

Effective Date: July 1, 2012 Revised: July 23, 2018

POLICY

FINANCE AND ADMINISTRATION

Journal Entry Posting and Approval (1.4)

RESPONSIBLE OFFICE

General Accounting

Policy Statement

Periodically journal entry "adjustment" transactions to the University's General Ledger (GL) are required to correct errors, transfer funds, and accrue or defer revenues and expenses. The University's journal entry policy requires that all journal entries be created and approved by authorized and trained users, be consistent with the University's accounting policies and Generally Accepted Accounting Principles in the United States (US GAAP), be posted to the appropriate cost object and GL account, incorporate sufficient supporting documentation, and comply with sponsor and donor restrictions.

Charges and revenues must be between the start date and end date of the cost object and GL account used. Accrual and deferral journal entries should follow US GAAP, ensuring that expenses are recorded in the period the goods or services were received, and revenues are recorded in the period earned.

Reason for Policy

Journal entries are reflected in the University's external financial reports and regulatory filings, as well as internal management reporting. The purpose of this policy is to ensure that the University's journal entries are accurate, consistent with all relevant policies and restrictions, and properly documented, as part of the process of ensuring the quality and reliability of University financial reporting.

Who Should Know This Policy?

Central business offices including General Accounting, Budget and Institutional Research, Facilities and Post Award Financial Operations; departmental financial administrators; journal entry creators; and journal entry approvers.

Definitions

A journal entry is a transaction in the University's general ledger system used to correct errors, transfer funds, and accrue or defer revenues and expenses. In some situations a journal entry may be used to record an original transaction, for example, a wire payment, or a receipt of funds outside the University's Cashier, Student Accounts, and Treasury systems.

Special Situations & Exclusions

- This policy applies only to manual journal entries created by users SA, YC, ZJ, KZ, and ZU document types in SAP. Journal entries created by feeder systems such as Student Accounts, Cashier, Telecommunications, or by SAP allocation processes, such as assessments and costing sheets, are not addressed in this policy.
- To ensure appropriate use of transfer GL accounts, usually used to transfer funds from one cost object to another, all journal entries posted to transfer GL accounts are routed to Budget, Planning & Institutional Research in SAP workflow for review and approval.
- Any entry posting to a balance sheet account is routed to General Accounting Office for review and approval.
- All entries posted to capital equipment accounts are reviewed by the Facilities Cost

Responsibilities

Department Data Trustee responsibilities:

- Review and approve user access rights to post and/or approve journal entries periodically (at least annually)
- Confirm that authorized and approved individuals within the department read, understand and adhere to the established Journal Entry policy
- Ensure these individuals are aware of other relevant University policies and procedures as well as sponsor/donor terms and conditions
- Ensure that effective review and approval processes within the department are in place and are consistently followed
- Implement and maintain an effective and efficient system for retaining supporting documentation for audit verification purposes (i.e. retention of electronic or paper copies of source documents), consistent with the University's record retention policies

Journal Entry Creator Responsibilities:

- Ensure that the journal entry is the right transaction to use for the transaction (for example, payroll distributions should be changed through the Payroll system)
- Incorporate or attach appropriate supporting documentation for each journal entry posted
- Verify that entries are coded accurately in SAP and are in compliance with University policies and procedures, US GAAP, and sponsor/donor terms and conditions, where applicable
- Ensure journal line item descriptions and explanations clearly document to readers the purpose of the entry (do not use: "correction error", "transfer", "recovery", etc.)
- For cost objects being charged, ensure that the owner of the cost object is aware of the charge, and has authorized the posting
- For grant, gift, and endowment cost objects, ensure the related restrictions by the sponsor or donor are being met

Journal Entry Approver Responsibilities:

Provide a "double check" through a final review, ensuring that the journal entry under review meets all the tests described for the Journal Entry Creator, as described above

General Accounting Office Responsibilities:

- Establish and maintain all related policies, procedures and supplemental information relating to the journal entry posting and approval process
- Provide training and ongoing assistance, as necessary, to ensure that all policies and procedures are understood and followed by University departments
- Authorize journal entries to balance sheet accounts (directed to General Accounting approvers through workflow)

Responsibilities of Other Central Administration Departments:

- Post Award Financial Operations (PAFO) review all cost transfer journal entries (directed to PAFO approvers through workflow) to ensure the entry complies with government regulations and specific sponsor terms – see "Cost Transfers" policy in the Sponsored Programs Handbook.
- Budget and Institutional Research review all journal entries posted to transfer funds among cost centers, internal orders, and WBS elements, to ensure the transfer is appropriate and that transfer GL accounts are used properly.
- Facilities Cost Analysis review all journal entries posted to equipment GL accounts, to
 ensure that equipment purchases and disposals are properly accounted and that all
 information needed for the University's fixed asset subledger has been captured.

Related Document and/or Affected Policies

Record Retention Policy

Accounting Policies (see General Policies & Procedures section)

Signature Authority Policy

Cost transfers policy

Tools & References

Training on Journal Entries at BU Works Process Guide

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END OF POLICY TEXT	

Additional Resources Regarding This Policy

This Policy is part of the Finance and Administration Policies Manual.

Categories: Finance and Administration, General Financial Keywords: credit, debit, registry