

INTER-OFFICE MEMORANDUM

Office of Accounts and Control

**TO: CHIEF FINANCIAL OFFICERS
ALL STATE AGENCIES**

DATE: January 25, 2007

**FROM: Lawrence C Franklin, Jr
State Controller**

**SUBJECT: RIFANS - Journal Entries Processing
CFO 07-37**

Attached are the procedures that Agency Initiators and Approvers are to follow when processing journal entries in RIFANS General Ledger. You may call Steven Blazer at 222-2267 or email him a Sblazer@gw.doa.state.ri.us if you have any questions.

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Procedures for Processing Journal Entries in RI-FANS General Ledger (01/22/07)

Workflow

One of the central features of the RI-FANS system relates to the concept known as “workflow.” The implication of this concept for journal entries is that, depending on which journal entry category is selected by the journal **initiator**, entries “flow” through a predetermined hierarchy of **approvers** until they end up for final approval by someone within the Accounting Section of the Office of Accounts and Control. Following are the procedures to be performed by journal entry **initiators** and agency-level **approvers**.

Journal Entry Numbering System

General Journal Entries

The first item a journal entry **initiator** must enter is a journal entry number in the yellow (i.e., mandatory) **Journal** field. There are two numbering conventions used for journal entries in RI-FANS. In the case of a **general** journal entry, the first character is the letter J. The next two characters should be the last two digits of the fiscal year to which the transaction is to be posted. The next three characters should be the RI-FANS number assigned to the agency that prepared the document. The next three characters should be the initials of the person who **initiated** the document. The final characters should represent a sequential number taken from a log maintained by the journal **initiator**.

Cash Receipt Journal Entries

In the special case of a journal entry to post a **cash receipt**, the first character in the Journal field is the letter R. The next two characters should be the last two digits of the fiscal year to which the transaction is to be posted. The next three characters should be the RI-FANS number assigned to the agency that prepared the document. The next three characters should be the initials of the person who **initiated** the document. The next four characters should represent the month and day on which the deposit was made. The last character should be a letter to differentiate this journal entry from all other journal entries prepared by the same **initiator** for the same deposit date. For example, journal entry number R07068SAB0122B would be used by SAB, an employee of agency 068, to record the **second** cash deposit he made on 01/22/07.

Changing Journal Entry Numbers

If a journal entry does not have a journal entry number in the proper format, an **approver** should reject it, giving the number format as the reason for the rejection. To change a journal entry number, it is first necessary for the **initiator** to click on the **Unreserve Funds** button. He/she can then edit the original journal entry number as desired, re-reserve the funds, and send the entry back through the normal approval process.

Period and Effective Date

The next items an **initiator** must enter are the **period** and the **effective date** of the journal entry. The **initiator** must time his/her entries in such a way that the **final** approval of all journal entries that he/she wants to post in a particular month can be accomplished by the end of business on the **first** business day of the following month. This would mean, for example, that in order for a January entry to be posted as such, the **initiator** and **all approvers** short of the final **approver** only have until the end of the **last business day** of January to **initiate** and **approve** the entry. The **final approver** at Accounts and Control or at Treasury would then be allowed only the first business day of February to approve the entry for posting in January. Accounts and Control will automatically reject any January journal entries received for final approval after this date.

If an **initiator** receives his or her journal entry back in rejected status from an **approver** because it was too late to post in the indicated period, then he or she should change the period and the effective date of the entry to the next open period and effective date. He/she should also fill in the **reference date** field with the date on which the transaction would have posted had it been initiated on time.

To change the period and effective date of a journal entry, the **initiator** must first click on the **Unreserve Funds** button. He/she can then click on the **Change Period** button to change both the period and the effective date. Finally, he/she must re-reserve the funds and send the entry back through the normal approval process.

Journal Entry Categories

The **initiator** must next select and enter a journal entry **category**. It is important to choose the category code that best reflects the nature of the transaction, since selection of an incorrect category code when preparing a journal entry could result in its being launched on an inappropriate workflow path. An **approver** should reject entries with inappropriate categories and request of the **initiator** that he/she unreserve the funds, change the category, and re-reserve the funds. Guidelines as to which categories are to be selected for which types of journal entries appear in a table at the end of this document.

Journal Entry Descriptions

The **initiator** should next utilize the **description** section of the journal entry to provide a brief but adequate explanation of the need for the transaction. All journal entries, **regardless of dollar amount**, that are designed to adjust or allocate a **prior transaction must**, at a minimum, either a) reference the **document number** of the prior transaction **or** b) reference the specific **period** and **type** of transaction for which the current adjustment is being made. An example of the latter might be “to allocate **Jan. 2007 Centrex charge** among various accounts.”

Journal entries that are designed to bill a State agency for goods or services provided by another State agency **must** indicate in the Description field the specific **period** in which the goods or services were provided and a brief **description** of the goods or services. An example might be “to bill Dept. X for **training classes** provided by Dept Y in **Jan. 2007.**”

In most cases, such journal entries must be **initiated** by the **expending** agency so as to prevent the billing agency from withdrawing money from the expending agency’s account without anyone at the expending agency knowing about it. There may be cases, however, in which a billing agency has written permission from the expending agency to draw on the expending agency’s accounts for a specific purpose over a specific period of time. In such cases, the billing agency may initiate the journal entry, provided that it a) asserts **explicitly**, in either the Reference field or in a short text attachment, that it has such a **written** agreement with the expending agency on file, and b) forwards a copy of the journal entry to the expending agency or otherwise notifies the expending agency of the charge that is about to occur.

