PLANS OF FINANCIAL ADJUSTMENT **8452**
(Revised 5/2015)

A Plan of Financial Adjustment (PFA) is a plan proposed by a state department, approved by the Department of Finance (FINANCE) and the State Controller's Office (SCO), to allocate costs paid from one fund or appropriation to other funds or appropriations. For example, a department might pay all administrative costs out of its main fund and then transfer the applicable costs to the correct funds or appropriations for their share of the total costs paid. If approved, the SCO transfers the funds as prescribed in the PFA. See SAM section 8452.2 for Approval of Plan of Financial Adjustment.

A PFA eliminates the use of multiple claim schedules for an invoice or payroll charge applicable to more than one fund or appropriation. PFAs are used for transfer of expenditures (financial adjustment) between appropriations of the same fund or between appropriations of different funds. The state department will provide SCO a Transaction Request, Form CA 504, which transfers expenditures in accordance with the department's approved PFA letter. The SCO will notify departments by a Journal Entry of the transfers. See SAM section 8715 for accounting treatment of PFAs.

PFAs will not be used to: provide working capital advances, overcome cash flow problems, or distort interest earnings between funds. Generally, financial adjustments are made on a monthly basis but could be more frequently if needed. Transfer of expenditures 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.

In accordance with law and principles of governmental accounting, departments are required to maintain separate accountability for each fund and/or appropriation covered by the PFA. All PFA expenditure transfers and supporting documentation are subject to audit by the California State Auditor's Office and SCO, Audits Division.