Administration Policy

Complete Policy Title: **Journal Entry Policy**	Policy Number: **JE-01**
Approved by: **AVP (Administrations) & CFO**	Date of Most Recent Approval: **December 15th, 2017**
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Responsible Executive: **AVP (Administration) & CFO**	Enquiries: **finserv@mcmaster.ca**
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Introduction

This document defines the policy to ensure all Journal Entries recorded in the General Ledger are properly prepared, reviewed, approved, and recorded in accordance with generally accepted accounting principles. All Mosaic users accountable for preparing, entering, or approving Journal Entries must be knowledgeable of journal entry policies, procedures and guidelines.

Purpose

The University recognizes that user generated general ledger Journal Entries are an essential part of the work of University personnel.

The aim of this policy is to ensure consistent best practice across faculties and departments exists for all Journal Entries. All Mosaic users that are responsible for preparing or approving Journal Entries must be knowledgeable of journal entry procedures, the University's Chart of Accounts, and guidelines in relation to the expenditure of University funds.

This policy will define the role of the Journal Creator and Approver within the Finance module of Mosaic and to clarify the responsibilities and accountabilities associated with each role. **In addition, this policy will define which category of Journal Entries are not subject to system workflow approvals.**

Scope

This policy applies to User Generated Journal Entries and External System Upload Journal Entries as outlined in the chart below.

Type of Journal	Description	Covered by Policy – Yes / No
User Generated Journal Entries	Entered online in the Create/Update Journal Entries screen in Mosaic	Yes
	Entered via the spreadsheet upload tool and uploaded into Mosaic	Yes
External System Upload Journal Entries	Transactions are uploaded by an IT process from an external system managed by the initiating department (e.g. Campus store charges)	Yes
Finance Module Journal Entries	Transactions generated from approved transactions in other modules in the Mosaic Finance system (e.g. AP, AR, Travel and Expense, Procurement)	No
Other Mosaic System Journal Entries	Transactions created by the Human Resources or Campus Solutions systems that are interfaced into the Finance system	No

User Generated Journal Entries are used for the following purposes:

- To transfer costs from one Chartfield to another
- To transfer funding allocations from one Chartfield to another
- To correct errors
- To adjust accounts for accruals and prepayments
- To record transactions that are not captured by any other Mosaic module

Definitions

Mosaic – McMaster's ERP system comprised of all PeopleSoft modules, including the General Ledger, within which Journal Entries are processed.

General Ledger (GL) – The General Ledger is the book of record for all McMaster's financial transactions.

Journal Entry – A journal entry records financial transactions in the General Ledger and moves revenues, expenses, assets and/or liabilities between two or more accounts, departments, programs, projects and/or activities which results in the entry being recorded within the University's General Ledger.

Journal Creator – Any person who has a PeopleSoft security role permitted to create and enter Journal Entries in McMaster's Mosaic PeopleSoft general ledger.

Journal Approver – Any person who is responsible for a Chartfield included in the Journal Entry (e.g. program manager, department manager, project manager, research accountant) who is accountable for verifying the validity of the transaction

Supporting Documentation – Consists of source documents, supportive calculations, and/or other items necessary to substantiate the accuracy and appropriateness of a Journal Entry.

Chartfields – The components of the transaction contained in a Journal Entry line (e.g. fund, department, program, project, account, analysis type).

Approval Process/Workflow – The approval process for Journal Entries outlines the minimum required approval levels based on the Chartfields used in the Journal Entry (Appendix A).

Chart of Accounts – the structure of Chartfields used to record the financial effect of each transaction. It is the combination of Chartfields that brings meaning to the transaction and provides a way to store, categorize, structure and segregate transactional data for management and financial reporting

Policy

<u>JOURNAL ENTRY CREATION</u>

Proper training and understanding of how to correctly create a Journal Entry is the responsibility of the Journal Creator, which includes understanding of the University's Chart of Accounts and financial management policies and procedures. Refer to the **Journal Entry Quick Guide** available in the Mosaic system documentation area for additional information.

Journal Creators will ensure their Journal Entries:
- are valid (necessary and appropriate);
- are compliant and eligible (represent revenue and/or expenses that are compliant with applicable legislation and/or granting agency restrictions)
- are complete (no missing lines or amounts, not broken into multiple Journal Entries);
- have correct dollar amounts in each Journal Entry line;
- are for the correct accounting period;

- utilize the correct Chartfields;
- don't mix more than one external entity business unit for charges
- have complete journal descriptions;
- have explanatory **Supporting Documentation**[*] that provides an accurate and thorough explanation of the transaction recorded in the Journal Entry, in order to assist the Journal Approver in confirming the entries are valid, complete and reasonable; and
- comply with McMaster's financial management policies and procedures.

*SUPPORTING DOCUMENTATION

- All Journal Entries are required to have Supporting Documentation.
- Where supporting documentation cannot be attached electronically within Mosaic, the header of the Journal Entry should clearly explain the reason for the Journal Entry and the location where support can be obtained.
- Typical supporting documents include, but are not limited to: general ledger reports, worksheets with supportive calculations, copies of source documents for internal charges, third party reports/statements, or related emails.
- If attaching supporting documentation is not feasible, the Journal Entry creator/initiating department must maintain back up support in a form that can be retrieved at a future date, in compliance with the University's record retention policies.
- Supporting Documentation attached electronically within Mosaic must NOT contain readable confidential information such as: credit card details, banking information, etc.

