



Journal Entry Approval

April 8, 2010

The following are responsible for the accuracy of the information contained in this document: Controller

Responsible Department: Finance

Reason For New Procedures

Due to the implementation of our new Financial Accounting System we need to establish criteria for decentralizing the review and approval of journal entries while maintaining adequate internal controls in conformity with generally accepted accounting principles.

Authorized Approvers

The review and approval/posting of journal entries (JE) will be the responsibility of the Finance Manager, Accounting Manager, or at the minimum, a manager level accounting staff person of the department/division in which the journal entry is prepared. Journal entries that create a net increase or decrease to the City's Cash balance should be posted by the Cash Manager, except system default Cash entries. All journal entries forwarded to the Cash Manager for posting should be reviewed and approved by the Finance/ Accounting Manager of the department/division in which the journal entry is prepared.

Frequency

The review and approval of the journal entries should generally be done on a daily basis, as needed. For journal entries required to be processed within a certain fiscal period or year, period-end and year-end processing close dates will apply.

Backup

In the absence of the Department Journal Entry Approver/Backup, the General Accounting Manager/ Finance Manager or Controller will serve as a citywide backup to review and approve time-critical journal entries, upon request. The General Accounting Manager may request supporting documentation as necessary before approving the JE.

Approval Criteria

All journal entries will be approved/posted by someone other than the preparer.

Criteria to be used in the journal entry approval process include the following:

1. Accuracy
2. Appropriateness
3. Conformity with generally accepted accounting principles
4. Reasonability
5. Adequacy of audit trail and supporting documentation

Posting a Journal Entry (JE) constitutes an approval.

Journal Entries that affect more than one agency/division: When the Journal Entry affects accounts in a different agency or department other than the approver's responsible department/division, the department approver should notify the designated approver in the affected department.

Supporting Documentation: It is the responsibility of the approver to ensure that proper source documentation, with sufficient audit trail, is maintained and available for retrieval as necessary.

Additional Information: Staff may contact the Accounting Manager or the Finance Manager in the General Accounting unit of the Finance Department with any questions, consultations, or additional information.

Journal Entry Procedures

The City's policies and procedures related to journal entries are in the process of being formally updated for the new general ledger system (Compass). To improve internal controls regarding the journal entry functions we want to initiate the following procedures.

1. On the JE Header page description type your initials followed by your telephone extension.
Example - (JCx2300) followed by your description.
2. The Reviewer, if different from Approver, must place their initials at the end of the description.
3. The Approver then puts their initials at the end of the description.
4. The same individual cannot initiate and approve journal entries.
5. A report will be created to be used by management to monitor journal entries to ensure that no unusual or inappropriate activity is occurring.
6. The City is in the process of establishing an Internal Audit Department to ensure proper oversight of the functions and activities.