methods for supporting a journal entry:
- Hard-copy supporting documentation
- Journal entry descriptions

A. *Hard-Copy Supporting Documentation*

Journal entries affecting a sponsored project chart string will always require hard-copy supporting documentation attached to the journal entry. Supporting documentation consists of a copy of Summit Report or UMGM7062, the electronic version of the non-payroll cost transfer form and any other documentation to support your justification.

Journal entries affecting a non-sponsored chart strings will not require hard-copy supporting documentation **unless** your header description cannot appropriately explain the purpose of the journal. Supporting documentation could consist of copies of the UMGL7062 Detail Report, Summit Report and/or a memo requesting or explaining the transaction signed by the principal investigator or his/her approved delegate.

Note: Timeliness of Journal
For journal entries transferring a charge that originally appeared on a UMGL7062 Detail Report *more than 120 days prior to the journal entry date; include an explanation to justify why the adjustment was delayed (For sponsored projects this is 90 days).*

B. *Sponsored Project and Non Sponsored Supporting Documentation*
All support for entries involving both sponsored project and non-sponsored chart strings must be kept on file with the departmental user.

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C. *Journal Entry Descriptions*

All journal entries are required to be supported by a complete description. The descriptions should be complete enough for its review and approval. There are 3 types of descriptions:

- Journal Header Description (254 character maximum)
- Journal Line Descriptions (30 character maximum)
- Journal Reference (10 character maximum)

1. **Journal Header Description/Journal Header Reference**

- The Journal Header Description (or long description) should completely describe the transaction being processed and should indicate why the journal entry is necessary. The text of the description should contain:
    - What is being transferred/corrected
    - Where it is being transferred
    - Why the original transaction(s) was incorrect if applicable
    - A reference to applicable supporting documentation if necessary

a) Code to Explain Purpose

When creating a journal entry, it is recommended to use one of the following keywords to identify the type of journal entry:

1. **Reallocation** - used when moving expenses to a different Chartfield combination
2. **Correction** - used when correcting erroneous chartfield values
3. **Reverse** - used when reversing a previous journal entry that was created in error.
4. **Cash Transfer** / **Allotments**– Used to move cash across fund groups / Chart strings (i.e. Unrestricted to Plant (**Transfer**) or RTF% to RTF%
5. **Intra fund Allotment**).**Intra Fund Allotment** is used to move cash within the same fund group as well as with in the same fund.
6. **Inter Fund Allotment** is used to move cash within the same fund group but across different fund codes (i.e. RTF allocable to RTF%).

An example of an appropriate journal header description is illustrated below: *"Correct expenses on ST 131999 to the appropriate chartfield (ST 123456). Incorrect Project/Grant charged due to data entry error."*

What is being transferred/corrected? = Correct expenses
Where it is being transferred? = appropriate Chartfield (ST 123456) Why was it incorrect? = Due to data entry error

Journal Header Reference - It's recommended that you add the name of the person requesting the journal here. This will not appear on the UMGL7062 report.

2. *Journal Line References* - The Line Reference provides specific system reference identifiers back to the original transaction. Please use the table below for the proper reference ID to insert on the Journal Reference Line. For example, if you are correcting a deposit, a transaction with a CR source code, please use the Journal ID in the Reference field. It is open for your use when processing a cash transfer or allotment.

Type of Transaction	Source	Use as Reference ID
Deposit	CR	Journal Entry ID
Voucher (PO Voucher or Procard)	AP, PCD	Voucher ID
Expense Reimbursement	EX	Report ID
Recharge	AUX, FPD, FUL, MAL, OCS, OIT, PLT, RCG, RHG, TEL, UCD	Batch ID
Journal Entry	GA, GC, WF2, ALO	Journal Entry ID
Cash Transfer/Allotment	Not Applicable	Requestor's Name

3. *Journal Line Descriptions* - Line descriptions provide additional information related specifically to individual journal lines. In addition, each line description must relate to the journal header description. Journal Line Description appears on the UMGL7062 so getting in as much description for the report viewer is especially important here. The following guidance is provided to assist with preparing journal line descriptions:

Please use the following as a guide for your Line Descriptions

Describers

Reallocation	XTFR	Used when moving expenses to a different Chartfield combination
Correction	COR	Used when correction erroneous chartfield values
Reverse	RVS	Used when reversing a previous entry that was created in error
Transfer/Allot	TRF	Used to move cash across fund groups (I.E. Unrestricted to Plant)

An example of an appropriate journal line description is illustrated below:

Move Accounts Payable Voucher (X0297658) to another chart string in your department in the amount of $4.77.

Your *Journal Reference* Line will look like this: *"X0297658"*

Your *Journal Line Description* should something like: *"XTRF- 8/01-Office Max"*

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Appendix A

Processing Restrictions

Please review the following restrictions on chart strings when entering journal entries. Any of these conditions will result in an entries being denied.

