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**Note: For links to referenced documents see  
 Section VI, *Related Information*, below.**

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## **I. POLICY SUMMARY**

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### **Decentralization and Effect on UC Agriculture and Natural Resources**

Financial processing for the University of California's (UC's) Agriculture and Natural Resources (ANR) has been decentralized with responsibility for accurate financial processing and information being assumed by operating units. The accounting for the various UC ANR operating units is done at the Berkeley (J), Davis (L), and Riverside (N) campuses. All policies of the funding agency and the University and procedures of the appropriate campus accounting office must be followed. Since these procedures vary from campus to campus, this document will not address individual campus procedures for processing, but will refer to various manuals for specific instructions and will discuss specific UC ANR policies and procedures only when they are more stringent than those administered by the campuses. If at any time the policies or procedures indicated here appear to be in conflict with campus policies and procedures, please notify the Resource Planning and Management Director.

Financial training workshops to assist unit personnel in carrying out their responsibilities are periodically available on each campus and throughout UC ANR.

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## **II. DEFINITIONS**

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Not used.

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## **III. POLICY TEXT**

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### **A. Financial Adjustments**

1. It is University policy to charge expenses directly to the account/fund to which they pertain. It is recognized, however, that expenditure adjustments are occasionally necessary to correct bookkeeping or clerical errors in the original accounting entry/transaction. 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 account/funds with significant cost overruns or unexpended fund balances.
2. Conditions Under Which Expenditure Adjustments Are Appropriate  
Once an expense entry has been entered in the accounting system and recorded in an account / fund / sub-account / object in the Distribution of Payroll Expense Report or the General Ledger - Expenditures, it is appropriate to make expenditure adjustments in the following situations:

- a. To correct an erroneous recording, such as when the original source document(s) (e.g., invoice, payroll, purchase order) cited an incorrect account / fund / sub-account / object.
  - b. 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 training program may be subsequently transferred to a research project). The request for an expenditure adjustment certifies that the original charge is now invalidated and that the second account/fund is the correct one to charge.
  - c. To redistribute certain high numerical but small individual and/or incidental 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 General Ledger-Expenditures, reference is required to the original document(s). If not identifiable, departments must maintain internal records/logs of such usage to support the adjustment.
3. Federal and University regulations require strict documentation and justification for such transfers and the criteria is set forth in the following campus policy manuals:
- UCB Cost Transfers/Expenditure, Revenue and Balance Sheet Adjustments
  - UCD Policy and Procedure Manual Section 330-63, Expenditure Adjustments (Cost Transfers)
  - UCR Policies and Procedures Section 200-50, Cost Transfers

(For links refer to Item VI, *Related Information*.)

The University's payroll and personnel System (UCPATH) uses Direct Retro (DR) function to make changes to payroll distribution. Each campus accounting system has functionality to record transfers of expenditures from one account to another. For example, the UC Davis Kuali Financial System (KFS) uses the following functions for this purpose: Distribution of Income and Expense, General Error Correction, and Journal vouchers.

4. In addition, certain service departments such as the campus storehouse provide goods and services to campus departments and their costs are "recharged" to the receiving department. Also, some departments provide such services to their various projects or accounts. Any department requiring the use of recharge must obtain approval by the campus administration. The billing may be done either via

an automated billing system or use of an "Interdepartmental Order and/or Charge" form.

5. Adjustments can also be made by the campus accounting office, Financial Services, or Resource Planning and Management by use of a properly documented financial journal.

## **B. Review of Ledgers and Payroll Reports**

### 1. Ledgers

The monthly General Ledger-Expenditures should be reviewed in a timely manner to ensure the accuracy of transactions recorded. Monthly reports should be provided to the principal investigators if applicable. It is important that ledgers be reviewed promptly and adjustments made immediately as University policy requires any adjustments to be reflected in the ledgers within 120 days of the original charge.

### 2. Payroll

The monthly Distribution of Payroll Expense Report (DOPE report no longer exists; it has been superseded by a UCPATH report) should likewise be reviewed in a timely manner to ensure the accuracy of transactions recorded. Monthly reports should be provided to the principal investigator if applicable. Again, adjustments should be made quickly so that they are reflected in the ledgers within 120 days of the original charge.

### 3. Funding

Monthly reviews should be made regarding the current and projected year-end status of each account/fund source. Any overdrafts should be cleared promptly by appropriate adjustments in expenditures or appropriations.

