

Journal Entry Training Guide

Introduction

With training and departmental approval, a department user will be able to enter a journal entry on-line or through an electronic upload directly into the General Ledger (GL). Users will have the option to send journal entries to the Shared Services Center for processing via a [journal entry request e-form](#). The purpose of this training is two-fold: To explain the process and what needs to be considered when writing a journal entry and to teach you step by step how to accomplish getting the journal entry into the GL.

Life Cycle of a Journal Entry

1. Determine Appropriateness and Necessity

While most transactions can and should be handled through a subsidiary system (i.e. Payroll, Accounts Payable, Accounts Receivable, etc.) a journal entry into the GL can become necessary under specific circumstances. For example, a journal entry may be necessary to correct an error or to allocate charges that could not be processed in the subsidiary system.

Necessity

Before a journal entry is created, consider the following:

Is this journal entry cost effective to process? Small dollar amount transfers between non-sponsored sources of funds may cost more to process than the transaction is recording. Small dollar amount journal entries may be necessary to clear the balance on a chartfield before it can be inactivated. If you have specific questions about whether a journal entry is necessary, please contact Shared Services for assistance.

Has the journal entry already been corrected? If the originating department noticed the error, they may have already corrected it. If you are correcting another journal entry, work with the Journal Entry Requester listed in the journal header to ensure the correction is only processed once.

Appropriateness

The University receives funding from many sources: tuition, patient care, state appropriations, the federal government, private organizations, and gifts from donors to name a few. Fund codes are used to group funding from similar sources that are used for a specific purpose. This structure allows Financial Operations 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.

Additionally, journal entries cannot be done on-line by departments for some Funds such as Endowments and Student Loans. More information on Funds and the type of charges which are allowable are located in Appendix A.

In the GL, the account value indicates the type of activity which is occurring. As a result, some accounts are appropriate in some Funds and not appropriate in others. For example, Gift account 405075 will cause a journal entry to systemically fail in the General Fund 10000. Gift revenue is only allowable in Funds 30000, 40000 (rarely), 7XXXX and 8XXXX.



If your journal is a funding transfer and you need more guidance on the appropriate use of transfer accounts, refer to Appendix B or the [transfer account instructions](#) document on the Financial Operations website.

2. Gather Supporting Documentation for a Journal Entry

Once a journal entry is deemed necessary, appropriate support must be gathered and available for necessary approvals and reviews. When completing the journal description field, if the journal entry cannot stand alone, journal support must be provided. In the case of a journal to Sponsored Programs, support must always be provided. Providing appropriate support for a financial transaction is an essential element of internal controls. There are two methods for supporting a journal entry, the journal header and line descriptions along with supporting documentation.

Supporting Documentation

Journal entries affecting a Sponsored Project/Grant (with an initial Fund Code of 20000 or 25000) require submission of supporting documentation to Sponsored Programs. It is required for Sponsored Programs journals that supporting documents are added to the University's Imaging system by attaching them to the journal before it is posted. Complete and accurate JEs with all required support must be received by Sponsored Programs via approval workflow by **midnight of the last day of the month** to ensure posting for that month's business.

Non-sponsored journal entries do not require supporting documentation unless your department's internal controls require such support. However, it is highly recommended that supporting documents are added to the University's Imaging system by attaching them to the journal before it is posted.

Sensitive Information

When gathering support for a journal entry, **do not submit confidential information**, such as social security numbers, credit card numbers, health information or other types of protected information. Sensitive information should be redacted or removed from the support prior to submission. Departments should retain secured departmental records of sensitive information based on departmental procedures. For more information on sensitive information see the following

SPGs, available online at <http://spg.umich.edu/>: SPG 601.12 - Institutional Data Resource Management Policy SPG 601.14 - Social Security Number Privacy Policy

Supporting documentation can consist of copies of a Statement of Activity (SOA) or SOA Voucher Detail Expense Report, email correspondence between departments, and/or a memo requesting or explaining the transaction.

The procedures for submitting supporting documentation are outlined below.

