State of Rhode Island
Department of Administration, Office of Accounts and Control
Best Practices: Journal Entries

Objective

Departments are responsible for preparing, documenting, and reviewing journal entries.

Risks

- Undetected errors, irregularities, or misclassifications
- Improper or unauthorized transactions

Best Practices Include:

Different employees should be responsible for preparing, recording and reviewing journal entries. [Segregation of Duties]

Journal entries should be consistent with the Office of Accounts and Control Policy A-8 Journal Entry Approval and Documentation Requirements. [Documentation]

Routine reconciliation should be done for all major accounts. The reviewer should be looking for questionable activity that may be erroneous, invalid, or inappropriate.
[Monitoring and Independent Internal Verification]

RIFANS Best Practices Include:

Employees are set up in the State's accounting system which is known as RIFANS with user names and passwords appropriate for their duties, and their access is requested by their supervisor, and reviewed and approved by Office of Accounts and Control staff. Employees do not share passwords. Only authorized employees are allowed to process journal entries. [Authorization and Approval]

Only authorized state agency employees initiate journal entries in RIFANS. If material, the RIFANS hierarchy requires it to be approved by the employee's supervisor. [Segregation of Duties]

Depending on the type of entry, secondary approval by authorized employees in other divisions is required. These reviewers verify that the transaction is properly budgeted and allowable, and work in the Offices of Accounts and Control, the General Treasurer and Management and Budget. [Authorization and Approval]

Glossary of Internal Control Principles:

Internal control consists of all of the related methods and measures adopted within a business to enhance the accuracy and reliability of its accounting records by reducing the risk of errors (unintentional mistakes) and irregularities (intentional mistakes and misrepresentations) in the accounting process.

Authorization and Approval – Control is most effective when those responsible for a task are limited to as few employees as possible who are authorized and trained appropriately. In order to have appropriate backup in place, another person should be trained to perform those duties in the event of a planned or unplanned absence.

Documentation - Standardizing documents used for financial transactions, such as invoices, internal materials requests, inventory receipts and travel expense reports, can help to maintain consistency in record keeping over time. Using standard document formats can make it easier to review past records when searching for the source of a discrepancy in the system. A lack of standardization can cause items to be overlooked or misinterpreted in such a review.

Segregation of Duties – The work of one employee should provide a reliable basis for evaluating the work of another employee, and the responsibility for record keeping for an asset should be separate from the physical custody of the asset.

Monitoring – After internal controls are put in place, their effectiveness should be periodically monitored to ensure that controls continue to be adequate and function properly. Management should also monitor previously identified problems to ensure they are corrected.

Independent Internal Verification – Review, comparison, and reconciliation of data prepared by employees performed by an employee independent of the personnel responsible for the information.