### 4. Documentation

The monthly reviews indicated above should be performed by someone other than the person initiating the transactions and must be documented with the signature and date of the person performing the review.

## **C. USDA Federal Appropriated Funds**

### 1. General Information

United States Department of Agriculture (USDA) federal funds are allocated to state land-grant universities in accordance with the provisions of various federal acts and agency regulations. The federal fiscal year is October 1 through September 30. Once the USDA appropriation bill for a fiscal year is signed by the President, each state is advised of the amount to which it is entitled under the provisions of the various acts. USDA regulations require certain recipients to

provide from non-federal funds, a specific amount to offset or match the federal allocations.

- a. Offset funds are non-federal funds committed to general support for programs in a related discipline. As an example, offset for Animal Health funds must be spent in general support of Animal Health research. The offset for Extension Service Smith-Lever funds are to be spent in general support of Cooperative Extension work. UC ANR more than meets the offset requirements through its total expenditure of state funds in support of both research and extension.
- b. Matching funds are non-federal funds which must be spent in support of a specified project and must be uniquely identifiable. These funds can be expended over the full period of the project. UC ANR uses the UC Davis "Cost Share Application" to document matching expenditures for grants and special projects. Tracking, reporting, and approval of cost shared expenses are *shared* responsibilities among principal investigator, department administrator (fiscal officer/account delegate/account associate), and Contracts and Grants Accounting (CGA fund manager).

## 2. Cooperative Extension Funds - Guidelines and Reporting

- a. The basic guidelines for allowable expenditures and use of Extension Service federal funds by UC ANR are contained in the National Institute of Food and Agriculture (NIFA) Federal Assistance Policy Guide, Section VI, Allowable Costs.
- b. Annual Budget Report

The University is notified by the USDA of the amount of capacity grants appropriated. There is a separate letter for each fund.

No audited budget report is submitted for these funds as a whole; rather funds are to be spent in support of cooperative extension activities and are subject to the Agricultural Research, Extension, and Education Reform Act of 1998 (AREERA) requirements.

Funds are budgeted on the UC ANR ledgers for approved projects using transfers of funds.

County Budgets: As mentioned in the UC ANR Policy and Procedure Manual, Section 205-IV.A., Resource Planning and Management annually requests each county to prepare a budget for county provided support.

- c. Annual Expenditure Report (SF-425)

The Extension Service Annual Financial Report summarizes expenditures for all funds authorized by the Extension Service including formula and special project funds, as well as state, county, non-tax and other federal agency

funds. Expenditures for all funds except county funds are reported in accordance with the University ledger through September 30 and may include valid encumbrances and accruals chargeable to the reported federal fiscal year. The report is due approximately April 1 of each year.

To prepare the Annual Financial Report Financial Services requires the following reports from the units:

- i. Adjustments or Accruals: Financial Services requires departments to submit and maintain documentation for all necessary adjustments and accruals to expenditures.
- ii. County Expenditures: As mentioned in the UC ANR Policy and Procedure Manual, Section 205 -IV.B., Financial Services annually requests each county to prepare a report of actual expenditures for county provided support.
- iii. Cost Sharing Contribution Reports (UFIN 118): Expenditures of non-federal matching funds are reported for any Extension Service project which required matching during the federal fiscal year.

d. Non-Financial Reporting

Various non-financial (technical) reports are prepared and submitted to the USDA throughout the year by the Office of Program Planning and Evaluation (OPPE) or the principal investigators. These include the Federal Plan of Work, the Annual (Accomplishment) Report, client contact reports, periodic project status reports and other reports as required by the Extension Service.

Technical reports may be reviewed during federal audits, to ensure that federal reporting deadlines and program requirements have been met. Departments which submit technical reports directly to the USDA are responsible for maintaining documentation to prove that applicable federal requirements have been met.

3. Agricultural Experiment Station Funds (AES) Capacity grants - Guidelines and Reporting

- a. The federal AES capacity grants include Hatch Act, Hatch Act - Regional Research, McIntire-Stennis, and Public Law 95-113 -- AES -Animal Health and non-AES Animal Health. In addition to the National Institute of Food and Agriculture (NIFA) Federal Assistance Policy Guide, there are individual USDA AES administrative manuals for each of the fund types which provide guidelines on allowable expenditures and use of AES federal funds by UC ANR. These administrative manuals are available in the Dean's offices, OPIA, Resource Planning and Management, Financial Services and the campus accounting offices.

b. Annual Budget Report

The University is notified by the USDA of the amount of capacity grants appropriated. There is a separate letter for each fund. For Hatch Act and McIntire-Stennis this notification is sent to the University mid-November to mid-December of the affected fiscal year, while the Animal Health letter is sent mid-January to early February of the affected fiscal year.

