BUSINESS AND FINANCE DEPARTMENT
General Accounting

Effective Date: 11/15/2026

ACCOUNTS PAYABLE ACCRUAL POLICY

Policy Number	520-01
Approval Authority	Chief Financial Officer
Responsible Administrator	Controller
Responsible Office	Business and Finance
Policy Contact	Director of General Accounting

1.0 POLICY STATEMENT

Tennessee State University is committed to maintaining accurate and reliable financial records that reflect expenses in the fiscal year in which goods or services are received by the University.

The University will maintain fiscal year-end accounts payable accrual requirements to support proper expense cutoff, complete liability recognition, and reliable financial reporting.

Accounts payable accruals must be recorded for goods or services received by the University on or before June 30 when the related expense has not already been recorded in the fiscal year ending June 30.

Accruals must be supported by adequate documentation, reviewed before recording, and recorded in accordance with applicable year-end close requirements and materiality thresholds.

2.0 IMPORTANCE AND REASON FOR THE POLICY

Accounts payable accruals support accurate financial reporting by recognizing expenses and related liabilities in the fiscal year in which goods or services are received by the University.

The University establishes accrual requirements to support proper fiscal year expense cutoff, consistent year-end close practices, adequate documentation, and audit readiness.

This policy applies to fiscal year-end accounts payable accruals for goods or services received by

the University on or before June 30 when the related expense has not already been recorded in the fiscal year ending June 30.

It applies to University departments and offices involved in purchasing, receiving, invoice processing, accrual submission, accrual review, financial reporting, or fiscal year-end close.

3.0 DEFINITIONS

Accrual - The recognition of an expense or expenditure and related liability when goods or services are received or the obligation is incurred, regardless of when payment is made.

Accounts Payable - Amounts owed to vendors for goods or services received by the University but not yet paid.

Fiscal Year-End - The end of the University's annual operating and financial reporting period.

Invoice – A vendor request for payment for goods provided or services rendered to the University.

Liability – An obligation resulting from goods or services received by the University.

Reversal – An accounting entry recorded in a subsequent accounting period to reverse a previously recorded accrual.

4.0 POLICY

The following requirements guide the identification, submission, review, recording, and documentation of fiscal year-end accounts payable accruals.

A. Fiscal Year Expense Cutoff

June 30 is the fiscal year expense cutoff date. Goods or services received by the University on or before June 30, including the portion of services performed through June 30 for contracts or services that span fiscal years, must be evaluated for accrual when the related expense or expenditure has not otherwise been recorded in the fiscal year.

B. Fiscal Year-End Deadlines and Accrual Thresholds

For items subject to the fiscal year expense cutoff, the following fiscal year-end deadlines and accrual thresholds apply, unless otherwise communicated by Business and Finance:

Date or Period	Requirement
June 30	Fiscal year-end
July 1 through July 15	Accounts Payable will process invoices for goods or services received on or before June 30 using a June 30 accounting date, provided the expense has not already been recorded and the invoice is supported by sufficient documentation.
July 16 through July 31	Manual accruals are required for transactions of $50,000 or more when the goods or services were received on or before June 30 and the related expense has not already been recorded.
August 1 until financial statements are finalized	Manual accruals are required for transactions of $100,000 or more when the goods or services were received on or before June 30 and the related expense has not already been recorded.

The thresholds above establish the minimum requirements for manual accruals during fiscal year-end close. Business and Finance may record manual accruals below the stated thresholds when management determines that recording the accrual is necessary to support accurate financial reporting, proper expense cutoff, or other University financial reporting needs.

C. Department Submission Requirements

Departments are responsible for reviewing open purchase orders, contracts, receiving activity, unpaid invoices, and known goods or services received by June 30 to identify items that may require accrual.

Departments must submit an Accrual Request Form for goods or services received by the University on or before June 30 when the related expense has not yet been recorded in the fiscal year ending June 30.

Accrual Request Forms and supporting documentation must be submitted to Accounts Payable in the manner communicated by Business and Finance.

D. Documentation and Support

Each accrual request must be supported by sufficient documentation that allows the amount recorded to be traced to goods or services received by the University on or before June 30.

Supporting documentation may include an invoice, purchase order, receiving documentation, contract, vendor statement, departmental confirmation, or other reasonable support.

Documentation must identify the vendor, department, description of goods or services, accrual amount, and basis for the accrual. When the accrual amount is estimated, the documentation must describe the basis for the estimate.

E. Review and Recording

Accounts Payable and Business and Finance will review accrual requests for completeness, support, fiscal year cutoff, and applicable threshold requirements.

Approved accruals will be recorded in the fiscal year ending June 30 based on the best available documentation at the time of year-end close.

Accrual requests that are incomplete, unsupported, duplicative, or below the applicable threshold may be returned to the department for correction. When Business and Finance determines that an accrual is necessary to support accurate financial reporting, proper expense cutoff, or liability recognition, Business and Finance may record the accrual based on the best available information.

F. Reversal and Subsequent Invoice Processing

When an invoice is received for an accrued expense or expenditure, the invoice must be processed through the University's normal accounts payable process, and the related accrual must be reversed, verified as reversed, or otherwise cleared to prevent duplicate expense recognition.

Business and Finance will review accruals and subsequent invoice activity as part of year-end close and financial reporting procedures to reduce the risk of duplicate expense recognition or duplicate payment.

Differences between the accrued amount and the actual invoice amount must be reviewed and recorded as appropriate in the fiscal year identified by Business and Finance based on applicable year-end close and financial reporting requirements.

G. Records Retention

Accrual Request Forms, supporting documentation, approvals, accrual entries, subsequent invoice documentation, and related records must be retained in accordance with University records retention requirements and applicable audit requirements.

Records must be maintained in a manner that supports financial reporting, audit review,

and management inquiries.

H. Compliance

Noncompliance with this policy may result in additional review, required correction, training or guidance, changes to year-end close requirements, or other administrative action.

Material or recurring issues may be referred to Business and Finance for review, resolution, and appropriate corrective action.

5.0 AUTHORITY AND REFERENCES

This policy is administered in accordance with applicable accounting, audit, and University requirements governing financial reporting, expense recognition, liability recognition, accounts payable, fiscal year-end close, records retention, and internal controls, including but not limited to:

a. Governmental Accounting Standards Board standards and guidance, as applicable;

b. Generally accepted accounting principles applicable to governmental entities;

c. University policies and procedures governing accounts payable, procurement, receiving, financial reporting, records retention, and fiscal year-end close;

d. Applicable contracts, purchase orders, invoices, or other supporting documents; and

e. Applicable audit and financial reporting requirements.

6.0 HISTORY

N/A