State Funds
It is never appropriate to include a state fund chart string in any journal entry. State funds begin with a '1'.

Payroll Account Codes
Account codes related to payroll or fringe (Subsidiaries AA, CC or DD) cannot be included in a journal entry without Controller's Office pre-approval. Also, there should be no adjustments made to account code 786220/786225 Health Insurance Program or 786900/786910 Rchg Benefit Program (Curriculum Fee Waiver Charge) without Controller's Office pre-approval.

Cash Account Codes (110000 or 110001)
Account codes for cash, such as 110000 or 110001, should never be included in a journal entry. The system automatically makes an entry to adjust the cash on each chart string. See example in Appendix B.

Control Account Codes
There are a number of accounts that reconcile to detail in a subsystem table such as Accounts Payable and Accounts Receivable. The following accounts should never be included in a journal entry:

130000	A/R Grants and Contracts
132000	A/R Students
160000	Suspense
164000	Payroll Suspense
210000	Accounts Payable Trade – System

Fund Balance Account Codes
Account codes that begin with the number three should never be included in a journal entry.

Appendix B

Speed Type field

Operators should always use the Speed Type field when entering a journal. The speed type brings the Fund, Dept ID, Program code, Project and class code (if applicable) fields into the journal line. With the exception of the Class code, none of these fields should be altered.

****When a Project ID is part of a chart string, you are required to insert an additional field that is related to the project. The input to the field below is always as follows:**

AN Type ="GLE"

Account field

When reallocating, correcting or reversing a transaction the nature of the actual expense, deposit or asset/liability should always match the account detail of the journal. For example, if reallocating or reclassifying an expense originally recorded as a service in subsidiaries HH or JJ, the adjustment should only be moved to the same account code in subsidiaries HH or JJ where it was originally booked unless the account code was initially keypunched in error through Accounts Payable or a recharge center.

A journal should never be used to change the nature of a transaction.

Cash Transfers / Allotments

Use the table on Appendix D for the Account code when moving cash.

Appendix B (Continued)

Account Codes for Allotments and Transfer

- **Transfer** – Used to move cash across fund groups (i.e. Unrestricted to Plant).

- **Allotment** – Used to move cash within the same fund group (i.e. Plant to Plant or Unrestricted to Unrestricted)

  <u>Intra</u> **Fund Allotment** is used to move cash within the same fund codes.

  <u>Inter</u> **Fund Allotment** is used to move cash within the same fund group but across different fund codes.

Transaction		Description	Move Cash	Debit/ (Credit)	Account Code
Transfer	A.	Non Mandatory cash transfer to Repair and Repl. (Plant) from Unrestricted/Restricted Current fund.	From	Debit	597800
			To	Credit	(491800)
	B.	Mandatory cash transfer from Unrestricted fund.	From	Debit	587100
			To	Credit	(481100)
Allotments	A.	Cash allotment to/from another Unrestricted fund	From	Debit	591000
			To	Credit	(491000)
	B.	Cash allotment within the same Unrestricted fund.	From	Debit	491000
			To	Credit	(491000)
	C.	Cash allotment to/from another Gift fund**	From	Debit	593000
			To	Credit	(493000)
	D.	Cash allotment to/from another Plant fund	From	Debit	597000
			To	Credit	(497000)
	E.	**Cont. Prof. Educ. Funds - Prior year adjustments only.** Cash allotments to/from CPE/CEI unrestricted funds.	From	Debit	592010
			To	Credit	(492010)
	F.1	**RTF Allocable (52129) & RTF% (52132) Funds** Cash allotments to/from RTF unrestricted funds.	From	Debit	N/A
			To	Credit	N/A
	F.2	**RTF% (52132) & RTF% (52132) Funds** Cash allotments between RTF% unrestricted funds.	From	Debit	491000
			To	Credit	(491000)
	G.	**CEI Funds only (51086)** Cash allotments between CEI unrestricted funds.	From	Debit	491200
			To	Credit	(491200)
	H.	**Faculty Start Up (FSU) Funds only (51344)** Cash allotments to/from FSU unrestricted funds.	From	Debit	591100
			To	Credit	(491100)
	I.	**Faculty Start Up (FSU) Funds between (51344)** Cash allotments between FSU unrestricted funds.	From	Debit	591200
			To	Credit	(491200)
	J.	**Research Start Up (RSA) GOF to (51231)** Cash allotments from GOF (51342) to (51231).	From	Debit	591000
			To	Credit	(491000)
	K.	**Restricted Gift Fund (53500) to Faculty Start Up (FSU) Fund (51344)**** Cash allotment from gift to FSU.	From	Debit	591000
			To	Credit	(493000)

**Faculty Start Up (FSU) chartfields may be funded from gift funds (fund 53500) with a restriction to support the general activities of the department. <u>The cash transfer should happen *only afte*r the expenses in the FSU exceed the amount of the transfer.</u>

Appendix B (Continued)

Account Codes for Allotments and Transfer (Continued)

General Rules

- *Auxiliary Enterprise Funds* - Inter Fund Allotments are not allowed to/from Auxiliary Enterprise revenue funds unless prior approval has been received by the Budget Office.