JE Attachment

To attach support to a journal entry in M-Pathways **prior to it being posted**, go to the *Header* panel and click the **Add Support** link. Support documents may not exceed 10MB, can only be a PDF (.pdf) or TIF (.tif) format. After the journal entry posts, supporting documentation can no longer be added or deleted through the PeopleSoft panel.

Browse to where the support documentation is located

- Select the document you wish to add to the journal entry
- Click **Open**
- Click **Upload**

Once support has been uploaded, the journal can now be posted.

E-Mailed Support

Although it is recommended to attach support to the journal entry before posting, if support is not able to be included through that method, it can be sent via email to accountingcustomerservice@umich.edu.

- Include the Journal ID and Journal Date to which the support applies in the body of the message and make sure the format is set to print on 8 ½ x11 sheet of paper.

For more information, see [Journal Entry \(JE\) Resources](#) in My LINC.



For Sponsored journal entries transferring a charge that originally appeared on an SOA more than 120 days prior to the journal entry date, Sponsored Programs requires an additional explanation for the delay in correcting the error. It is also recommended to include an explanation for transfers of charges outside of the current fiscal year for non-Sponsored journals.

Journal Header Description (254 character maximum)

All journal entries are required to be supported by a complete description. The descriptions should be sufficient for a proper review and approval. There are two types of descriptions.

The journal 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

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

- Transfer (TSF) - used when moving revenues or expenses to a different Chartfield combination.
- Correct (COR) - used when correcting erroneous Chartfield values.
- Re-account (R/A) - used when correcting erroneous Account values.
- Reverse (REV) - used when reversing a previous journal entry that was created in error.
- Partial (PRT) - used when moving only part of an original SOA line item.

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

“Correct expenses to the appropriate Chartfields. Incorrect Project/Grant charged due to data entry error.”

What
Where
Why



To view the Journal Header Description for a particular journal entry, open the Journal Entry in M-Pathways, or run the “FN03 JrnlDetail Journal Detail by Journal ID and Date” in Business Objects.

Journal Line Descriptions (30 character maximum)

Line descriptions provide additional information related specifically to individual journal lines. In addition, each line description must relate to the journal header description. The length of a journal line description cannot exceed 30 characters (including spaces). The following guidance is provided to assist with preparing journal line descriptions:

Action code + original transaction reference + date original charge appeared on Statement of Activity (SOA) + miscellaneous

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

“TSF AP00771152 03/07 42225066”

Action
Original Transaction
SOA Date
Miscellaneous

Original Transaction Reference

The original transaction reference should be the Journal ID.

SOA Date

The month and year the original journal entry appeared on the Statement of Activity (SOA).

Miscellaneous

The miscellaneous section of the journal line description is optional, but is very useful for department's SOA reconcilers. It provides another level of detail for tracking transactions. Common examples of miscellaneous information include:

- Voucher ID
- Department reference codes
- Shortcodes
- Travel Identifiers

Restrictions

The following restrictions are systematically enforced by the M-Pathways financial system and will prevent the journal from being processed:

Journal Date

The journal date must be within the current month. For example, if today is October 1, any journal entry processed must be dated between October 1 and October 31.

Balanced Journal

The total debits must balance against the total credits to create a balanced journal entry.

Funds

Departments processing journal entries will have access to the following Funds:

- 10000: General
- 20000: ERF-Sponsored Federal
- 25000: ERF-Sponsored Non-Federal
- 30000: ERF-Gifts and Other
- 40000: Designated
- 50000 - 56500: Auxiliary
- 80000: Construction
- 80500: Construction - Hospital (AMC)
- 81000: Construction - Info Tech
- 81500: Construction – Info Tech - Hospital (AMC)
- 82000: Departmental Equipment
- 82500: Departmental Equipment - Hospital (AMC)
- 83000: Maintenance and Equipment Reserve
- 90000: Agency



If a journal entry requires the use of a Fund not listed above or you need assistance determining the appropriate Fund, contact Financial Operations at accountingoperations@umich.edu with the request and appropriate support.

