**State of Tennessee**

**06/30/18**

**Procedures for Recording Accrued Liabilities**

Payables for goods or services that have been received on or before June 30 for which an invoice was not in hand in time to create an AP voucher with a June accounting date should be treated as accrued liabilities. The cutoff date to create AP vouchers for goods or services received in FY 2018 is July 9.

1. **Criteria For Establishing Accrued Liabilities**
2. No accruals are allowed for travel or utilities.
3. No accrual should be made for credit card processing fees. The Division of Accounts will record the necessary June 30 accrued liability for the credit card processing fees related to June activity.
4. If accruals are for capital assets, the state tag number(s) must be included in the supporting documentation.
5. The amount of the accrued liability must be the **actual cost** of the item or the best possible estimate available. An estimated accrual should have sufficient evidence supporting the calculation and its reasonableness, such as procedures or historical data used to arrive at the estimate. **Agencies that accrue incorrect amounts for accrued liabilities may be subject to audit findings.** If necessary, contact the supplier to obtain accurate accrual amounts.
6. Accrued liabilities may not exceed available contract balances. Contract amendments should be obtained for any liabilities that exceed the balance. The amount of the accrued liability established against a contract should represent the actual (or best estimate) amount due for goods or services rendered through June 30, not the balance remaining in the contract. The amount due and the contract balance may be the same, but an accrued liability should not be recorded simply because there is an available contract balance.
7. As a general rule, accrued liabilities against purchase orders may exceed the P.O. by 10% only. Any amounts in excess of the 10% will require a purchase order increase.
8. Accrued liabilities will not be established between state agencies (with the exception of component units), including any agency for which an AP voucher may be processed (e.g. TRICOR).
9. Any liabilities incurred for procurements properly and appropriately made by means other than a contract or purchase order should also be established as accrued liabilities.
10. Accrued liabilities are required to be established for any amounts of $5,000.00 or greater. However, agencies may establish accrued liabilities for items less than $5,000.00. The $5,000.00 amount is determined at the AP Business Unit level (first 5 digits of Dept ID).

 **Insufficient Allotment**

 Agencies having insufficient allotment availability to fund the expenditures related to accrued liabilities should obtain the approval of F & A Budget Division to exceed their allotment. If approval is not granted, a letter should be sent to Accounts giving the details of the liability and a statement that the allotment is insufficient to establish the liability. Please keep in mind when accruing for multiple departments within the same journal that a budget error for a single ten digit department ID will prevent the entire accrued liability journal from posting.

1. **ACCRUED LIABILITIES Requirements**

**Not following these requirements will result in a denial of the accrued liability journal entry.**

1. Accrued liability transactions are to be entered in Edison by creating a source **LA** journal entry.
2. Accrued liability transactions for payments made using control groups must be recorded on a separate source **LA** journal. For interfaced control groups or pre-approved FY 2019 AP vouchers $5,000.00 or greater processed for goods or services received on or before June 30, 2018, the agency should email the control group and/or pre-approved voucher IDs to Mike Jenkins (Michael.Jenkins@tn.gov) along with the service date and source LA journal IDs under which the AP vouchers were accrued.
3. The journal entry should be created so that it will automatically be reversed at the beginning of the next period that is open. (Click the “Reversal: Do not Generate Reversal” link on the journal header tab to indicate that the system should automatically create a reversing entry. A Journal Entry Reversal screen will appear. On this screen choose “Beginning of Next Period” under the Reversal section and then click “OK”. For the ADB Reversal section, “Same As Journal Reversal” should always be chosen. **PLEASE DO NOT CHOOSE AN ADJUSTMENT PERIOD WHEN CREATING A REVERSAL!**)

**The only time the automatic reversal feature for an accrued liability journal entry should not be used is when the expenditures being accrued will be charged to a different accounting string in the new fiscal year.** In this situation, a separate journal entry with a 07/01/2018 journal date will need to be created to record the reversal. The credit line(s) of this reversal should carry the accounting string(s) that will be associated with the payment of the accrued liability in the new year, and the long description for both the accruing and reversing entries should contain appropriate cross-referencing Journal ID information. Note: If the new accounting string to be charged includes a change to the fund or GL business unit, please contact the Division of Accounts for additional assistance.

1. The following chartfield account numbers should be used when entering the source LA journal entry lines:

Expenditure lines (normally debit): The account(s) that will be charged when the AP Voucher is created to record the payment in the new year.

Accrued liability lines (always credit): The applicable account from the following list should be used for each credit amount based on the entity for which the accrual is being processed:

34000000 Accrued Liabilities

34000001 Accr Liab-Due Other Govt (county, city, or other states)

36000040 Due to University of Tennessee

36000050 Due to Board of Regent Schools

36000061 Due to Community Srvc Agency

*Please note that there is only one official Community Services Agency (CSA) for the State of Tennessee, Tennessee Community Services Agency (TNCSA). If an agency is accruing for a payment to this supplier (Supplier ID 0000077334), account 36000061 should be used.*

The only chartfields to be populated on the credit line(s) are fund and account.

1. Accrued liability expenditures involving projects:

**IMPORTANT NOTE**: If project costing chartfields are used in the debit line(s), an analysis type of **YAE** **must be entered on the expenditure line only**. The use of analysis type **YAE** will result in the expenditure updating projects for reporting, but not billing, purposes. **Do not use YAE on the accrued liability line(s).** Generally, any source LA journal using the **YAE** analysis type will also require a source RA journal using analysis type YAR.