- *Non State General Operating Funds* - Inter Fund Allotments are not allowed to/from/between non state General Operating Funds (GOF or Revenue Based Budget revenue funds) unless prior approval has been received by the Budget Office. It is never appropriate to make transfers or allotments to/from/between state funds.

- *Sponsored Projects -* No cash should be moved in, out or between sponsored grants.

- ***Gifts -* Cash may only be moved between gift chart strings when the cash is moved from a gift chart string with a broad restriction into a gift chart string with a more narrow restriction that would still satisfy the intent of the donors of the gift chart string where the cash is coming from. As an example, an intra-fund allotment from Department A's gift chart string restricted to expenditures that support Department A would be appropriate when moved to a gift chart string for a sub department, Center B, within Department A's area. However, an intra-fund from Center B to Department A would not be appropriate since Center B's restrictions are more defined and could not be mingled Department A's funds where the restrictions are much broader.

  Intra fund allotments are not appropriate between departments, dean's areas and centers.

- *Agency -* Cash Transfers should not be made to/from Agency funds.

Appendix C

Amount field on the Journal Line

Operators should be careful inputting amounts in the Amount field of the journal. When using a positive number (a debit) in the Amount field the system will automatically reduce the cash balance of the chart string. Similarly, when using a negative number (a credit) in the Amount field the system will automatically increase the cash balance of the chart string. Please see below for illustration.

	Debit to Revenue/Expense/Transfer /Allotment account code	Credit to Revenue/Expense/Transfer/ Allotment account code
Effect on Cash Balance	**DECREASE**	**INCREASE**
Effect on Fund Balance	**DECREASE**	**INCREASE**

Example

Journal entry to move a Procard transaction from ST 131999 to ST 123456.

Speed Type	Account	Fund	Dept	Prog	Class	PC Bus	Project	Act.	An Type	Amount	Ref.	Journal Line Description
123456	736699	51342	A011400000	A01						37.09	03017774	R/A-11/02/09-BIG Y MAT'L CON565
131999	736699	52132	A011400013	A01						-37.09	03017774	R/A-11/02/09-BIG Y MAT'L CON565

In this example, the cash in ST 131999 is increased and cash is decreased in ST 123456.

The cash entries are automatically inserted into the journal after the journal is posted. Below please see the same journal as above after the journal has been posted.

Speed Type	Account	Fund	Dept	Prog	Class	PC Bus	Project	Act.	An Type	Amount	Ref.	Journal Line Description
123456	736699	51342	A011400000	A01						37.09	03017774	RA-11/02/09-BIG Y MAT'L CON565
131999	736699	52132	A011400013	A01						-37.09	03017774	R/A-11/02/09-BIG Y MAT'L CON565
	110000	51342	A011400000							-37.09		Cash
	110000	52132	A011400013							37.09		Cash

Appendix D

Explanation of Campus Funds

Unrestricted (Current)	Restricted (Current)	Plant	Other
GOF State Fund Revenue Based* Research Trust Funds	Research Gifts Endowment (Payout)	R & R Capital Gifts Construction Projects	Loan Agency Endowment (Principal)
Funding Sources Tuition & Fees Room & Board Sales and Service State Approp. Overhead Recovery Interest	**Funding Sources** Grants Gifts Endowment Earnings	**Funding Sources** Transfer from Current Fund Capital Gifts Debt	**Funding Sources** Investment Earnings Endowed Gifts

* Includes Auxiliary revenue based funds

Unrestricted Current Funds: Includes all funds received for which an external agency, individual or entity has not specified the purposes for which they should be expended.

Restricted Current Funds: Includes funds available for financing operations, but which are limited by donors/external agencies to specific purposes, programs, or departments.

Plant Funds: The plant fund group is used to record acquisition of assets, replacement of assets, pay off debt, and record the investment in assets (equity).

Endowment: The endowment fund group is used to record donations to the University which require that the principal is invested and only the investment income is expendable. Investment income earned on these funds is returned to the campus and expended in the current funds group.

Loan: The loan fund is used to record activity on funds available for loans to students, such as Student Financial Aid Loan Fund and Perkins Loan Fund.

Agency: The agency fund is used to record funds held by the University for outside groups who have a close relationship with the University. It is important that activity in agency funds is kept separate from University activity. When conducting business using an agency accounts the organization should not represent themselves as conducting University business.