

COLORADO STATE UNIVERSITY
Financial Procedure Instructions
FPI 1-5

1. **Procedure Title:** Journal Entry Corrections
2. **Procedure Purpose and Effect:** To outline procedures under which departmental personnel may make a correcting journal entry, which is known as a General Error Correction, Distribution of Income and Expense, or Adjustment/ Accrual Voucher, which all are within the Kuali Financial System.
3. **Application of Procedure:** Every effort should be made to ensure that the original transaction is recorded using the proper account number and object code. Changes may be necessary in certain circumstances as described within this policy. (A “General Error Correction”, “Distribution of Income and Expense”, or “Adjustment/Accrual Voucher” documents should be used for processing).
4. **Exemptions:** None.
5. **Definitions:**
 - A. **Federal Funds** - all monies received directly from the federal government or monies originating with the federal government and passed indirectly through a secondary source. Federal funds excluded from this policy are:
 1. Federal appropriations which are subsequently appropriated to the State Board of Agriculture by the Colorado General Assembly
 2. Pell Grant funds
 3. National Direct Student Loan funds
 - B. **Journal Entry** - an accounting transaction that records the asset, liability, revenue and/or expense from a single accounting transaction.
 - C. **General Error Correction** - used when correcting a posting error such as a wrong account number, object code or amount.
 - D. **Distribution of Income and Expense** - used to distribute income, expense, assets, or liabilities from a holding account to one or more appropriate account(s) when one account has incurred expenses or received income on behalf of one or more other accounts.
 - E. **Adjustment/Accrual Voucher** - The adjustment voucher is used to recognize revenues in the period in which they are earned and expenses in the period in which they are incurred, with no reversal date. The accrual voucher is to recognize revenues in the period in which they are earned and expenses in the period in which they are incurred with a designated reversal date. This document will not have offsetting cash entries.

6. Procedure Statement:

A. Journal Entry Justification and Support

Individuals responsible for departmental or project administration may reclassify accounting data. Since the original entry is presumed to have been certified after adequate review, any change must be fully justified. Originators must assure that entries are appropriate to the account(s) receiving the funds, that costs are allowable where being charged and that adequate funding is available. Documented explanation and justification is required in order to allow subsequent reviewers of the charges the ability to evaluate the propriety of the charge.

B. Federally Sponsored Projects and Programs

For federally sponsored projects and programs, retroactive transfers of costs for the purpose of using up available funds are not allowable. Federal regulations (OMB Uniform Guidance, 200.405(c)) state:

“Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons. However, this prohibition would not preclude the non-Federal entity from shifting costs that are allowable under two or more Federal awards in accordance with existing Federal statutes, regulations, or the terms and conditions of the Federal awards.”

Any over expenditures of a federal project should be resolved at the department level by charging other appropriate nonfederal funds, particularly 16 accounts or RARSP funds.

C. Journal Entry Explanation

General Error Corrections, Distribution of Income and Expense, and Adjustment/Accrual Vouchers must be accompanied by an explanation of:

1. Why the original entry needs to be corrected, if applicable
2. What is the purpose of the created document
3. Why the entry is appropriate to the project or account being charged

D. Journal Entry Back-up

The General Error Correction, Distribution of Income and Expense, and Adjustment/Accrual Vouchers must include back-up certifying that the adjusted transaction is correct and appropriate. If the General Error Correction, Distribution of Income and Expense, or Adjustment/Accrual Voucher includes a federally funded project, the entry must include back-up that states why the adjusted transaction is correct, appropriate and not an attempt to use remaining project funds or to move over expenditures to a federal project that has funding.

E. Journal Entry Requirements

It is important that a General Error Correction, Distribution of Income and Expense, and Adjustment/Accrual Voucher be processed promptly after the discovery of need. The following requirements apply:

1. For federally funded projects, contracts or agreements, the shorter of the time periods listed below applies. Incorrect charges which need to be transferred from a federal fund account after these time periods must be charged to other appropriate non-federal funds.
 - a) Corrections must be submitted within a 90 day period following the recording of the original charge.
 - b) Corrections must be submitted within a 60 day period following the end date of the project.
2. For non-federal funds, corrections submitted after a 90 day period following the recording of the original charge must include an explanation of the reason for the delay and flow through the approval process.
3. If the correction is after year end; an explanation why the correction was not made for year end purposes needs to be stated in the explanation.

F. Acceptable Criteria for a Correcting Journal Entry

A General Error Correction, Distribution of Income and Expense, and Adjustment/Accrual Voucher are warranted in the following circumstances:

1. When necessary to correct clerical and data entry errors.
2. When subsequent information is received indicating an incorrect original entry.
3. When it is impractical or impossible to allocate charges at the time of the original entry.
4. If authorized by the sponsor, charges applicable to a continuing project may be charged to the old account number if the new account number was not established when the expense was incurred
5. When pre-award costs previously authorized by the University sponsoring agency are moved from non-federal funds to a federally funded project, contract or agreement.
6. When required to properly charge nonfederal funds for costs incurred in connection with an award that fails to materialize.
7. When closely related work is supported by more than one funding source, costs may be transferred from the originally charged account to another account, provided the cost is a proper allowable charge to the receiving account and the interrelationship between the accounts is fully explained in the request. If an over expenditure is being transferred to another project, especially strong supporting evidence is required for approval.

G. Unacceptable criteria

Requests for the following types of changes will not be accepted:

1. When the change is for the purpose of utilizing unexpended funds of a federal award for reimbursement of cost.
2. When the change is for the purpose of circumventing award restrictions.
3. When the change is for the purpose of avoiding a cost overrun by charging another, unrelated federal agreement.
4. When explanation merely states "to correct error", "to transfer to correct account" or other similar insufficient reason or if the original document number is not attached or included.

5. When a change unrelated to sponsored agreements applies to a closed fiscal year.
6. When the amount involved is less than \$10 except that a sponsored project overspent by any amount must be cleared to a zero balance at close out.
7. Pre-award costs recorded on one federal project, contract or agreement may not be transferred to another federal project, contract or agreement.

H. Approval

Each General Error Correction, Distribution of Income and Expense, and Adjustment/Accrual Voucher is subject to approval by the workflow. The designees are listed below:

1. Changes to 53 accounts, sponsor via KFS funds should be approved through the Office of Sponsored Programs and in accordance with these procedures and specific procedures issued by that department.
2. Changes in payroll distribution for any type of salaried employee should be requested through Payroll and in accordance with procedures outlined in the Personnel/Payroll Manual.
3. Changes to Commercial Accounts Receivable should be requested through the Manager of Accounts Receivable and in accordance with procedures of that department.
4. Changes to Student Accounts Receivable should be requested through the Manager of Accounts Receivable and in accordance with procedures of that department.
5. All other changes should be subject to the workflow for approval.

I. Other Approvals

Other approvals may also be required depending on the fund group involved at the department level.

7. **Reference and Cross-References:** None.

8. **Forms and Tools:** None.