No audited budget report is submitted for these funds as a whole; rather funds are only allowed to be spent on projects which have been approved by the USDA via technical reports submitted by OPPE.

Funds are budgeted on the UC ANR ledgers for approved projects using transfers of funds.

c. Annual Expenditure Report (SF-425)

A Federal Financial Report (SF-425) is prepared by Financial Services. The due date is December 31, approximately 90 days following the end of the federal fiscal year. This report includes total expenditures for each formula fund authorized by AES, as well as the required state offset funds.

d. Non-Financial Reporting

Various non-financial (technical) reports are prepared and submitted to the USDA throughout the year by OPPE or the principal investigators. These include the USDA Research Work Unit/Project Description - Research Resume (AD-416), the Classification of Research (AD-417), the Research Funds and Staff Support (AD-419), the Progress Report (AD-421), and other reports as required by the Cooperative State Research Service.

- e. Technical reports may be reviewed during federal audits, to ensure that federal reporting deadlines and program requirements have been met. Departments which submit technical reports directly to the USDA are responsible for maintaining documentation to prove that applicable federal requirements have been met.

**D. Contracts and Grants - (Also See Section 264)**

1. Contract and Grants Offices

University policy requires that all proposals for funding of research, training, and public service projects be submitted to the funding agency or organization only by specifically authorized individuals, similarly, contracts be executed and grants be accepted only by specifically authorized individuals. The Vice President has been delegated responsibility for administering the UC ANR contracts and grants program. This authority has been re-delegated to the Associate Vice President--Business Operations (AVP-BO) and the Contracts and Grants Director.

Similar delegations of authority have been made to campus contracts and grants officers for certain projects, such as those under the Agricultural Experiment Stations, which are administered by campus personnel.

2. Proposals for Research and Training Projects

Proposals are considered potential legal and financial commitments made by the University of California to funding agencies. The legal corporate name of the University is "The Regents of the University of California," and all legal documents, such as proposals, contracts, and grants, must be in the corporate name. As such, proposals must be reviewed and approved by appropriate UC ANR and University staff before a proposal may be submitted on behalf of the University of California. Guidelines for proposal preparation are shown in the UC ANR Policy and Procedure Manual Section 264 or in campus sponsored research manuals.

3. Accounting for Research and Training Projects.

In addition to the general University rules relating to the administration and disbursement of funds, the federal government (and other sponsoring agencies) have specific rules regarding allowable and unallowable costs. For reference purposes, the following source documents give further information:

- UC ANR Policy and Procedure Manual (PPM) Section 264, Contracts and Grants for Research, Training and Public Service Projects
- UCB Contracts and Grants Accounting
- UCD Policy and Procedure Manual Section 330-31, Administration of Contracts and Grants Projects
- UCR - Policy and Procedure Manual, Section 200-46, Federal Contract and Grant Administration - Compliance with Federal Policies
- USDA, National Institute of Food and Agriculture (NIFA) Federal Assistance Policy Guide
- 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards)

(For links refer to Item VI, *Related Information*.)

## **E. Records Management**

1. The primary objectives of the Records Management Program of the University are: to assure economy and efficiency in the creation, organization, maintenance, use, and retrieval of administrative records; to promote sound records management practices; to establish and monitor a program of records disposition; to assure the protection of vital records; to assure the preservation of

records of historical importance; and to assure compliance with laws governing privacy of and access to records.

2. Records can also be stored digitally on various media or in “the cloud”. If using media, use widely acceptable media that has technological longevity. Cloud storage by third parties will involve additional costs. Ensure that access procedures are widely distributed and access software is continually updated.

Detailed information relating to the retention, disposition, and disclosure of information in such records is covered in the following manuals:

- UC ANR PPM Section 402, Records
- UCB Records Retention
- UCD - Policy and Procedure Manual, Section 320-10, Records Management Program
- UCR - Policy and Procedure Manual, Section 800-75 Records Management
- USDA, National Institute of Food and Agriculture (NIFA) Federal Assistance Policy Guide, Section V.L.

