PLANS OF FINANCIAL ADJUSTMENT 8452

(Renumbered from 8456 12/89)

A Plan of Financial Adjustment (PFA) is a formal plan whereby any state agency, which is supported by more than one fund or appropriation, may make financial adjustments between funding sources for services rendered, supplies used, or for a proper proportion of other expenses.

A PFA eliminates the use of multiple claim schedules for an invoice or payroll charge applicable to more than one fund or appropriation. In using PFA, expenditures which are chargeable to more than one fund or appropriation are paid from only one of the funds or appropriations. The fund or appropriation making the payment is reimbursed by the other funds or appropriations through a written request for a transfer of expenditures (financial adjustment) to SCO. Upon receipt of the request for financial adjustment, SCO will make the transfer of expenditures by Controller's Journal Entry or Controller's Transfer. Transfers of the former type are for adjustments between appropriations from the same fund while the latter type are for adjustments between appropriations of different funds. See SAM Section 8715 for accounting for PFA.

PFA are not intended to be a means of providing working capital advances, or overcoming cash flow problems nor are they to be used to distort interest earnings or potential interest earnings between funds. Transfers (financial adjustments) are to be made on a monthly basis. Transfers of financial adjustment between funds will be made on an estimated basis when a material interest earnings loss will occur in the fund from which payments are made.

Departments are required to maintain separate accountability for each fund and/or appropriation covered by the PFA. This is a basic fundamental of governmental accounting. See SAM Section 8715. Funds and appropriations require separate accounting by law and approval of a PFA in no way changes this requirement. PFA, related transfers, and detail supporting transfers are subject to audit by the Office of the Auditor General and SCO, Division of Audits.