1. The journal entry long description should read as follows:

**To record accrued liabilities for goods or services received at June 30 per the attached schedule.**

1. When processing FY 2019 Edison AP vouchers for goods or services received on or before June 30, 2018, a corresponding source LA journal ID should be included in the Invoice Information tab Comments if the amount has been accrued. **The journal ID should be an exact replica of the journal ID from Edison, no more or no less.** If more than one journal ID needs to be included, the journal IDs should be separated by a comma with no spaces. Any agencies that are already utilizing the Invoice Information tab Comments on an AP voucher for other purposes should now move those comments to the Payments tab Payment Comments.

If an AP voucher is being processed in FY 2019 for FY 2018 goods or services and the corresponding accrued liability journal has yet to be processed, the phrase “LA journal pending” should be entered in the Invoice Information tab Comments. After the accrued liability journal has been processed, the Invoice Information tab Comments should be updated to reflect the source LA journal ID.

1. **SUPPORTING DOCUMENTATION REQUIREMENTS**
2. A supporting Detailed Schedule of Accrued Liabilities is required to be attached with each accrued liability journal dated June 30. Reversal journals automatically created by the system do not require support.
3. The required format for this schedule has been attached (Exhibit I). **The supporting Detailed Schedule of Accrued Liabilities should be attached to the journal as an Excel file. If the schedule is not attached as an Excel file, the journal will be denied.**
4. This schedule requires the following to be detailed for each accrued liability that is being recorded:
5. Supplier: Suppliers should be grouped on the Detailed Schedule based on the entity for which the accrual is being processed and the liability accounts being used from section II, letter D on page 3 of the instructions. The Supplier Name on the Detailed Schedule should mimic how the Supplier Name is listed in Edison.
6. Accrued liability/Due to Account: The credit account being used in the journal based on the entity for which the accrual is being processed **(REFER TO SECTION II, LETTER D ON PAGE 3 OF THE INSTRUCTIONS).**
7. Amount: **This column needs to be totaled**.
8. Funding sources: These should be reported both as a percentage and dollar amount under the appropriate funding source column. The amount in the total dollars column must always equal the amount column. **All columns with dollar amounts need to be totaled.**

If a percentage and dollar amount greater than zero has been entered in the “Federal or Other Outside Revenue” or “Current Services Revenue” funding source columns, this Detailed Schedule will also be used as support for the corresponding accounts receivable against accrued liabilities journal entries (refer to the Procedures for Recording Accounts Receivable documentation).

If a percentage and dollar amount greater than zero has been entered in the “Other State Agency” funding source column, follow the procedures detailed in the separate instructions **Accrued Liabilities Funded by Other State Agencies.** Accruals funded by other state agencies will require an interfund payable/receivable source IU journal to be processed.

1. A Detailed Schedule of Accrued Liabilities Completion Checklist (Exhibit II) is required to be submitted with each accrued liability journal. This checklist should not only be signed by the employee completing the checklist but also **MUST** be signed and dated by a Controller or Fiscal Officer certifying that he/she has reviewed the Detailed Schedule and the accrued liability journal has been properly recorded.
2. If the supplier is a component unit (for example, a college or university), a Component Unit Template must be completed and attached as documentation for the accrued liability journal. This template will assist in reconciling Due To/Due From transactions to the proper institution/school within the UT and TBR systems for CAFR reporting purposes.

 **State of Tennessee**

**06/30/18**

**Procedures for Recording**

**Accrued Liabilities Funded by Other State Agencies**

The following procedures should be followed when one agency establishes an accrued liability that is funded by another state agency.

Interfund payables/receivables, as well as expenditures and inter-departmental revenue, will be recorded. This will result in the correct accounting in the accounting ledgers and grant files. **Please remember that Policy 18 applies when establishing an interfund payable/receivable.**

1. **Billing Agency**
2. Establish the accrued liability according to the regular procedures for accrued liabilities.
3. Initiate an Inter/Unit journal dated June 30 for the amount to be funded from the other state agency by debiting account 130000XX or 14030001 (see EXHIBIT III) and crediting account 68090000. The Inter/Unit journal should be created so that it will automatically be reversed at the beginning of the next period that is open. (Click the “Reversal: Do not Generate Reversal” link on the journal header tab to indicate that the system should automatically create a reversing entry. A Journal Entry Reversal screen will appear. On this screen, if July is open, choose “Beginning of Next Period” under the Reversal section and then click “OK”. If July is not open, choose “On Date Specified by User” under the Reversal section and populate the Reversal Date field with the first day of an open current fiscal year period. For the ADB Reversal section, “Same As Journal Reversal” should always be chosen. **PLEASE DO NOT CHOOSE AN ADJUSTMENT PERIOD WHEN CREATING A REVERSAL!**)

 **IMPORTANT NOTE:** If project costing chartfields are used, an analysis type of **YAR must be entered on the revenue line only.**

1. Attach a copy of the Inter/Unit journal to the related accrued liability entry.
2. Attach a copy of the Detailed Schedule of Accrued Liabilities as support for the Inter/Unit journal.
3. The long description of the Inter/Unit journal should reference the accrued liability journal ID for which the interfund payable/receivable is being processed.
4. Notify the paying agency that the Inter/Unit journal is ready to be worked.
5. After the accrued liabilities have been paid in fiscal year 2019, follow normal procedures to bill the other agency using an Inter/Unit journal.
6. **Paying Agency**
	1. Complete the Inter/Unit journal created by the billing agency by debiting the appropriate expenditure account(s) and crediting 360000XX (see EXHIBIT III).

 **IMPORTANT NOTE:** If project costing chartfields are used, an analysis type of **YAE must be entered on the expenditure line only.**

* 1. Use regular procedures to establish any necessary Accounts Receivable at 06/30/18 to fund this interfund payable/receivable.