(For links refer to Item VI, *Related Information*.)

3. The director or manager of each department is responsible for assigning one individual to monitor the review, retention, and disposition of records in accordance with University policy.
4. All records should be appraised in relation to their purpose, period of usefulness, and value to a department. Records that are retained should have administrative, legal, fiscal, research, or historical value.

- a. Administrative Purpose

Records created for accomplishing departmental responsibilities have administrative value as long as they assist the office to perform current or planned activities.

- b. Legal Purpose

Records have legal value if they contain evidence of legally enforceable rights or obligations of the University, or constitute items to fulfill legal requirements. Examples are records that provide the basis for actions such as legal decisions and opinions; documents representing agreements such as leases, deeds, and licenses; and records of action in particular cases such as claim papers and legal dockets.

c. Fiscal Purpose

Records of fiscal value are those that pertain to financial transactions such as budgets, ledgers, payrolls, and vouchers. After records have served their basic administrative function, they may still have sufficient fiscal value to justify their retention for a time to assist the office in accounting for the expenditure of funds. For audit and reference purposes, departments should retain an approved copy of all financial documents forwarded to the Campus Accounting Office.

d. Research, Historical, or Archival Purpose

Some records have enduring value to the University because they reflect significant historical events or document the history and development of an office.

5. The length of retention for various records varies with the type of record and the office of record and the University's Records Disposition Schedules should be followed. As a general rule, a retention period for routine departmental financial documents of five years after the end of the fiscal year or the end of the contract or grant is usually sufficient (the campus accounting office is the office of record for most financial documents).

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## **IV. COMPLIANCE / RESPONSIBILITIES**

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### **A. Fiduciary Responsibility**

1. Funds are provided to the University by various federal, state, and local agencies and also by private foundations, organizations, and individuals for educational public service and research purposes. Some of the funds are given for general use and some for very specific purposes. It is the responsibility of the University to assure that the funds are expended in accordance with the rules of the sponsor and for the purposes specified when funds are provided to the University.
2. The primary responsibility for proper use of funds is vested in the department head of each unit, or principal investigator in the case of individual contracts or grants. Accordingly, this person should be, or make certain an appropriate staff member is familiar with the financial policies and regulations of the sponsor providing the funds. If this responsibility has been delegated, the required campus forms for delegating responsibility and signature authority must be prepared. In addition, other offices such as Accounting, Purchasing, Internal Audit, etc., have a secondary responsibility to assure University compliance with all applicable policies, procedures, and regulations.

3. Failure to comply with all applicable policies, procedures, and regulations may result in disallowances and penalties for the University department and/or the Division.

## **B. Budgetary Responsibilities**

### **1. Annual Budget Process - Basic Support**

The purpose of the UC ANR workplan/budget proposal process is to allocate available UC ANR resources to address problems in current and emerging issues of public concern while maintaining the core of UC ANR disciplines, facilities, and subject matter competencies. The UC ANR workplan/budget proposal process is an opportunity for each Dean, Statewide Special Program/Project Director, and Unit Director to examine and evaluate their respective unit's programs and activities in the context of UC ANR program directions and strategic priorities. One of the outcomes of the process is to efficiently allocate UC ANR funds by identifying and exploiting comparative advantage opportunities among the campuses and programs in attaining the goals and objectives of UC ANR.

Within this framework, the Vice President, Associate Vice Presidents, Vice Provosts, and each Dean, and Director submit workplans/budget proposals to the Vice President regarding the level of funding for each of their units for the upcoming fiscal year. Workplans/budget proposals are initially reviewed by the Resource Planning and Management analysis team; further review and analysis may be provided by Program Council and Administrative Review Group. Overall coordination of analysis teams is the responsibility of the Associate Vice President—Business Operations and the Associate Vice President. Upon concluding the initial review and analysis of the workplans/budget proposals, the Associate Vice President--Business Operations in consultation with the Associate Vice President, prepares a preliminary budget proposal for the Vice President's approval.

The workplan/budget proposals are reviewed in the context of UC ANR program directions and strategic priorities. Budget allocation letters reflecting the outcome of the review process and these meetings are targeted for issuance in July. The allocations may be both permanent and temporary.

### **2. Permanent Budget**

The permanent budget refers to the approved annual year-to-year continuing budget of each unit. It provides the authorized funding level for staff and support costs for the various units or departments. Any authorized adjustments are expected to continue unless conditions change.