In cases where the total amount of the billing is less than **\$1,000**, mention of the billing period and a description of the goods or services provided is to be considered adequate documentation to **approve** the journal entry. In cases where the total amount of the billing is greater than or equal to **\$1,000**, however, the journal **initiator** must also either a) use the paperclip icon in the toolbar to attach a spreadsheet or a text describing the transaction in more detail **or** b) state **explicitly** that documentation is on file at Agency _____. Agencies that keep hard copy documentation on file at their own offices should retain it in accordance with an agency-wide record retention schedule. In **no** case should hard copy backup for journal entries be sent to the Office of Accounts and Control.

Reference Field

A journal entry **initiator** must always insert his/her name and office telephone number in the Reference field of the journal entry. This is for the benefit of **approvers** who may wish to ask the **initiator** questions regarding the journal entry before they decide to approve or reject it.

Adjustments of Prior Year Transactions

Journal entry **initiators** should take special care when creating journal entries designed to adjust transactions that originally posted in a prior State fiscal year. Once an old fiscal year is closed, it is pointless to process adjustments between General Fund State revenue accounts or between General Fund State expenditure accounts that should have been posted to that year. **Approvers** should automatically reject any such journal entries. If, however, a journal entry involves a posting made in a prior year to a federal, restricted, or special fund account, it is usually permitted to process such an entry in the current year. The single exception to this rule is that there can be no expenditure credit to a General Fund State account in the current year for an expenditure originally charged to it in the prior year. Credits that would otherwise be posted to a General Fund State account should instead be posted to General Fund revenue account 07.10.068.1000978.01.498100.00000.

Approving and Rejecting Journal Entries

Once an **approver** has determined that a journal entry has successfully met all of the criteria outlined above, he/she will click on the **Approve** button to enable the transaction to post. If, however, the **approver** decides that there are one or more problems with the entry that warrant its rejection, then he/she should type out the reason(s) for the rejection in the space provided for this purpose and then click on the **Reject** button. The entry will then flow back to the **initiator**, who can then either

a) correct the transaction by first unreserving the funds, making the correction, re-reserving the funds, and reapproving the transaction, or b) begin the process of cancelling the entire journal entry.

Cancellation of Journal Entries

Cancellation of a journal entry is accomplished by unreserving the funds, changing the journal category to **Cancellation**, changing all dollar amounts to zero, and saving the transaction **without** re-reserving the funds or approving the transaction. Accounts and Control periodically reviews all journal entries with the category Cancellation and deletes them.

Locating a Journal Entry in Workflow

It is possible to locate the whereabouts of any journal entry in the system by running a standard Oracle report called RI GL Journal Approval Status Report.

Table of Journal Entry Categories

Following is the table of journal entry categories mentioned earlier in these procedures:

List of Journal Entry Categories

Category	Usage
Adjustment	This category is used to correct an accounting error. Reference must be made to the ID# of the transaction being corrected.
Allocation	This category is used to distribute already posted expenditures, revenues, or liabilities among one or more other expenditure, revenue, or liability accounts. It is also used to record interagency transactions, the most common of which are billings by one State agency for goods or services provided to another State agency. In such situations, the expending agency usually initiates the transaction, except in specific cases where the billing agency has written authorization from the expending agency to draw on its accounts.
Audit Fees	This category is used only by the Office of Accounts and Control when generating the monthly posting of audit fees based on the previous month's federal revenues.
Cancellation	This category is used to cancel an entire journal entry. Such entries must have all dollar amounts changed to zero, after which the entry must be saved without re-reserving the funds or approving the transaction.
Cash Receipts	This category is used to record receipts of money, whether in the form of cash, checks, wires, or ACH transactions. It is also used by the Bureau of Child Support to record transfers from its "special" General Fund bank account to the "primary" General Fund bank account to cover distributions to custodial parents .
Check Change	This category is used only by the Central Payroll Section of Accounts and Control to initiate journal entries associated with the payroll check change process.
Cost Recovery	This category is used only by the Office of Accounts and Control when generating the monthly posting of indirect cost assessments against the previous month's

**non-exempt restricted
revenues.**

DLT Transfer	This category is used only by the Department of Labor and Training to initiate transfers between the General Fund and the various State funds for which DLT is responsible (such as the TDI Fund, UI Trust Fund, etc.). DLT also uses it to transfer monthly unemployment charges for State employees from the Assessed Fringe Benefit Fund into the UI Trust Fund.
ISF Transaction	This category is used only when an internal service fund initiates a journal entry to bill one or more State agencies for goods or services provided.
Intercompany Transfer	This category must never be used.
Interfund Advance	This category is used only by the Office of Accounts and Control to initiate advances (or repayments of advances) from one State fund to another. All such entries must include postings to both a receivable natural account and a payable natural account.
Interfund Transfer	This category is used only by the Office of Accounts and Control to record an operating transfer into one State fund and an operating transfer out of another. All such entries must include postings to the fund- specific revenue and expenditure accounts created just for this purpose.
Lottery Transfer	This category is used only by the Lottery Commission to initiate its monthly distributions of revenue to the General Fund.
Payroll	This category is used only by the Office of Accounts and Control to record specialized account distributions associated with the bi-weekly employee payroll process and the monthly pension payroll process.
Tax Transfer	This category is used 1) to credit a liability and debit a contra-revenue account when the Division of Taxation processes a batch of tax refund payments , and 2) to debit the liability and credit cash to reflect the check clearing pattern of the refund batch.
Transfer	This category is used only by the Office of Accounts and Control to transfer money from the State's various funds to the State's pooled cash disbursement account .