

UC Santa Barbara
Policies

Policy 5110

Issuing Unit: Administrative Services

Date: January 1, 1986

EXPENDITURE ADJUSTMENTS (COST TRANSFERS)

I. REFERENCES:

- A. Office of Management and Budget, Circular A-21, Cost Principals for Educational Institutions.
- B. DHHS Grants Administration Manual, Chapter 6-05, Cost Transfers.
- C. University of California Accounting Manual: Chapter P-196-13, Payroll: Attendance, Time Reporting and Leave Accrual Records.
- D. University of California Business and Finance Bulletins A-47, University Direct Costing Policy; A-53, Official Documentation Required in Support of University Financial Transactions; G-6, Substantiating of Salary and Wage Charges to U.S. Government Contracts and Grants.
- E. University of California Payroll/Personnel System User Manual, Section V-A, Expenditure Transfer.
- F. UCSB Policies Manual, Policy 5115, Adjusting Expenditures.

II. POLICY:

It is University policy that costs be charged directly to the account/fund to which they pertain. It is recognized, however, that expenditure adjustments are occasionally necessary to correct book keeping or clerical errors in the recording of original charges.

It is also recognized that closely related work may be supported by more than one funding source and that in such cases an expenditure adjustment of costs from one funding source to another may be proper. However, departments should avoid frequent, tardy, and unexplained (or inadequately explained) expenditure adjustments, particularly where they involve Federal account/funds with budget overruns or unexpended fund balances. Such adjustments raise serious questions about the propriety of the adjustments themselves as well as the overall reliability of the University's accounting system and internal controls. Further, the University could be subject to audit disallowances.

The late receipt of a fully signed contract or grant document is not an acceptable reason for expenditure adjustments. The incurrence of necessary preaward expense should be made only under the campus advance expenditure procedures or with the written approval of funding agencies.

A. Conditions Under Which Expenditure Adjustments are Appropriate:

Once an expense entry has been recorded in an account/fund/subaccount/object in the Distribution of Payroll

Expense Report (PPP5302) or the Department Report of Appropriations and Expenditures (GL060), expenditure adjustments are appropriate only in the following situations:

1. To correct an erroneous recording such as when the original source documents(s) (e.g., invoice, payroll, purchase order) cited an incorrect account/fund/sub/object).
2. To record a change in original decisions as to the use of goods or services (e.g., a case of beakers originally ordered for and charged to a teaching program may be subsequently transferred to a research project). In requesting an expenditure adjustment, a unit administrator should bear in mind that the original recording was duly certified as proper and legitimate against the account/fund cited; this original certification is now being invalidated and a new certification is being made that the second account/fund is the correct one to charge.
3. To redistribute certain high numerical but small individual and minor charges, such as copy machine rental and paper costs, telephone charges, mailing charges, or office supplies, that are billed to departmental accounts/funds but a portion of which may apply to other activities/projects/funds under the jurisdiction of a department. If this type of expenditure adjustment is identifiable as an entry on the Departmental Report of Appropriations and Expenditures (GL060), reference is required to the original document(s). If not identifiable, departments must maintain internal records/log of such usage to support the adjustment, and provide accounting with the details of the calculation of unit costs (such as xerox copies).
4. To change unrestricted (non-federal) fund sources due to late budget allocations.

B. Expenditure Adjustment Criteria:

1. Adjustments (cost transfers) involving restricted funds (i.e., extramural funds provided under a gift, endowment, grant or contract for a specific purpose) must meet all of the following tests:
 - a. It must relate to individual items of expenditures (e.g., a cylinder of oxygen or fraction thereof, two hours of secretarial time) incurred by the unit requesting the adjustment. The number of units and unit cost must be identified.
 - b. It must be in the same amount originally recorded in the general ledger of the University (i.e., the whole amount or the appropriate fraction charged to or paid by the unit requesting the adjustment).
 - c. It must be fully explained, justified, and approved by appropriate authorized officials to ensure propriety, especially for audit purposes. An explanation that merely states that the adjustment is

being made "to correct an error" or "to transfer to correct project" is not sufficient. In the case of an adjustment to correct an error, the explanation should state how the error occurred. In the case of an adjustment to transfer costs for closely related work between funding sources, the explanation should state how the costs will benefit the funding source receiving the transferred costs.

- d. It must be recorded via the appropriate form (such as the Payroll Expenditure Transfer, Non-payroll Expenditure Adjustment Request or Financial Journal).
- e. It must be in compliance with applicable campus and systemwide policies and terms of funding source agreements.
- f. It must be recorded in the general ledger within 120 days of the original charge. If because of unavoidable circumstances an adjustment has to be made beyond the 120-day period, a full explanation including a well-documented account of all the events leading to the tardy adjustment must be provided.
- g. It must include certification and approval signatures of the principal investigator, department head, or other academic official.

2. Adjustments between unrestricted University funds must, at a minimum, meet the requirements in items b, c, d, and e above.

C. Responsibility for Review and Approval of Expenditure Adjustments:

1. The Accounting Office is responsible for the review and approval for processing of expenditure adjustments.
2. The ultimate responsibility for compliance with the requirements of this Policy and Policy 5115 rests with the principal investigator or department chair of the unit concerned.

For questions or comments regarding the format of the above information, please contact webcontact@ucsbuxa.ucsb.edu.

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