MANUAL JOURNAL ENTRY POLICY

Responsible Officer: R. Craig Ott, Controller
Sponsoring Office: Finance-General Accounting
Effective Date: August 1, 2008
Last Reviewed: September 1, 2009
Next Scheduled Review: September 1, 2010
Errors or changes to: Finance-General Accounting

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POLICY STATEMENT

The purpose of this policy is to provide clear guidance regarding the documentation and approval process requirements for manual journal entries, including automated journal entry (AJE) uploads. The goal is that by clarifying these requirements, we will ensure consistent compliance with both generally accepted accounting principles and internal control procedures by assuring that the institution control environment is adequately maintained and financial statements are accurate and timely.

SCOPE

All University of Texas Medical Branch personnel who create, approve and/or post journal entries in the PeopleSoft general ledger system.

RELATED STATUTES, POLICIES, REQUIREMENTS OR STANDARDS

<table>
<thead>
<tr>
<th>UT System Administration Policies &amp; Standards</th>
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</thead>
<tbody>
<tr>
<td><a href="http://www.utsystem.edu/policy/policies/uts142_1.html">http://www.utsystem.edu/policy/policies/uts142_1.html</a></td>
</tr>
<tr>
<td>Rules and Regulations of the UT System Board of Regents – Series 20501– Accounting, Operating Budgets, and Legislative Appropriation Requests</td>
</tr>
<tr>
<td>UTMB Institutional Handbook of Operating Procedures Policy 2.1.4 Records and Information Management and Retention</td>
</tr>
<tr>
<td><a href="http://www.utmb.edu/Policies_And_Procedures/General_Administrative/PNP_004835">http://www.utmb.edu/Policies_And_Procedures/General_Administrative/PNP_004835</a></td>
</tr>
<tr>
<td>Other Policies &amp; Standards</td>
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<tr>
<td>Generally Accepted Accounting Principles</td>
</tr>
</tbody>
</table>
CONTACTS

Questions or requests for exceptions to this policy should be directed as follows:

<table>
<thead>
<tr>
<th>Office Name</th>
<th>Telephone Number</th>
<th>Email/URL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance-General Accounting</td>
<td>409.747.8053</td>
<td><a href="http://intranet.utmb.edu/accounting">http://intranet.utmb.edu/accounting</a></td>
</tr>
</tbody>
</table>

DEFINITIONS

**Manual Journal Entry**
A journal entry that is manually keyed in the PeopleSoft general ledger system.

**Automated Journal Entry (AJE)**
A journal entry that is manually input into a template in Excel and then uploaded to the PeopleSoft general ledger system. This form of journal entry is typically for larger journal entries.

**Feeder System Journal Entry**
This is an entry that is automatically generated by a system and then loaded into the PeopleSoft general ledger. For example, payroll entries are generated in the HCM system and then loaded into the general ledger. Feeder system journal entries are not addressed in this policy.

**Routine Journal Entry**
A recurring entry reflecting financial transactions in the ordinary course of business. An accrual done on a monthly basis would be an example of a routine journal entry. A list of routine journal entries is maintained by the General Accounting Office.

**Journal Entry Amount**
The amount is either the sum of the debits or the sum of the credits, not including lines for cash (#111010). For example, the journal entry amount for an entry with debits of $250,000 and credits of $250,000 is $250,000.
Control Procedures

Procedures used to assure accuracy in the record keeping function. Controls exist to make certain source data placed in the general ledger are proper and correct. In addition, controls are designed to safeguard assets and to eliminate instances of fraud and errors, etc.

Execution Controls

Policies and procedures applied by employees or systems to every transaction or event.

Supervisory Controls

Policies and procedures applied by supervisors or representatives of supervisors to ensure employees are properly performing and documenting the execution controls.

Oversight Controls

Policies and procedures applied by middle and upper management or their representatives to ensure that supervisory controls are being properly performed and documented.

Compensating Control

A compensating control is a control that limits the severity of a control deficiency. Although compensating controls mitigate the effects of a control deficiency, they do not eliminate the control deficiency.

RESPONSIBILITIES

Manual Journal Entry / AJE

Preparer

- Ensure that journal entries conform to Generally Accepted Accounting Principles.
- Ensure that journal entries are consistent with UTMB standards, policies and procedures.
- Provide a detailed description of the journal entry in the PeopleSoft system.
- Obtain the necessary approval as set forth in this policy.
- Maintain adequate supporting journal entry documentation.

Approver

- Verify that the journal entry is accurate and complete in a timely manner.
- Confirm that adequate supporting documentation is present.
- Obtain further approval if necessary.
Finance-General Accounting Office

- Establish journal entry approval / authorization levels.
- Establish adequate documentation guidelines for journal entries.
- Maintain a listing of routine journal entries.
- Review the journal entry policy on a periodic basis and update it as necessary.
- Distribute the journal entry policy to all appropriate parties and ensure that subsequent updates are properly communicated.
- Perform periodic reviews of certain journal entries to confirm (1) compliance with approval and documentation guidelines and (2) adherence to execution and supervisory controls.

PROCEDURES

Journal Entry Review and Approval Guidelines

A journal entry can be approved either automatically or physically. An automatic approval would be one done in the PeopleSoft system. A physical approval would involve the approver signing and dating a hard copy of the journal entry.

All journal entries should be reviewed and approved in a timely manner as follows. For purposes of this policy, area financial leadership is a manager at the associate director level or higher.

<table>
<thead>
<tr>
<th>Routine or Non-routine</th>
<th>Journal Entry Amount (Debits OR Credits)</th>
<th>Preparer’s Manager</th>
<th>Area Financial Leadership</th>
<th>Controller</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>&lt;$500,000</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Routine</td>
<td>$500,000-2,500,000</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-routine</td>
<td>$500,000-2,500,000</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>All</td>
<td>$2,500,000-10,000,000</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>All</td>
<td>&gt;$10,000,000</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

A list of routine journal entries is maintained by the General Accounting Office. A current copy of this list can be provided upon request.

Journal entry review includes, but is not limited to, verification of (1) reasonable and accurate dollar amounts, (2) accounts used, and (3) accounting period. The reviewer
should inspect the supporting documentation and confirm that it is complete and follows the guidelines set forth in this policy.

**Journal Entry Documentation Guidelines**
The general purpose of documentation is to explain why the journal entry was created. Documentation is the support for the journal entry and should be able to provide the reviewer with a clear purpose as to why the entry is being made. Documentation should be understandable to the reviewer or any other person inquiring about the entry. There should be clear support for each debit and credit in the journal entry.

**Journal Entry and Documentation Retention**
A central file room is maintained within the Finance department. As a general rule, completed journal entries and documentation are forwarded to the file room for safekeeping. However, it is acceptable to maintain journal entries and/or documentation electronically. If this is the chosen method, please note that proof of proper approval must also be a part of the electronic file. Regardless of the method, the journal entry and documentation must be provided upon request and should remain available for such time as to be in accordance with UTMB record retention policies.

**Oversight Control Procedures**
A primary function of the Finance-General Accounting office is to make sure the financial statements are true and correct. As part of this function, a periodic review of manual journal entries will be performed. This review will include verification of adherence to (1) execution and supervisory controls and (2) approval and documentation guidelines. Compensating controls that are in place will also be reviewed as part of this process.

The results of these periodic reviews will be documented. Any areas that need improvement will be addressed as appropriate in a written format. If subsequent reviews reflect repeated weaknesses, there will be formal consequences up to and including revocation of system access.