Source Code

A Source Code is a 2-3 character reference required in every journal entry header that provides a reference to the origin of the journal. Journal Source Codes will be automatically set according to the journal processor's primary departmental appointment. The Source Code assigned to Financial Operations is FO and will appear as the default source code for all Financial Operations initiated journal entries.

Obtain Department Approvals

Once it has been determined that the journal is appropriate for the Funds involved, it should be approved based on departmental and system procedures. Many departments have specific procedures and internal controls for preparing and approving journal activity. Department procedures should be followed in addition to the mandated procedures of Financial Operations and the University's Standard Practice Guide. To determine if your department has specific procedures related to journal processing please contact your financial Unit Liaison, Department Manager or higher financial administrative authority.

Departmental Approvals

All journals should go through an approval process. Departments should determine their approval process for journals taking into consideration that journals with any single line \$10,000 or greater will systematically route through approval workflow to Department Managers or their designated approver in MPathways. Journals with lines under \$10,000 do not go through the workflow process for approval, so approvals before being processed are required. The Department Manager can designate an individual as an Authorized Approver, this individual should have the appropriate system role to approve JE's.

Central Approvals

All Sponsored JE's will require approval. The journals should include proper support to aid in the approval process.



Internal Controls: *Every journal entry should be reviewed and approved by the appropriate individual to ensure it is accurate and appropriate.*

Department Contacts

Creator

The person who entered the journal entry into M-Pathways.

Requestor

The person who identifies the need for a journal to be processed and requested the journal entry. The username of the creator and the requester are stored in the Journal Header for all posted, user-initiated journal entries. In addition to the username, the telephone number of the requester, at the time the journal entry was created, is also stored with the journal entry.



To view the creator's or requestor's username for a particular journal entry, open the Journal Entry in M-Pathways, or run the "FN03 JrnlDetail Journal Detail by Journal ID and Date" in Business Objects. Contact Shared Services if you need additional assistance obtaining contact information on a journal entry.

Internal Controls: The person who authorizes a journal entry should not be the same individual who requested the journal entry into M-Pathways.

Processing a Journal Entry

There are specific training courses in [My Linc](#) to obtain access for processing your own journal entries. Once on the My Linc site, search on journal entry for a full list of courses about journal entry processing.

In addition, there are ITS job aids that provide [step-by-step instructions](#) on journal entry processing.

Appendix A – Fund Overview

Fund Codes

A Fund Code is a value that identifies the source and intended purpose of funds and how they should be spent. The University of Michigan utilizes two groups of funds, operating and non-operating. Descriptions of each fund are outlined below.

Operating Funds: funds that are used to record the utilization of economic resources that are expended for purposes supporting the primary missions of the University. Operating funds can be unrestricted or restricted. Journal users will be allowed to process transactions in all of the operating funds. The Operating funds are:

- General (10000)
- Sponsored Programs (20000 & 25000) – Restricted by the federal government, and non-federal sponsors based on terms and conditions in sponsored agreements
- Gift (30000) – Restricted by donor intent
- Designated (40000)
- Auxiliary (50000 – 56500)
- Agency (90000)

Non-operating Funds

These funds are used for specialized activities that directly and indirectly support or enhance the operations of the University. They are used primarily for educational loans to students, investment purposes, and the renewal and replacement of equipment. The Non-operating funds are:

- Student Loan Funds (60000 – 69999)
- Endowment Funds (7XXXX, EXXXX, PXXXX, QXXXX, UXXXX, TXXXX)
- Plant Funds (80000 – 83000)
- Management Funds (84000 to 99900)

General Fund (10000)

The General Fund contains the economic resources that are expendable for operating purposes in the following activities:

- Primary instruction
- Research
- Public service
- Academic support
- Student services
- Institutional support
- Plant operations and maintenance
- Scholarships and fellowships

These activities are primarily funded by:

- State appropriations
- Student tuition and fees
- Indirect cost reimbursements from research contracts
- Departmental revenues related to student lab and course fees

Sponsored Federal Fund (20000)

Sponsored Federal Fund records funding provided directly or indirectly (via pass through) by the federal government for research, instruction and public service. Activity for this fund is governed by federal laws enacted by Congress as well as the rules prescribed by individual sponsored agreements.

