

OREGON ACCOUNTING MANUAL

SUBJECT: Accounting and Reporting

Number: 20.40.00

DIVISION: Chief Financial Office

Effective date: July 1, 2012

Chapter: Budgetary Accounting and Reporting

Part: Reduction of Expense

Section:

APPROVED: George Naughton, Chief Financial Officer

Signature on file

PURPOSE: This policy provides guidance on proper use of reduction of expense.

AUTHORITY: **ORS 291.015**
ORS 291.232
NCGA Statement No. 1
GASB Statement No. 42

APPLICABILITY: This policy applies to all state agencies included in the State's annual financial statements, except for those agencies specifically exempted by [OAM Policy 01.05.00](#).

POLICY:

101. Agency management must ensure the proper use and reporting of reduction of expense.
102. In order to ensure the fair presentation of program costs in financial and budgetary reports, use reduction of expense only when doing so will not distort true program costs.
103. The legislatively **approved budget** represents the maximum amount needed to meet program requirements. Do not use reduction of expense to sidestep this limit. Recurring expenditures should be included in the budget, even when reimbursed by outside entities (such as travel expenditures). Agencies should use sound budgetary and accounting practices to record all transactions.
104. Before recording a reduction of expense, agencies should decide if doing so would distort true program costs. It may be better to increase the budget through an Emergency Board action or technical budget adjustment. The expenditure must relate to the agency or program mission. Agencies shall follow the guidelines provided in this policy. These guidelines allow for discretion, so agencies may want to develop their own internal procedures for reduction of expense transactions.
105. Non-recurring or special circumstances may make items suitable for reduction of expense. Federal regulation or state law may require an agency to use reduction of expense. Do not use it merely for convenience. Reduction of expense may not exceed actual expenditures. The reduction must occur within the same budgetary period. If it does not, record the receipt as revenue.
106. To ensure proper reporting of federal expenditures, do not record FEMA reimbursements using reduction of expense. Obtain additional expenditure limitation if necessary.

107. The following are examples of when reduction of expense may be suitable; this serves as a guide rather than a complete list:
- a. A refund of an overpayment or a purchase rebate.
 - b. Reimbursement from another state agency when it records an expenditure (e.g., job rotation).
 - c. Amounts collected or reimbursements for hosting special events, including conferences and training.
 - d. Reimbursement from state programs where the intent is to reduce expenditures (e.g., reimbursements associated with the Employer-at-Injury Program and the Preferred Worker Program).
 - e. Insurance recoveries.
 - f. Any other receipt that meets the intent of this policy as determined by the agency.
108. Record an insurance recovery as a reduction of expense. Refer to **OAM 15.60.25** for accounting guidance related to insurance recoveries associated with capital asset impairments. Refer to **OAM 15.35.00** for accounting guidance related to insurance recoveries other than those associated with impairments of capital assets, such as for theft or embezzlement of cash or other monetary assets.
109. Failure to apply this policy properly may result in a review of agency budgetary accounting practices.