GRANTING AND MAINTAINING ACCESS TO CREATING JOURNAL ENTRIES

- The security role that provides access to create Journal Entries is applied by the University's security team to users upon request from the employee or employee manager as required by the employee's job duties.
- Employees with the security access to create journals who have had the access available and not created a Journal Entry or very few Journal Entries for a full year will have this security role removed during an annual review.

JOURNAL ENTRY APPROVAL PROCESS FOR JOURNAL ENTRIES SUBJECT TO FINANCE WORKFLOW

The approver role for Journal Entries is applied automatically when a MACID is assigned to a Chartfield, or approval pool that requires them to approve transactions for those Chartfields. All Journal Entries must be approved by the assigned manager for each Chartfield regardless of dollar value or who creates the Journal Entry. Additional detail regarding the routing of Journal Entries can be found in Appendix A: Workflow Process for Journal Entries.

Journal Approvers will ensure the Journal Entries they approve:
- are valid (necessary and appropriate);
- are complete (no missing lines or amounts, not broken into multiple Journal Entries);

- achieve the intended financial reporting impacts (including a review of Chartfield and amount fields to ensure information contained in the Journal Entry is reasonable)
- contains appropriate back up support via an attachment or detailed description that clearly supports the validity, completeness and reasonableness of the entry

Journal Approvers will also provide feedback to Journal Creators when a Journal Entry is rejected. Feedback can take the form of comments within the Journal Entry or other methods of communication.

JOURNAL ENTRIES NOT SUBJECT TO FINANCE WORKFLOW APPROVALS

Certain Journal Entries do not go through the electronic workflow approvals process in the Mosaic Finance module.

These Journal Entries typically fall into one of three categories, however a more detailed list of eligible Journal Entries is maintained in the associated **Guideline for Journal Entries Not Subject To Finance Workflow[1]**.

1. **For Internal Charges:**
   Where pre-approval (e.g. signed evidence) exists that indicates department/program/project owner has approved supplies/service and amount being charged.

2. **For Revenue Allocations/Transfer of Fund/Recoveries/Accounting adjustments and corrections**:
   Accounting adjustments that are necessary for proper financial management of department funds. These Journal Entries can be made by authorized users, typically accountants located in the centralized finance offices (Financial Services, University Research, Faculty of Health Science Research, Faculty of Health Sciences Finance Office, Budgeting Services, etc.)

3. **External System Interface Journal Entries**:
   Where an external software system interface posts charges directly to Chartfields provided to the issuing department and therefore does not have the ability to utilize the system workflow. In these cases, other forms of approval are in place.

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[1] The **Guideline for Journal Entries Not Subject To Finance Workflow** is maintained by the Director of Finance and is reviewed and updated annually.

The Journal Creator or department must still attach appropriate Supporting Documentation, as detailed above, for the charges in the Journal Entry and/or maintain the support in the department and ensure that the Supporting Documentation is readily available for administrative staff in other departments to verify charges. The Journal Creator or department must also be able to and willing to assist other departments to verify charges and correct errors.

Where Supporting Documentation cannot be provided by the initiating department and the receiving department can confirm that the charge is not correct, the issuing department will be responsible to reverse the charge.

Financial Affairs undertakes a periodic review of Journal Entries that are not subject to the Finance workflow system[2]. If it is discovered that a user is creating Journal Entries that do not fall into one of the approved categories of Journal Entries outlined above, security access to prepare all Journal Entries may be revoked.

Related Procedures or Documents

Guideline for Journal Entries no Subject to Workflow

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[2] In accordance with the **Review of Journal Entries Not Subject to Workflow Procedure**
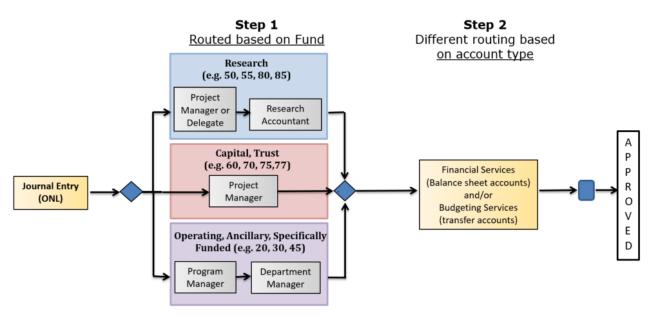
APPENDIX A: Workflow Process for Journal Entries

Journal Entries that are entered in Mosaic's General Ledger are generally routed through the Workflow system in order to be approved by the appropriate manager(s)/account owner(s).

Journal Workflow routing is determined by both the fund type that is being used and the type of accounts being affected.

The diagram below summarizes how Journal Entries are routed through Workflow.

Questions can be directed via email: finwrkflow@mcmaster.ca

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