All university spending of federal funding is subject to an annual audit under the guidelines set forth in OMB Circular A-133. To ensure compliance, all activity affecting a federally sponsored project/grant should meet the terms and conditions of the grant or contract.

Sponsored Non-Federal Fund (25000)

Sponsored Non-Federal Fund records funding provided by non-federal sources, Charitable Foundations, and State and Local Governments for research, instruction and public service. The activity on this fund is regulated by individual contract agreements.

Gift Fund (30000)

The Gift Fund records gifts given to the university with specific stipulations on how the money is to be used. The unit receiving the gift is responsible to comply with the guidelines set forth by the donor in the governing gift agreement when funds are spent.

Designated Fund (40000)

The Designated Fund consists of funds internally designated, but otherwise unrestricted. Revenue sources include:

- Departmental revenue from organized activities such as conferences and seminars
- Investment income from the University Investment Pool and other sources
- Royalty income
- Endowment distributions

Expenditures are limited to the special projects designated by the University of Michigan Board of Regents or approved by university administration.

Auxiliary Funds (5XXXX)

Auxiliary Funds are used for activities that are maintained with revenue from their own operations. Auxiliary units include the hospital, other units that provide medical and dental services, and units providing special services to students, faculty, and staff. Auxiliary units also include Internal service providers.. These internal service departments include:

- Copy Centers
- Transportation & Parking
- Publications & Printing
- Utilities
- Plant Operations

Revenue in the funds consists of:

- Internal recharge from service unit billings
- External billings
- Investment income
- Endowment distributions

Examples of revenue sources are:

- Room and board charges for student housing

- Usage fees for student centers, such as the campus recreation buildings
- Sale of University Press publications and Student Publications
- Ticket sales for athletic events
- Charges for hospital, other medical, and dental services to patients
- Parking permit fees

Student Loan Funds (6XXXX)

Student Loan Fund tracks the various loan funds of the university. Loans issued from these funds and payments made by students are recorded in these individual funds. The activity is primarily the result of activities made in the various Financial Aid departments.

Endowment Funds (7XXXX)

Endowment Funds are those given to the university by a donor to be invested in perpetuity. The interest earned may then be spent on purposes designated by the donor/unit. Also includes funds functioning as endowment (quasi-endowments).

Construction Funds (80000 & 80500)

Construction Funds are used to track expenditures for construction and renovation projects.

- Projects with a budget of \$1 million and over must have approval from the Regents
- A funding source for the project must be identified prior to authorization of the project
- Most construction projects are managed by the Architecture, Engineering and Construction Office (AEC)
- Use of fund 80500 is limited to the hospital

Information Technology Fund (81000)

Information Technology Fund is used to track the activity related to large capital IT projects and software development.

Departmental Equipment Funds (82000 & 82500)

Departmental Equipment Funds are used for current or future equipment purchases/replacements, minor renovation and other non-operating expenditures.

- Funds cannot be returned once committed
- No operating expenses are allowed
- Used mostly by General Fund units
- Use of fund 82500 is limited to the hospital

Maintenance Equipment & Reserve Fund (83000)

Maintenance Equipment & Reserve Fund are funded by the auxiliary units. Amount transferred is equivalent to the depreciation on equipment used in an approved recharge rate.

- Used for repair and replacement of existing buildings and equipment
- No operating expenses are allowed
- Funds can be returned to the units operating fund

Agency Fund (90000)

The university acts as the custodian for the Agency Fund. The fund consists of amounts held for organizations affiliated with, but not legally part of, the university. Examples of Agency Funds at the University of Michigan include:

- University Musical Society
- William Davidson Institute
- Alumni Association
- Student Organizations

Unallocated Fund (98000)

When the university receives funds and cannot immediately identify the department that should receive the funds, the amount is deposited and recorded to a specific set of chartfields in the Unallocated Fund. SSC Accounts Receivable (SSC-AR) staff research the source of the funds in an attempt to identify the appropriate chartfields. When a source of funds is identified, SSC-AR transfers the funds from the Unallocated chartfields to the department's designated chartfields. Questions concerning the Unallocated fund can be sent to unallocated@umich.edu.