3. Temporary Budget

Temporary budget allocations or adjustments are effective only in the fiscal year in which they are made. They do not establish a continuing commitment, but do provide management with the necessary flexibility to respond to situations that are unique to a given fiscal year.

4. Budget Adjustments

Changes between sub-accounts and other adjustments to the departmental annual budget may be initiated by units through local and interlocation transfer of funds (Form UFIN 1520 and 1520 I/C) and may be either permanent or temporary. Information about different levels of approvals required for the various types of adjustments and instructions are provided in:

- UCOP Systemwide Budget Manual
- UCB Cost Transfers/Expenditure, Revenue and Balance Sheet Adjustments
- UCD Policy and Procedure Manual Section 330-63, Expenditure Adjustments (Cost Transfers)
- UCR Policies and Procedures Section 200-54, Interlocation Transfer of Funds

(For links refer to Item VI, *Related Information*.)

5. Staffing Lists

Periodically the campus accounting office issues staffing lists which show authorized and filled salary roll term positions for academic (sub-account 0) and staff (sub-account 1) personnel. The purpose is to assist the departments and the University in maintaining budgetary control. These are sent to campus officers, certain regional offices, and Resource Planning and Management for review and corrective action if necessary.

6. Extramural Funds (Contracts, Grants, Donations, etc.)

These funds are generally considered temporary and often are referred to as "non-budgeted" funds by budget personnel. For these funds, the budgets are established by the local accounting office based upon the award document instructions. All budget adjustments involving contracts and grants administered by UC ANR must be approved by the Contracts and Grants Director.

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## **V. PROCEDURES**

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The University is responsible and accountable for the manner in which funds are used. Expenses should be charged directly to the funds to which they pertain. To support the propriety of the expense and maintain the validity of certifications required, care must be exercised to ensure that the expense is allowable under the terms and conditions of the

funding source. Once ruled allowable, the costs should be classified by the selection of the appropriate object codes (generally assigned by the local accounting office). Object codes are a refinement of the nature or object of expenditure within the account/fund/sub.

Financial reports and statements are often prepared from the summary of object codes. Therefore, it is critical that each expense is classified properly.

UC ANR follows the applicable University and campus regulations for disbursement of funds.

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## **VI. RELATED INFORMATION**

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### **UC Office of the President (UCOP)**

- [UCOP Systemwide Budget Manual](#)
- [UCOP Forms to Adjust Payroll and Non-Payroll Entries](#)
- [UCOP Interlocation Transfer of Funds](#)
- [UCOP Records Management Program](#)

### **UC Agriculture and Natural Resources (UC ANR)**

- [UC ANR PPM Section 264, Contracts and Grants for Research, Training and Public Service Projects](#)
- [UC ANR PPM Section 402, Records](#)

### **UC Berkeley Campus (UCB)**

- [UCB Accounting and Controls](#)
- [UCB Contracts and Grants Accounting](#)
- [UCB Cost Transfers/Expenditure, Revenue and Balance Sheet Adjustments](#)
- [UCB Cost Sharing Contribution Report](#)
- [UCB Records Retention](#)

### **UC Davis Campus (UCD)**

- [UCD PPM Section 320, Records and Archives](#)
- [UCD PPM Section 330-31, Administration of Contracts and Grants Projects](#)
- [UCD PPM Section 330-63, Expenditure Adjustments \(Cost Transfers\)](#)

### **UC Riverside Campus (UCR)**

- [UCR PPM Section 200-46, Federal Contract and Grant Administration - Compliance with Federal Policies](#)
- [UCR PPM Section 200-50, Cost Transfers](#)
- [UCR PPM Section 200-54, Interlocation Transfer of Funds](#)
- [UCR PPM Section 800-75 Records Management](#)
- [UCR Electronic Discovery and Data Preservation](#)

### **Other**

- [USDA National Institute of Food and Agriculture \(NIFA\) Federal Assistance Policy Guide](#)
- [USDA Annual Expenditure Report, Standard Form 425, Federal Financial Report](#)
- [USDA Annual Expenditure Report, Standard Form 269, Financial Status Report](#)
- [Non-Financial Reporting](#)
- [e-CFR Title 2 Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#)

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## **VII. FREQUENTLY ASKED QUESTIONS**

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Not used.

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## **VIII. REVISION HISTORY**

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**October 2017:** Format updated.

**August 2021:** Content updated, format updated, links corrected.