Appendix B – General Guidelines

Funding Transfers

Each Fund has specific rules regarding transfers both within a Fund and between Funds. While the word “transfer” is commonly used for all journal entries that move amounts from one Chartfield combination to another, a funding transfer to be one of funding, support, or appropriation.

Transfer Rules by Fund

Transfers use specific Account values, commonly referred to as “Transfer Accounts.” General Fund transfer accounts and the respective transfer rules differ from the other Funds. The Online Journal Entry process allows both Intra- and Inter-Fund transfers. Intra-Fund transfers are those that occur within a Fund, while Inter-Fund transfers occur between Funds. Certain restrictions apply to Inter-Fund transfers depending on the Funds involved, please refer to the [transfer account instructions](#) document for more details.

Revenue and/or Expense Transfers

The majority of Journal Entries are processed to move either Revenue or Expenses to a different chartfield than where they currently sit in the GL. Generally, all expense and revenue transfers should be accomplished within 120 days of the transaction first posting to the SOA. Transfers after 120 days in Sponsored Programs will require a memo explaining why the transfer was not made in a timely fashion, and may or may not be approved. Sponsored Programs has specific transfer guidelines for activity on a sponsored project, refer to the [Sponsored Programs website](#) for more information.

Certain revenue accounts are only allowed in certain Funds. For your convenience a listing of allowable accounts by fund is available on the Financial Operations website, under the *Resources* section. Select [Valid Account List](#). This list is updated as needed.

For example, you should never process gift revenue into the General or Auxiliary Funds and For Credit Student Tuition dollars should never be placed into the Gift, Designated, Auxiliary or Sponsored Funds.

Expense accounts as a group tend to have more flexibility than Revenue activity. Most expenses can be incurred in any current Fund with the exception of Sponsored Funds (20000 & 25000) and ERF-Gift (30000). Sponsored and Gift Funds are limited as to what expenses may be incurred on them based on Sponsor/Donor intent.

Recharge and Rebill Activity

Recharge activity should not be processed on a Journal Entry. Units with an approved recharge rate should use the SUB system to process their recharge activity. Rebill activity is recommended to be done on SUB's as well. SUB's provide rebill customers with more information than is available on the Upload or JE forms. There is more information regarding [recharge and rebill](#) available on the Financial Operations website.

Gift/Grant Revenue

Transferring of gift/grant revenue should not be processed on a JE by a department. Departments should contact their gift processing representative in the Office of University Development to make a gift revenue

change. The gift processing representative will move the gift on DART and prepare a journal entry to transfer the gift on the GL if necessary. This is done to keep the two systems in sync.

Salary Transfers

Financial Operations has specific rules regarding the transfer of salaries. These rules are in place to ensure that any salary changes are appropriately captured for reporting to various external government agencies. Specific [guidelines and rules](#) can be found on the Payroll section of the Financial Operations website.

It is the University of Michigan's practice and policy that all prior fiscal year retroactive payroll transfers for non-sponsored Funds must be processed on or before October 31st of the new fiscal year.

FAQ's for Processing a Payroll Journal Entry

Q: Is the transfer for *non-sponsored* benefits, PeoplePay, or stipend payments?

A: If so, the journal entry is acceptable to be processed.

Q: If the department has remapped a Shortcode and needs to transfer payroll charges for the current year, then a journal entry will be allowed for the changes in department id, program and/or project grant only. Has the Shortcode been remapped changing only a Department, Program or Project/Grant?

A: If so, the journal entry is acceptable to be processed.

Q: Is the employee an hourly employee? (AFSCME, Temporary or Nurses)

A: If so, the journal entry is acceptable to be processed. For temporary salaries, the employee(s) must recertify their effort. Refer to the Cost Reimbursement website for instructions.